

Bligh Grant · Joseph Drew

Local Government in Australia

History, Theory and Public Policy

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ISBN 978-981-10-3865-5

ISBN 978-981-10-3867-9 (eBook)

DOI 10.1007/978-981-10-3867-9

Library of Congress Control Number: 2017931051

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Printed on acid-free paper

This Springer imprint is published by Springer Nature

The registered company is Springer Nature Singapore Pte Ltd.

The registered company address is: 152 Beach Road, #21-01/04 Gateway East, Singapore 189721, Singapore

Preface

Away from the commanding heights of Australia's polity, local governments comprise a vital domain of the organisation of people's lives, ranging from providing fundamental services to property and to people through to their role as the third tier of Australia's federal democracy. They also undertake these responsibilities in what, for several decades now, has been an environment of seemingly unrelenting reform.

Despite the centrality of local governments in people's day-to-day lives, we assert—and in this we are hardly alone—that local governments in Australia are not afforded the dignity they deserve. More often than not, this lack of dignity is decried by pointing to the economic importance of local government or by emphasising their role as democratic mechanisms, or indeed both. In part this book is a testament to this importance. Yet we also assert, perhaps to the disconcertion of some of our colleagues, that local government is a worthy—indeed a fascinating—area of academic inquiry from a range of disciplinary perspectives, not the least of which are politics and economics and the moral theory that attends these disciplines.

With this in mind this book has two overarching goals. The first is to bring together the range of writing—some of which is academic, much of which is “public” literature in the form of law, regulations and commissioned reports, and some of which is historical—into a single volume reflecting upon the local government systems in Australia. In so doing our hope is that the book makes a small contribution to understanding local government, particularly in the public policy domains where it is a central area of concern. This includes the future shape of Australia's federation, of which a sustained consideration of local government has to be a part.

The second aim is, unashamedly, academic. Despite the consistent refrain that local government scholarship be “practitioner driven”, we think there is much to be gained in undertaking academic reflection upon local government and have sought to do so in a range of areas inclusive of the origins of Australia's local government systems, the place of local government in the Australian federation both historically and into the future, state–local government relations conceived in terms of the concept of autonomy, the idea of community and how it plays out in the context

of local government, the economic and financial dimensions of local government, the issue of leadership, ethical dimensions of local government, the pervasive topic of amalgamation and how the global cities debate is having an impact upon local government and local government studies.

Equally it is important to stipulate what this book is *not* about. Most importantly, it is not an attempt to provide an updated version of John Power, Roger Wettenhall and John Halligan's (1981) edited collection *Local Government Systems of Australia* published by the Australian Council for Intergovernmental Relations. As admirable as this book is—and we draw from it extensively—it is principally an exercise in political sociology. On the contrary: our text is far more theoretically and normatively engaged. This observation decidedly does not entail that producing an updated version of Power et al. (1981) would not be a valuable addition to local government scholarship. What such a volume would require is the collaboration of six or seven scholars to cover the individual jurisdictions in depth, conforming to a pre-determined structure. The fact that in the current context one would be struggling to find these six or seven scholars is a testament to the dearth of people choosing to specialise in the scholarship of local government in Australia.

In this vein, undertaking a book like this is very much like undertaking a doctoral dissertation in that one finds out how much one does *not* know about the subject under discussion through the course of the exercise. The book has several glaring omissions, which may be addressed at a later date. The most glaring—as will doubtless be pointed out by several of our esteemed colleagues—is that it lacks any discussion of Indigenous systems of local governance. Thus, for example, we could have incorporated the Australian Institute of Aboriginal and Torres Strait Islanders Studies (AIATSIS) map of Indigenous Australia in Chap. 3 concerned with regionalisation and regionalism, alongside (for example) a chapter on Aboriginal land councils in Part III of this book concerned with public policy. As with many of the subject areas discussed in this book, this subject could easily form a volume in its own right.

By no means as significant, but omissions nonetheless are discussions of (for example) the intricate systems of oversight for councilors and senior staff, the topic of diversity in the local government workforce, the contribution of various professions to the development of local government across the jurisdictions and the relationship of the full swathe of planning legislation enacted by state governments to local government. Similarly, we could have included a chapter examining reforms to management practices in local government, on the issue of environmental sustainability and how it has had an impact upon intergovernmental relations and—as our colleagues from the Australian and New Zealand Regional Science Association International (ANZRSAI) will point doubtless out—a separate chapter concerned with local government and economic development. With these omissions in mind it is nevertheless important to underscore that this book has an underlying thesis, namely that local government ought, first and foremost to be considered a *political* institution. To argue this case requires that we have an adequate account of what politics is—and we assert that this is a trickier question than might initially be supposed.

In line with the academic nature of much of this book, we would like to think that it is possible to be a *scholar of local government* without necessarily being an *advocate for local government*. Otherwise stated, that it is possible (although admittedly not very likely) that, after a sustained period of inquiry, one reaches the conclusion that local government—however one chooses to define it—is not really all that some of us have been led to believe. We would hope that the church of local government is broad enough to incorporate such views.

Ultimo, Australia
Uralla, Australia
December 2016

Bligh Grant
Joseph Drew

Acknowledgements

Literally dozens of people have contributed to this book. Many are colleagues, both academics and professionals working in local government, whom we know more or less intimately and whom we thank unreservedly for their contributions to our understanding of local government expressed in the content of this book. Alternatively, some are people we will never know—although we might like to think we do. These people act as the reviewers of blind manuscripts that we, with our many colleagues, have submitted to journals over several years. As peer reviewers, they have encouraged—and in many instances quietly insisted—that we improve our scholarly work in various ways before it is suitable for publication. In sum, the work of these people and the editors of these journals, such as *Australian Journal of Public Administration* and *Australian Journal of Political Science*, add immeasurably to our scholarly work and we sincerely thank them for their efforts. In this vein we also extend our sincere thanks to the two blind reviewers of the original manuscript of this book. The diligence with which they undertook their work cannot be overstated and we are profoundly grateful for their conscientious efforts.

Amongst all these people several in particular deserve mention by name. First and foremost, our profound thanks to Roberta Ryan, Professor and Director of the Institute for Public Policy and Governance at the University of Technology Sydney. We are under no illusion about the resources that the production of a book such as this takes, particularly by a self-funded element of a university; our profound thanks to you. Second, our thanks to Brian Dollery, Professor of Economics and Director of the Centre for Local Government at the University of New England. Both the authors undertook doctoral dissertations by journal article format under Brian's watchful eye and it was during this experience that we both learned much of the craft that has made it possible for us to write this book and many other academic contributions. We would also like to place on record the wonderful work of our copy editor, Alison Basden, who has worked with us patiently on this and many other projects and the work of Stephen Jones at Springer in encouraging us to pursue this project.

Finally, we would like to thank our respective families. It is quite a strange existence being a research-intensive academic; it is very much—as Prof. Dollery has stated many times—“a life of the mind”. This existence has peaks and troughs that bear only a tangential relationship to the usual camber of day-to-day life. We acknowledge that being around such people must, in the very least, be trying. We thank our respective families for their support and tolerance. Joseph Drew would like to offer this book to his sons, Thomas and Samuel Drew, his wife Betty and the late Brigadier Roy Drew.

With hindsight, 2015–16 might not have been the most optimal year for attempting a book reflecting upon the nature and purpose of local government in Australia: With the (now abandoned) White Paper process at the federal level, the highly vexatious processes of local government reforms in NSW and the issue of “global cities” looming very large topics as that we have both been obliged to be heavily engaged with, it has been a busy and exciting time. In the final analysis we trust it has been a worthwhile exercise.

Any faults of the book are of course entirely ours and the views expressed therein do not necessarily reflect the views of any or all of our colleagues at the UTS Institute for Public Policy and Governance.

Few countries can be so dominated by a printed document as is Australia by its constitution. Few peoples can be so plagued with constitutional problems in their daily lives as are the Australians. Mostly the problems are not recognised as constitutional. A dull, remote and incomprehensible document like a printed constitution seems to have no connection with life as it is actually lived. This appearance is misleading. The constitution has everything to do with life as it is actually lived in Australia.

Prof. Colin Howard in the Constitutional Commission's
Advisory Committee on the Distribution
of Powers Issues Paper, 1986.

At the time of going to press, proposals had been recently announced for a dramatic reduction in the numbers of local authorities. Since the situation is so fluid, we have not attempted to update all of the data which were current when the paper was written.

F.A. Larcombe, M.A Baines and N.T.G. Miles in J. Power
R. Wettenhall and J. Halligan, *Local Government
Systems of Australia*, 1981, pp. 138–139.

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Chapter 1

Introduction

Abstract This book is the product of three underlying motivations. First, it has been several decades since a comprehensive volume examining the local government systems of Australia has been produced. The book takes a step in addressing this, particularly in providing accounts of the history of local government systems in Australia and examining the theory of local government (philosophical; political; economic) and their application to Australia. Second, it offers an explicitly normative account of local government; one which recognises the promise and limitations of local government as an element of Australia's polity. Third, it brings together a range of writing examining local government in Australia from both public and academic sources. The themes of autonomy, community, economics and finance, leadership, ethical issues in local government, amalgamations, the global city thesis and the future of local government are explored.

Keywords Amalgamation • Autonomy • Community • Economics of local government • Future of local government • Global city thesis • Leadership • Local government in Australia

1.1 Motivation for Book

This book is the product of three underlying and inter-related motivations. The most pressing is that, despite the considerable volume of published work examining particular elements of local government in the Australian context—generated by both academics working in various fields and by various levels of government—it has not been since 1981, when the Australian Council for Intergovernmental Relations (ACIR) published Information Paper No. 7 *Local Government Systems of Australia* (Power et al. 1981) that a volume examining the history of Australian local government systems has been produced.

We hasten to add that a comprehensive history of the government systems in Australia lies well beyond the scope of this particular volume. In fact, some histories of individual jurisdictions of local government—in New South Wales

(NSW) by Larcombe (1973, 1976, 1978) and in Queensland by Tucker et al. (1981, 1982, 1983)—are multi-volumed works. Moreover, significant contributions to our understanding of Australia’s local government systems have been made since the publication of Power et al. (1981). These can be divided into two types. First, within the academic literature several volumes have been produced examining local government in Australia generally. These have included *Transforming Australian Local Government: Making it Work* (Jones 1993); alongside two edited collections, namely *Australian Local Government: Reform and Renewal* (Dollery and Marshall 1997) and *Reshaping Australian Local Government: Finance, Governance and Reform* (Dollery et al. 2003). Contributions have also been made from the perspective of urban studies (see, for example, Halligan and Paris 1984). We have also seen general accounts of reform processes by Aulich (1999, 2005) and Marshall’s (2008) examination of reforms to Australian local government in comparative international perspective. More recently, the edited collection *Perspectives on Australian Local Government Reform* (Dollery and Tiley 2015) assembles an enviable array of academics and professionals to comment on reforms in particular jurisdictions as well as more generally. Arguably, all of these accounts work with an implicit historical narrative centred on reform processes.

Second, descriptive statistics for all local governments in Australia are provided in various official documents, at the levels of both state and federal governments, inclusive of the Australian Government’s *Local Government National Reports* (DIRD 2015). All of this work—indeed much more—has been drawn on extensively in writing the present volume.

However, in a context which is so beset by reform we have an unnerving tendency to be absorbed in what Grant et al. (2015, p. 49) describe as the “pervasive modernity” of these processes. Arguably, this tendency leads us to avoid the origins of the individual local government systems, thereby not recognising that the development of the laws and regulations, or what Lowndes and Leach (2004, p. 560) describe as “enforced prescriptions” of behaviour, inform the constitutions, broadly understood, of the individual jurisdictions upon which local government is grounded. As such, we provide a brief overview of the origins of local government in the individual colonies and states and trust that this overview serves as encouragement for further scholarship.

This first motivation accords with de Tocqueville’s (1972, p. 59) observation that *prima facie* it doesn’t make a lot of sense to tell the story of a federal system of government (particularly, we suggest, a federal government that has “come together” rather than one that is the result of devolution) by focusing on the last form of government—federal government—first: “The author who should attempt to exhibit the picture as a whole before he has explained its details would necessarily fall into obscurity and repetition”. While the French aristocrat’s observations in 1835 regarding the United States may not be quite as valid a starting point in Australia now as it was then, his observation has a logic that serves our purposes.

The second motivation is to provide an account of what local government in the Australian context *ought* to be—in essence, the promises *and* limitations of this vital public institution in our daily lives. Considerations of this type are notably

different from the overwhelming weight of literature produced in Australia concerned with local government. While much of this literature has a normative dimension, arguably it is anchored in arguments about arrangements for specific public policy processes rather than canvassing a more general understanding of local government at an explicitly normative level. In this book we engage with a range of theory that circles around the question posed by Wickwar (1970, p. 1): “Is local government self-government, or is it a creature of the state?” In pursuing this motivation we also hope to contribute to the debate by contemporary scholars, in particular by Brown (2008) and colleagues, and to which we, with our colleagues, have made some contributions (see, for instance, Grant et al. 2016).

The third motivation is to bring together the recent academic literature pertaining to specific spheres of local government public policy that is extant outside the more general accounts previously mentioned. Aside from the comparatively minimal literature publically available through open access websites, such as the that generated by the Australian Centre for Excellence on Local Government (ACELG 2015) and other publicly accessible forums (see, for example, CLG: UNE 2015; RAI 2015), this literature is housed behind the increasingly impenetrable electronic and physical walls of tertiary education and research institutions. We assert that much metaphorical ink is spilled in peer-reviewed journals considering Australian local government. As with similar previous volumes (see, in particular, Dollery et al. 2012, 2013) this book presents this material in a different form.

1.2 Outline of Book

With these motivations in mind, the book is organised as follows. Part I attends to the abbreviated historical task described above and consists of two chapters. Chapter 2 provides an overview of the origins of individual local government systems as an element of the initial development of the colonies, then states, drawn principally from the contributions to Power et al. (1981), alongside histories of the individual states (see, for example, Blainey 2013; Crowley and de Garis 1969; Fitzgerald et al. 2009; Jaensch 1977; Kingston 2006; Reynolds 2012). We also identify what we are describing as “the history wars” in Australian local government studies, or what Power et al. (1981, p. 21) denote as the tension between “constitutionalist” and “State-interventionist” accounts of the individual jurisdictions. Chapter 2 also excavates the general observations of Power et al. (1981) about local governments in Australia at that time before moving to canvass the implications for public policy and research.

Chapter 3 continues the historical task by examining local government from the federal perspective. We trace the debate surrounding local government prior to the drafting of the federal Constitution through the work of Aulich and Piestch (2002). We also examine the long-standing debate concerned with regionalisation and regionalism in Australia, principally through the work of Brown and colleagues (Brown 2006; Brown and Bellamy 2006), the history of attempts at constitutional

recognition (Brown 2008; Grant and Dollery 2011c) and the more recent stance of consecutive federal governments toward local government (Grant et al. 2016).

Part II, Chap. 4 examines the theory of local government. We outline the dominant approach to conceiving reform processes to local government in Australia, namely the “democracy versus efficiency” heuristic derived from Aulich (1999). We then provide an account of various disciplinary perspectives on local government, examining in turn the philosophy of place (Malpas 1999), deontological and consequentialist accounts of subsidiarity (Deem et al. 2015) and what we are describing as the “economics of place”, including Olson’s (1969) “principle of fiscal equivalence”, the first generation theories of fiscal federalism (Oates 1972), Tiebout-sorting (Tiebout 1956), work on constraining Leviathan by Brennan and Buchanan (1980) and second-generation theories of fiscal federalism. Chapter 4 also examines the political theory of local government, principally through the work of Wickwar (1970) and Haus and Sweeting (2006) and local government as administrative practice, in particular the shift from “government to governance” and what is often portrayed (at least implicitly) as the evolution from traditional public administration, through New Public Management (NPM) to public value creation. Our consideration of the theory of local government also examines “new localism”, specifically English localism and its application in the Australian context (Evans et al. 2013a, b), arguing that conceiving of localism as mere administrative practice is problematic. Following the work of Grant and Dollery (2010, 2011a, b), we point to the “place-shaping” approach developed in England (Lyons 2007) as a more robust theory of local government, and assert its relevance to the Australian context.

Part III, Chaps. 5–11, is concerned with the principal themes in public policy pertaining to local government systems in Australia. Chapter 5 examines the issue of the autonomy of local governments set against the authority of their state governments. While *prima facie* it may not appear self-evident that local government autonomy is a primary locus for public policy contestation, in fact it determines the coal-face of much debate and reform processes across Australian local government. Chapter 5 initially examines the distinction between autonomy and democracy as emphasised by Pratchett (2004), and provides a comparative account of the legislative frameworks for “immunity” and “initiative” in Australia’s local government jurisdictions. By way of placing Australian local government in some comparative relief, Chap. 5 then turns to a discussion of home rule in the United States based on the work of Krane et al. (2001) and Grant and Dollery (2012). We argue that, while it is possible to view the enabling powers granted to local governments in Australia as a form of “legislative home rule”, the influence of political culture renders the two systems very different in practice.

Chapter 6 examines community and Australian local government. Following from a general discussion of the concept of community and its importance in political writing *writ large*, we turn our attention to community engagement, examining this phenomenon generally and in Australian local government in particular, utilising the work of inter alia Head (2007) and Bell and Hindmoor (2008). Drawing on the work of Grant et al. (2011b) we then examine the legislative frameworks and guidelines for community engagement as an element to

contemporary local government practices. We then turn to what has been recognised internationally as an exemplary utilisation of the contemporary practices of community engagement, namely the work undertaken by the City of Greater Geraldton, Western Australia. We argue that despite the room for cynicism toward practices of community engagement, when set about earnestly it can galvanise—indeed, create—local governments as embodiments of their communities. Nevertheless, we also argue that we are entitled to cast a critical eye over the commercialisation of community engagement as an element of local government practice.

Chapter 7 provides an introduction to the economics and finance of Australian local government. We consider in turn the main sources of local government revenue, including taxation, fee income and the crucial issue of intergovernmental transfers. The chapter then examines local government expenditure, first utilising Australian Bureau of Statistics (ABS) categories and then the Comprehensive Income Statements of aggregated individual councils. We then turn our attention to the debate on economies of scale in local government and various methods for decreasing local government expenditure, including altering the political structures of local government, reducing cost-shifting and introducing hard budget constraints. The chapter then argues that the issue of municipal performance ought to be conceived as an important topic in its own right, and derives some recommendations for reform. We make several other recommendations for local government finance in Australia, notably a shift to Capital Improved Value-based (CIV-based) rate assessments.

Chapter 8 examines the vexatious issue of leadership in the Australian local government context. After noting the confusion over how the distinction between political and administrative functions has been introduced in local government, we outline a typology of local government leadership based on the work of Grant et al. (2011a, 2014), Leach and Wilson (2004) and Mouritzen and Svava (2002). We then examine contemporary legislative arrangements for leadership in Australia's local government systems derived from work conducted at the Australian Centre of Excellence for Local Government (ACELG) (Sansom 2012) and contemporary legislation. We also examine the conjecture and refutation surrounding proposals to strengthen mayoral roles, in particular the “semi-executive” role outlined by Sansom (2012) and the typology of leadership in local government derived from political theory discussed by Grant et al. (2014).

Chapter 9 considers three explicitly ethical issues that characterise governments in Australia, derived principally from the work of the authors with our colleague Josie Fisher, Associate Professor at the UNE Business School. Initially we critically reflect upon the perception that local governments, in some jurisdictions at least, are systemically characterised by poor governance and the approaches to addressing these perceived failings. We then provide a detailed account of public value creation derived from Moore's (1995) original theory. Arguably, public value creation has become a public sector cliché and one that inhabits local government in particular. In this context we attempt to clarify these misconceptions and argue that public value creation provides a managerial *ethos* that is particularly suited to local

governments in Australia (see Grant and Fisher 2011). In a reflection of the authors' most recent work with Associate Professor Fisher (Drew et al. 2016a), Chap. 9 then examines the applicability of the "Principle of Double Effect" (PDE) as a means of improving upon public policy processes that, in many instances, provoke the ire of citizens across Australia's state and territory jurisdictions. We argue that taking into consideration both the "intent" and the "proportionality" of public policy as they pertain to local government reform may alleviate some of this ire and, as such, promote confidence in local government.

Chapter 10 examines the most salient public policy issue pertaining to local government in Australia and one that is alluded to throughout our discussion *writ large*, namely amalgamation. Following from the work of Professor Brian Dollery and many of his colleagues (see, in particular, Dollery et al. 2013), we provide a brief quantitative account of the history of amalgamations and de-amalgamations across Australia's local government jurisdictions, the former of which have overwhelmingly (but not exclusively) been predicated on achieving economies of scale in local government production functions. We then examine the vexatious reform process in NSW, which in essence has been reduced to a debate about amalgamation, in the period 2011–2016, and the extraordinary volume of scholarly work that the process has generated (see, for example, Drew and Dollery 2014a, b, 2015a, b; Drew et al. 2016a, b). Chapter 10 then puts forward a model for pursuing boundary change to local government areas which is morally licit, before moving to consider the implications of this for architects of public policy.

By way of recapitulation back to Part I of our discussion, Chap. 11 re-examines the entrepôt settlements of Australia, this time through a very 21st century lens, namely that of the "global cities" debate. Chapter 11 provides an account of the "global cities" literature, tracing the origins of the contemporary lexicon and, by way of Hu et al. (2013), provides an account of how Australia's two "global" cities, Sydney and Melbourne, are placed within this intrinsically competitive milieu. We then focus upon "Sydney global city", examining the rhetoric for "Sydney global city" and the tremendously fraught processes of reform that have been attempted from 2012 to the present, at least partially with the goal of enhancing Sydney's global city status. Chapter 11 concludes by reflecting upon how two very different ways of conceptualising local government, namely the metropolitan reform tradition exemplified by processes of amalgamation on the one hand and the metro-region tradition on the other, are presently being played out in Sydney's reform debate.

Part VI, Chap. 12 concludes our discussion with a consideration of the future of Australian local government. Within the context of putatively wide-ranging reform processes for the Australian polity, namely the "White Paper on reforming Australia's federalism" (PM 2014) and the "White Paper on reforming Australia's tax system" (see Grant et al. 2016) the subject of local government received scant attention. Yet any promise of formulating a robust discussion about the future of local government seemed to be scotched when the "White Paper on reforming Australia's federalism" was abruptly terminated by a meeting of the Council of Australian Governments (COAG) in March 2016. This discontinuation was most

unfortunate, particularly considering the salience of debates concerned with both localism and regionalism throughout this book.

Chapter 12 briefly recapitulates these discussions in the context of the now abandoned White Paper process, before revisiting in depth both the deontological (duty-based) and consequentialist (ends-based) accounts of the principle of subsidiarity as the moral basis for local government and the economics of place examined in Chap. 4 as part of positing a theorem of decentralised government. We then examine what we are describing as the “development of functional and administrative capacity in Australian local government”, reiterating that in the overwhelming majority of jurisdictions local governments have grown to encompass not only far larger geographic areas and larger constituencies than was formerly the case, but also significantly increased responsibilities. We then set out how local government, as an element to Australia’s fiscal federalism, could be afforded greater fiscal capacity grounded in changes in the arrangements for benefit pricing, taxation, debt and (in particular) intergovernmental grants, before asserting that these changes would result in more effective, more efficient and more equitable government for the Australian federation.

1.3 A Note on Source Material for This Book

In accordance with the third motivation for writing this book, namely to bring together discussions across a diverse range of literatures, much of the material for this book is derived from our previous work, albeit in different forms and with a range of authors. Thus, Chap. 3 draws extensively from the work of Kelly et al. (2009) in providing an account of federal government intervention into regional areas and local government. Chapter 4 utilises and extends several discussions concerned with the political theory of local government, in particular work on localism and the “place-shaping” approach developed in England (see, in particular Grant and Dollery 2010, 2011b, c) and the work on the political theory of local government by Grant and Ryan (2015). The discussion concerning local government autonomy in Chap. 5 derives in part from “Autonomy versus oversight in Australian local government: The implications of ‘home rule’ for Australian local government” by Grant and Dollery (2012), published in *Australian Journal of Political Science*. The consideration of the concept and functioning of community in Australian local government that forms the subject of Chap. 6 is drawn in part from the UNE CLG *Working Paper* (Grant and Dollery 2011a) and the case study of the City of Greater Geraldton by Grant et al. (2012). The discussion of the economics and finance of local government undertaken in Chap. 7, particularly the consideration of the reform process in NSW, draws on the work of Joseph Drew and colleagues (Drew and Dollery 2014a, b, 2015a, b; Drew et al. 2016a, b). Our consideration of leadership in local government in Chapter 8 derives in part from the work of Grant et al. (2011a, 2014) and the work of the Australian Centre of Excellence for Local Government (Sansom 2012). Our canvassing of several ethical

dimensions of local governments in Australia is sourced in part from Grant and Fisher (2011) and Drew et al. (2016a). Chapter 10, focusing upon amalgamation, again draws on the work of Drew and colleagues (Drew and Dollery 2014a, b, 2015a, b, 2016a, b), while our consideration of the global cities thesis in the Australian context draws on developing work in this area (see, in particular, Grant et al. 2015). Finally, the consideration of the future of local government derives in part from work conducted by Grant et al. (2016a) and work currently in progress as an element to the national conference on “Reforming Australia’s Federal Democracy” presented at Griffith University. In all cases extensive references to this work have been provided.

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Part I

History

Chapter 2

Origins and Development of Local Government Systems in Australia: An Overview

Abstract This chapter provides an overview of the origins and development of Australia's different local government systems. It documents and compares key milestones in this development, including dates when Indigenous peoples were first dispossessed of their land by European settlers, the granting of the status as colonies independent from NSW, the introduction of representative and responsible government, and the introduction of permissive and comprehensive systems of incorporation. We draw upon an earlier generation of scholars, arguing that the history of local government in Australia can be viewed as the tension between “constitutionalist” and “State-interventionist” systems, and trace this tension through the development of the individual jurisdictions. We also argue that what we are portraying as “the history wars” in Australian local government studies reflects the central question of local government, namely: Is local government self-government, or is it a creature of state? Conceived of as such, our understanding of local government shifts from one grounded in administrative practice to one that views local government principally as a political institution.

Keywords Australian local government • Constitutionalist and State-interventionist systems • Local government studies

2.1 Introduction

The Commonwealth of Australia came into being following the Parliament of the United Kingdom at Westminster approving the *Commonwealth of Australia Constitution Act 1900* (Parliament of Australia 2016). This Bill then received the Royal Commission of Assent—the Monarch and Ruler, Queen Victoria, signed the document—on 9 July 1900 (Museum of Australian Democracy, n.d.f). Much debated before its final drafting (see Aulich and Pietsch 2002), it came into force at 1.25 p.m. on 1 January 1901 (Maddox 1996, p. 136). The Commonwealth was initially formed by five colonial governments—New South Wales (NSW), Victoria, Queensland, South Australia and Tasmania—with Western Australia agreeing to

join following a referendum held on 31 July 1900 (for a discussion, see Musgrave 2003). These colonies had been granted status as independent colonies incrementally from 1788 to 1859 (see Table 2.1).

In any discussion of the origins and development of the local government systems of Australia it is worth emphasising that the separation of Australia from the Parliament and Monarch of Britain has been by no means clean-cut. It might be well understood that Queen Elizabeth II is the current head of the Commonwealth of Australia. However, arguably less well known is the centrality of the Crown in the operation of not merely the Australian Government under §61 “Executive Power” of the Commonwealth Constitution (Maddox 1996, pp. 214–215; Parliament of Australia 2016) but also in the six sovereign governments comprising the federation. Clune and Turner (2009, p. 12) remind us that the act of federation itself did not release the Commonwealth, or the states, from their dominion status under the Crown and the British Parliament. Rather, it was only after the *Statute of Westminster 1931 (UK)* was assented to following the Imperial Conferences of 1926 and 1930 and the *Statute of Westminster Adoption Act 1942 (Cth)* was assented to by the Australian Parliament that Australia was “transformed ... to equality with the United Kingdom as autonomous” (Clune and Turner 2009, p. 12; see also Museum of Australian Democracy, n.d.g). Moreover, “[t]he *Statute of Westminster* did not affect the position of the States: These remained ‘self-governing colonial dependencies’ of the Crown until the *Australia Acts 1986*” (Clune and Turner 2009, p. 12; see also Museum of Australian Democracy, n.d.a; Twomey 1986, 2006). It was only with the *Australia Acts 1986* that “Australian law was independent of British parliaments and courts” (Museum of Australian Democracy, n.d.a). This reminds us of the persistent, if gradually waning, force that both the Crown and the British Parliament and its administrative arms, in particular the Colonial Office (by one account at least, a rather shambolic and uninterested affair at times—see Clune and Turner (2009, p. 6), had in the individual jurisdictions both prior to and after federation, but particularly prior to that time.

For our purposes this is important, because it is within the historical development of these colonies that the origins and history of the local government systems of Australia resides. It has to be recognised as well that this development was inextricably related to the quest—by some, but by no means all—for increased measures of political autonomy from both the British Parliament and the Crown (see, for example, Roe 1965; Townsley 1951; Twomey 2006, pp. 1–16). Thus, while for the sake of convenience we might speak of “Australian local government” (see, for example, Dollery and Tiley 2015; Grant et al. 2011a, b; Sansom 2012), the foundations and development of the individual local government systems in law was distinct. According to Chapman and Wood (1984, p. 24):

These differences are significant in relation to the subsequent history of local government in each state. It is not satisfactory to dismiss them as so many commentators do by referring to the ‘Australian local government system’. There is indeed no such thing; there are six [now seven] dissimilar local government arrangements despite their formal appearance.

Table 2.1 Australia: Milestones in colonial and local government

	NSW	Vic.	Qld.	WA	SA	Tas.	NT
1. First dispossession/settlement	1788	1803/1836/37 ¹	1824	1829	1836	1803	1824 ⁶ /1869
2. Granting of separate colony/territory	1788	1851	1859	1829	1836	1825	1911
3. Representative government	1842	1851	1859	1870	1851	1851	1947
4. Responsible government	1856	1856	1860	1890	1857	1856	1974
5. First incorporation/Town trust[s]	1841 ²	1840 ³	1858 ³	1838	1840/1843 ³	1852	1874/1915/1957 ⁸
6. First municipal incorporation	1842 ⁴	1842 ⁵	1858 ⁵	1858	1840	1852	1874/1915/1957 ⁹
7. Permissive system	1858/67	1854	1864	1900	1849	1858	1874/1957 1978 ¹⁰
8. Compulsory system	1905	N/A	1878/9	1919	1887	1906	2008 ¹¹
9. Early, major consolidations of legislation ⁷	1905/06 1919	1874 1901	1902 1925 1936	1919 1919 1960	1917 1934	1906	2008 ¹¹
10. Recent modernisation of legislation	1993	1989	2009	1995	1999	1993	2008

Sources Adapted from Bowman (1981), Chapman (1981), DEWR (2013a, b, c, d, e, f, g), Gray (2004, p. 20), Government of South Australia (1999), Halligan and Wettenhall (1989), Larcombe et al. (1981), Northern Territory Government (2008), NSW Government (1993), Powell (1988), Power et al. (1981), Queensland Government (2009), Robbins (1981), Tasmanian Government (2005), Tucker (1981), Victorian Government (1989), Western Australian Government (1995), Wood (1981)

Notes 1–11 for Table 2.1 are contained in Appendix 1

As such, in order to inquire into what Stewart (2000) refers to as the “nature” of local government—indeed, to even assert that such a course of action is a worthwhile endeavour—it has to be recognised that to speak of “Australian local government” before 1901 is incorrect and to speak of it after that date is at least problematical.¹ This is especially the case if one adopts the broad methodological stance that underscores this book, namely an “institutional approach”, whereby legislatively-based definitions of institutional forms constitute the principal perspective for inquiry. Otherwise stated, while it is readily conceded that “political institutions do not determine the behaviour of political actors”, equally there is a broad recognition that they “shape political behaviour by providing a relatively systematic and stable set of opportunities and constraints”, or “enforced prescriptions of behaviour” (Lowndes and Leach 2004, p. 560; see also Grant et al. 2011a, p. 55). Over time, these practices and beliefs, while fluid, form the *constitution*—understood in the broad (i.e., written and unwritten) sense—of any particular polity (see, for example, Maddox 1996, pp. 137–138).

Arguably, the telling of Australian history has not been dominated by this particular mode of inquiry focused on local government and both colonial-local and state-local relations, particularly recently. As pointed out by Grant and Ryan (2015, p. 3), since approximately the mid-1980s the important work of revisionist historians has emphasised the history of colonial Australia as at once salacious, racist, class-based, sectarian and horrifying (see, for example, Birmingham 2000; Hughes 1987; Turbet 2011; Turnbull 1999). These accounts stand in stark contrast to the history and iconography that, for the most part, has been inscribed since the time of European settlement (see, for example, State Library of NSW 2007). The revisionist accounts, if not dialogically opposed to previously dominant understandings, nevertheless tell distinctly different stories of precisely the same events (see, for example, Hughes 1987, pp. 88–89) and of horrific events subsequently in the colonies (see, for example, Reynolds 2012).

It is extremely important to remember this because, when we come to examine the histories of Australia’s local government systems from which our account below is principally derived, descriptions of the events documented by the recent

¹To this stipulation various objections can be advanced. For instance, as we have already noted, one might well respond by asserting “everyone *knows* that they are different, it’s just a matter of convenience that we say ‘Australian local government’”. Further, a *de jure* objection is encountered in that, even though local governments, except in the Northern Territory, are constituted under state law, federal law (initially the Constitution and in all laws thereafter) overrides state law unless otherwise stated in the Constitution and as such local governments are, at their base, “Australian”.

Moreover, it is certainly the case that the Australian federation has undergone an *overall* process of centralisation, both administratively and fiscally, and that local governments have been the subject of federal oversight, or at least engagement, that has waxed and waned but generally increased. Thus, for example, it makes more sense to talk of “Australian local government” than it does of “US local government” (Svara and Hoene 2008, p. 136). However, in this context it is worth underscoring that, at the very least, the phrase “Australian local government” is contestable, if not a *de jure* misnomer.

revisionist history (and indeed elsewhere) are unnervingly absent, as if they happened in a parallel universe. Clearly they did not. The question of the extent to which local laws encouraged or were at least complicit in the prosecution of (for example) Indigenous peoples across the jurisdictions as they developed, as they were (for example) in the United States regarding the African-American population (see, for example, Dattel 2009, pp. 283–290), is one that we place to one side in the present discussion.

Our central concern in this chapter is with the origins and development of local government in Australia's colonies and states. We admit that any attempt to tell a *comprehensive* story of the origins and development of all Australian local government jurisdictions in one volume (let alone one chapter) would be a flawed goal. Indeed, as we noted in Chap. 1, at least two accounts of single jurisdictions are multi-volume affairs (see Larcombe 1973, 1976, 1978; Tucker et al. 1981, 1982, 1983). However, this fact ought not to proscribe us from providing an *overview* of the origins and development of the local government systems in Australia in order to inform our further discussion and invite more scholarship in the field. To achieve this we draw extensively (although by no means exclusively) from the contributions to the Australian Council for Intergovernmental Relations (ACIR) Information Paper No. 7 (Power et al. 1981).

This chapter is divided into ten main parts. Section 2.2 provides an overview of the development of the individual colonies/states and the Northern Territory from the original date of the dispossession of Indigenous peoples of their lands and settlement of Europeans through to the founding of responsible government. Section 2.3 introduces the concept of “the history wars” in the telling of local government history in the Australian context, asserting that it is a useful heuristic through which to consider these developments. Sections 2.4–2.9 provide a synoptic account of this development in the individual colonies and states, incorporating the initiation of the first local governments, through to the operation of permissive and comprehensive systems, alongside other principal points of interest until approximately 1980.² Section 2.10 examines the general observations drawn by the ACIR paper at the time (Power et al. 1981, pp. 96–113). The chapter concludes in Sect. 2.11 with some reflections on the implications for public policy.

2.2 Placing Colonial, State and Local Governments

In order to examine the development of local government in Australia, (Power et al. 1981, p. 8) Table 2.1 depicts the significant milestones in the development of the colonies, states, the Northern Territory and for local government. Examining

²Our account of the development of local government in the Northern Territory is confined to Sect. 2.2 of this chapter. Local government in the Northern Territory is discussed extensively in Part III “Policy” Chaps. 5–8 as an element to Australia's modern local government systems.

Table 2.1, it must be underscored that distilling such a complex history into a series of equivalent historical markers has required significant qualification (see Appendix 1). Further, we have chosen to record the information for the states and the Northern Territory following the order in which it is presented in contemporary government artefacts (see, for example, DIRD 2015), which does not coincide with the historical development of the jurisdictions or their relative importance over time. Nevertheless, rows 1–4 in the table take their categories from Power et al. (1981, p. 8) as the development of the colonies by four “milestones” (see also Grant et al. 2016). We discuss these “milestones” in turn.

The first of these milestones Power et al. (1981, p. 8) describe as “First European settlement”. Following the contribution of the revisionist history mentioned in our Introduction and profound alterations in law (see, for example, Bohill 1997) we have denoted this milestone as “First dispossession/settlement”. These dates mark the first *official* settlements, later recognised as dispossessions of Indigenous people of their land (see Bohill 1997), in what were to become the individual colonies that then became states and the Northern Territory. It is important to underscore that we are denoting official settlement only. Even a cursory survey of Australia’s colonial history reveals that there was plenty of other activity by Europeans besides that sanctioned by the British Crown, both before and particularly after the establishment of the first colony (see, for example, Crowley and de Garis 1969, pp. 9–10; Turner 1973, pp. 27–46). Notable is that the date of 1803 for Victoria in Table 2.1 marks the instigation and failure of the first settlement at Sorrento under Governor David Collins in the same year (see Quick and Garran 1995, p. 51; Turner 1973, pp. 27–46). Notable also is that the date of 1824 for the Northern Territory in Table 2.1 marks the first of four failed attempts at dispossession and settlement sanctioned by the crown prior to the foundation of Palmerston in 1869 which was renamed the Port of Darwin in 1911 (see Powell 1988).

Notwithstanding these caveats, Row 1 in Table 2.1 gives the date of the first official dispossession and settlement by the British Crown. The original colony of NSW was established in 1788 at the present site of Port Jackson, Sydney (DEEWR 2013a). The boundaries of the colony were established in the letters patent and the commission issued to the colony’s first appointed Governor and Vice-Admiral, Arthur Phillip, dated 2 April 1787 (Quick and Garran 1995, p. 35). These boundaries extended north to the tip of Cape York, south to include Van Diemen’s Land, westward to 135° east longitude (i.e.: cutting through what is now South Australia) and east to incorporate the adjacent islands in the Pacific, with the westward boundary being extended in 1827 to the 129th meridian, the contemporary boundary of South Australia and Western Australia (Quick and Garran 1995, p. 35; see also Brown 2004, p. 13).

Defined as such, initially NSW administered the settlements that were subsequently established on the eastern seaboard, including the territorial divisions within these that constituted the first attempt at instituting a local government system for the colony in 1825 (see, for example, Larcombe et al. 1981, p. 130). Examining Row 1 in Table 2.1, it is evident that the settlements were established quickly given the distances involved and (in many, but not all, instances) the

resistance encountered. Thus, Van Diemen's Land was officially settled in 1803 and 1804 at the contemporary locations of Hobart and Launceston (DEEWR 2013e; Quick and Garran 1995, pp. 58–59); Moreton Bay District to the north on the east coast parallel to what is now Brisbane, capital city of Queensland, followed in 1824 (DEEWR 2013c; Quick and Garran 1995, p. 72); Swan River settlement at what is now Perth, capital of Western Australia, followed in 1829 (DEEWR 2013g; Quick and Garran 1995, p. 67). Although initially surveyed in 1827–8 from the eastern colony in response to the perception that the French were attempting to annex unoccupied territories of the continent (Quick and Garran 1995, p. 67). Swan River was not part of the eastern colony founded in 1788 and was administered separately under an act of British Parliament from 1829 (Quick and Garran 1995, p. 68). Port Phillip District, now Melbourne, capital of Victoria, followed in 1836/37, with the initial European population arriving from Northern Tasmania as free settlers (Bowman 1981, p. 235; DEEWR 2013f; Quick and Garran 1995, p. 52). Adelaide was also officially settled in 1836, again by free persons commensurate with the *South Australia Act 1934* being assented to by the British Parliament (DEEWR 2013d) which established South Australia as a British province (Quick and Garran 1995, p. 63). Finally, as we have noted, following four failed attempts at colonial settlement in the area of what is now the Northern Territory (see Powell 1988, pp. 48–84), Darwin was settled as Palmerston on 5 February 1869 following the annexation of what is now Northern Territory (then part of NSW) by South Australia on 6 July 1863 (Museum of Australian Democracy, n.d.c; Quick and Garran 1995, p. 62).

The settlements were overseen by individuals appointed by the Crown both before and after achieving status as separate colonies: governors in NSW and South Australia, and initially subordinate ranks in the cases of Van Diemen's Land, Moreton Bay District and the Swan River Settlement. In Melbourne, Charles La Trobe was appointed as the First Superintendent in 1839 (see Bowman 1981, p. 236; Quick and Garran 1995, p. 53). Before the establishment of individual colonies in (consecutively) Van Diemen's Land, Victoria and Queensland, those appointed were responsible to the governor in NSW. Following the proclamation of individual colonies, discussed directly below, governors were responsible to the British Government. The original head of the settlement of Palmerston was the (then) Surveyor-General of South Australia (see Powell 1988, pp. 81–82).

Initially these governors “ruled according to their Commissions, Letters Patent, Royal Instructions and directions from the Secretary of State for the Colonies” with “wide-ranging autocratic authority [inclusive of] complete legislative and executive power” (Clune and Turner 2009, p. 6). However, while they exercised considerable (although varying) authority, Maddox (1996, p. 201) points out that this authority did not entail that they could do anything they liked: their competence was “*de-fined*” and “[t]he common law of England was transferred to the colonies with the migration of British subjects”, although the legal basis of this authority has been questioned (see Quick and Garran 1995, pp. 35–36).

The second phase, delineated in Row 2 of Table 2.1, marks the transition of the settlements to separate colonies. This transition occurred for Van Diemen's Land in

1825 following the combining of the southern and northern settlements in 1812 (DEEWR 2013e; Quick and Garran 1995, p. 59). As we have seen, Western Australia was administered as a separate colony from 1829 (DEEWR 2013g) and South Australia was established as a separate colony in 1836 (DEEWR 2013d). Port Phillip District, including the cities of Melbourne and Geelong (which were initially incorporated under NSW legislation) became the separate colony of Victoria in 1851 (DEEWR 2013f; Quick and Garran 1995, p. 53), with Moreton Bay District following suit in 1859, whereupon it was renamed Queensland (DEEWR 2013c). Quick and Garran (1995, p. 73) note that prior to separation, as a district of NSW Moreton Bay returned nine members to the NSW Legislative Assembly of NSW in 1856, with agitation for separation commencing “as early as the year 1851”.

Status as a separate colony was achieved by a grant of the British Parliament and the Crown following partitioning by the inhabitants of the area, after which a proclamation was made at the site of the colony. Alongside seeing the appointment of a governor independent of NSW, independence also entailed the establishment of a rudimentary judiciary separate from that of NSW and the formation of a Legislative Council—a small, *appointed* body acting in an advisory role to the governor (see, for example, DEEWR 2013a, b, c, d, e, f, g; Maddox 1996, p. 211). In the Northern Territory, the area was taken under the control of the Commonwealth in 1911 following the assent of both the *Northern Territory Surrender Act 1908* (SA) and the *Northern Territory Acceptance Act 1910* (Cth) (Museum of Australian Democracy, n.d.d, n.d.e).³

The third stage, denoted by Row 3 in Table 2.1, marks the *commencement* of representative government. This stage was incrementally introduced across the colonies between 1842 in NSW⁴ and 1870 in Western Australia. It saw the expansion of the colonies’ legislative councils to include individuals elected from what were initially very exclusive and varied franchises. For example, in NSW the Legislative Council initially, from 1825, consisted of seven appointed members; by 1842 it had increased to 36, with 24 elected members (including six from Port Phillip District) serving five-year terms (Maddox 1996, p. 211; see also Quick and Garran 1995, p. 39). This year also saw the enacting of the first *New South Wales Constitution Act 1842* by the British Parliament (Parliament of NSW 2016). Representative government frequently followed from the introduction of trial by jury in the individual colonies, which was seen commensurate with some modest

³For our purposes two points are noteworthy at this stage in our narrative. First, “one of the conditions of the transfer [in 1911] was that such of the laws of South Australia as were applicable to the Territory ... were to continue in force until such time as they were altered or repealed by the ... the Commonwealth” (LA NT 2003, p. 1). Second, the *Northern Australia Act 1926* divided the Territory into two north-south parts at the 20th parallel. However, this Act was repealed in 1931 (LA NT 2003, p. 1). From the *Northern Territory (Administration Act) 1947* (Cth) the Territory moved through progressive stages of responsible government (DEEWR 2013b), although not without intervention by the Commonwealth on a number of issues (see, for example, LA NT 2003; Michel 2015).

⁴Quick and Garran (1995, p. 38) note that: “The Legislative Councils established by previous Acts were purely nominee and *irresponsible* bodies” (emphasis added).

form of representation (Maddox 1996, p. 211; see also Carney 2006, pp. 35–57; DEEWR 2013a, b, c, d, e, f, g; Quick and Garran 1995, pp. 35–78).

Similar forms of limited representation were introduced in quick succession in the other colonies (see, for example, Carney 2006, pp. 35–57; DEEWR 2013b, c, d, e, f, g; Quick and Garran 1995, pp. 35–78). According to the Museum of Australian Democracy (n.d.b), the *Australian Constitutions Act 1850 (UK)* was significant for establishment of representative government for several reasons: it allowed the separation of Victoria from NSW the following year; in NSW it “empowered the Governor and the Legislative Council, with Britain’s approval, to establish a Parliament of two houses”, thereby requiring a significant extension of the franchise and introducing responsible government (discussed below) to the original colony and in Tasmania it allowed for the extension of the proportion of elected members of the Legislative Council to increase to two-thirds (DEEWR 2013e). Victoria established its own Legislative Council of 20 members, ten of whom were elected, in 1851 (DEEWR 2013f). The Legislative Council was similarly expanded in South Australia in 1851 (DEEWR 2013d), and in Queensland in 1859 (DEEWR 2013c). Representative government was established in Western Australia in 1870, with the Legislative Council then consisting of 18 members, 12 of whom were elected property owners (DEEWR 2013g). A Legislative Council was appointed for the Northern Territory in 1974 following the *Northern Territory (Administration) Act 1974 (Cth)*; originally consisting of 13 members, it was modelled along colonial lines with a mixture of appointed and elected members (LA NT 2003, p. 1).

Row 4 of Table 2.1 contains the fourth milestone, the introduction of responsible government. As Twomey (2006, p. 3) notes, what this actually entailed was a vexed issue in the colonies at the time. In this context it is worth offering a definition. For their part, Radbone and Robbins (1980, p. 204) identify three possible meanings: first, “that of an administration guided by public demands rather than its own dictates”; second, “that of a government which acts prudently and consistently”; and third, “that of a government that is held accountable for its actions—either to its citizens or to its representatives”. It is this third definition—denoting the responsibility of the executive to the people or their representatives (a parliament)—that (arguably) is most useful and generally put forward (see, for example, Maddox 1996, pp. 125–126).

In this form responsible government was introduced in NSW, Victoria and Van Diemen’s Land in 1855–6 with the latter colony being renamed Tasmania in 1856 (DEEWR 2013a, e, f; Parliament of Victoria 2011); in South Australia in 1857 (DEEWR 2013d); in Queensland in 1860 (DEEWR 2013c); in Western Australia in 1890 (DEEWR 2013g); and in the Northern Territory in 1974 (DEEWR 2013b; LA NT 2003, p. 1). It is important to note that the introduction of responsible government followed agitation for greater representation, or what Quick and Garran (1995, p. 41) label as the “demand” for responsible government in the case of NSW, across the colonies, although to varying degrees (see, for example, Roe 1965; Turner 1973). For the colonies, representative government involved re-drafting their constitution acts to provide for legislatures on the basis of an expanded (although varied) franchise and granting authority for parliaments to alter

their own constitutions, subject to Royal assent (Twomey 2006, p. 4).⁵ These acts were then sent to the British Parliament for approval, subject to amendments (DEEWR 2013a, b, c, d, e, f, g; see, for example, Parliament of NSW 2016). For the Northern Territory, the Commonwealth replaced the (then) Legislative Council with a “fully elected 19 Member Legislative Assembly” in 1974 (LA NT 2003, p. 1).

Table 2.1 rows 5–9 denote, respectively, the dates of the first incorporations in the colonies, the first legislation for a city or town corporation, the introduction of permissive systems of local government, the introduction of comprehensive systems of local government and the consolidation of legislation such that local government was drawn under one act and/or significantly modernised. These developments were by no means even across the colonies. Examining row five, in NSW, Victoria and Western Australia the first incorporations were achieved under legislation for road trusts and pre-dated the first municipal incorporations. The first incorporation in what is now the Northern Territory occurred in 1874 under the South Australian *District Councils Act 1858*, while the first under Commonwealth legislation was that of the Darwin Town Council in 1915 (Museum of Australian Democracy, n.d.c). Examining rows five and six, the first incorporations of both Sydney and Adelaide were short-lived before their re-establishment in 1857 and 1852 respectively (see explanatory notes #3 and 4 Appendix 1). The first municipal incorporations in Victoria and Queensland (Melbourne and Geelong in 1842 and Brisbane in 1859) were enabled under NSW legislation (see Larcombe 1973, pp. 130–197).

Examining rows seven and eight denoting the introduction of permissive (or voluntary) systems incorporation and compulsory systems of same, again the histories of the jurisdictions are variable. Thus, in Victoria the introduction of a comprehensive system *resulted from* the introduction of legislation enabling voluntary incorporation (see, for example, Bowman 1981). However, in the majority of jurisdictions comprehensive systems came about with the introduction of legislation requiring incorporation *after* voluntary systems had failed to achieve a level of incorporation deemed satisfactory by the respective governments (for an exposition, see Sects. 2.4–2.9).

As we have already seen, the case of the Northern Territory is quite distinct and, at this level of analysis, can be rendered more concisely than those of the other jurisdictions detailed in the discussion below. According to Sanders (2006, p. 1) prior to the commencement of self-government in 1978 the Northern Territory “had just four local governments in its major urban areas: Darwin, Alice Springs, Katherine and Tennant Creek”, all of which were constituted under the *Local Government Ordinance 1957*, which itself was a form of permissive legislation enacted by the Northern Territory Council and subject to amendment multiple times before self-government was achieved in 1978 (Museum of Australian Democracy,

⁵For their part, Quick and Garran (1995, pp. 44–45) note the scant attention paid to the concept of responsible government in the re-drafting of the constitutions across several of the colonies and the controversy that surrounded these constitutions on this basis at the time.

n.d.c). With the advent of self-government in 1978 the *Local Government Act 1978 (NT)* introduced the Northern Territory's own permissive system of incorporation. This specified "two types of local government ... municipal councils and community government councils", the latter of which allowed for a variety of governing arrangements, all of which "were intended for smaller communities in outlying areas" (Sanders 2006, pp. 1–3). From 1978 to 2006 a variety of ad hoc arrangements for local government were introduced by both Country Liberal Party and Labor Party governments, inclusive of some new councils, single episodes of amalgamation and attempts at regionalisation (see Sanders 2006, p. 3).

Row 9 of Table 2.1 marks the initial major modernisations of the acts *and* the merging of two or more acts so that authority for local government fell under one act, with the exceptions of separate legislation for capital and major cities in NSW, Victoria, South Australia and Queensland. As such, "consolidation" generally refers to the merging of legislative provisions for municipalities on the one hand and shires on the other hand; although within the literature the term "consolidation" also refers to the gradual introduction of the broader stabilisation of local government within a particular jurisdiction (for details, see explanatory note #7 in Appendix 1). Arguably, it was only with the introduction of the *Local Government Act 2008 (NT)* (see Northern Territory Government 2008a, b) that a compulsory and consolidated system of local government was introduced. Most strikingly, this entailed a "sweeping regionalisation" wherein "53 community councils were forcibly amalgamated into eight regional shires" (Michel 2015, p. 102; see also Chaps. 5, 6 and 10 of this book). Again, details for the consolidation of local governments in the other jurisdictions are provided in Sects. 2.4–2.9 below. Row 10 of Table 2.1 marks the most recent comprehensive revision of legislation (in essence, the introduction of new local government acts) in all jurisdictions. Part III of this book is devoted to examining public policy of contemporary local government in Australia after the modernisation of local government systems under these acts and ensuing legislation.

Having set out this disaggregated history of the jurisdictions, in this immediate context it is important to make two points. First, as already noted, the *Constitution Act 1842 (NSW)*, which introduced responsible government for NSW and representative government for the colonies generally, also provided for a local government system for the eastern seaboard *writ large*:

[A] scheme for the division of the colony into districts, each of which was to have its own council to make by-laws; to build and maintain roads, bridges and public buildings; to establish and support schools; and to defray expenses connected with the administration of justice and the police. The governor was empowered to incorporate districts compulsorily and to fix the boundaries (Power et al. 1981, pp. 7–8).

The extended quote above demonstrates the broad remits of these district councils as they were originally conceived, including schools and the police. At the time Governor Gipps proclaimed 28 such districts on the basis of extant police districts. However, the system was not taken up by the then colony and simply lapsed (Power et al. 1981, p. 8; see also Halligan and Wettenhall 1989, p. 77).

Second, all of the town centres of the colonies that were to become cities (Sydney, Melbourne and Geelong in Port Phillip District, Hobart and Launceston in Van Diemen's Land, Adelaide in South Australia, Perth in Western Australia and in 1874 the District of Palmerston, later Darwin, under South Australian legislation) were incorporated under their own legislation, as were many other centres in due course. However, several of these incorporations (notably Adelaide, Sydney and the Perth Town Trust) initially failed and were revived several years later (Power et al. 1981, p. 10).

2.3 Constitutional and State-Interventionist Systems: The History Wars in Australian Local Government Studies

The above distinction between “permissive” and “compulsory” systems of incorporation introduces us to the central tension in the *telling* of the history of the origins and development of the local government systems of Australia, namely the extent to which they are the result of legislative action by the colonial governments on the one hand, or if they came about because of the wishes and actions of citizens on the other. In the words of Power et al. (1981, p. 21):

Two polar types that emphasise quite different features of local government are offered here as a means of depicting the major distinctions between the local government systems. We call these types *constitutionalist* for the stably structured systems which have developed in response to local demand, and *State-interventionist* for those that are malleable and have been imposed from above.

Of course, to introduce “types” into a telling of history (in particular types that are dialogically opposed, as indeed these two are) is inevitably followed by qualifications to these types and a blurring of the lines between the two. In fact, as we shall see immediately below, historians of Australia's local government systems engage in precisely these kinds of qualifications. Notably, however, several of these historians have a lot to say about the “constitutionalist” or “state-interventionist” nature of the jurisdictions they study, and in some instances provide a defence of the jurisdictions they discuss (see, in particular, Atkins 1959; Bowman 1981; Power 1980; Robbins 1981, pp. 575–578; Wood 1981).

In effect, we are suggesting that there exists an identifiable “history wars”⁶ in the telling of local government history in Australia. On the one hand there are those who emphasise the dominance of colonial and state governments in the fashioning

⁶In using this phrase as we do in this context we are, decidedly, not implying that the “history wars” in Australian local government studies has the same profundity as other conflicts that the phrase is applied to, both in the Australian context (see, for example, Moses 2008) and elsewhere (see, for example, Linethal and Elgelhardt 1996). However, we are suggesting that the conflict has a very similar shape.

of the local government systems in Australia *writ large*; on the other hand there are those who emphasise the contribution of voluntarism to the constitution of the systems. Further, we suggest that these opinions, as quietly impassioned as they are, indicate to us that there is more at stake than local government conceived as *mere* public administration. On the contrary: the local government “history wars” alert us to the fact that the debate about the history of local government in Australia is far more normatively derived. Arguably, behind these histories resides the question: “Is local government self-government, or is it a creature of the state?” (Wickwar 1970, p. 1). We return to this question in our conclusion to this chapter and throughout this book. We now turn to the individual jurisdictions to examine how this question plays out in the telling of these histories.

2.4 Overview of Local Government in New South Wales 1788–1980

NSW falls firmly in the “State-interventionist” camp of “the history wars” in Australian local government studies, with its main scribes (see Atkins 1959, 1979; Larcombe et al. 1981) attracting some criticism (rightly or wrongly) for promulgating this view as more, rather than less, applicable to all Australian jurisdictions (see, for example, Power et al. 1981, p. 20; Robbins 1981, p. 575; Wood 1981, p. 651). The account rendered here clearly indicates that identifiable “constitutionalist” tendencies have been part of the historical development of the jurisdiction. However, in seeking measures of political autonomy, initially the colonists were concerned with achieving greater authority for their Parliament when set against that of Britain (see, for example, Twomey 2006, pp. 1–16) rather than with local government.

2.4.1 Early Development 1788–1858⁷

In their account of the first half century of the history of local government in NSW, Larcombe et al. (1981, p. 129) state: “New South Wales began as a military penal colony and no effective government decentralisation began until the 1830s” (see also Larcombe 1973, p. 5). For his part, Maiden (1966, p. 5) suggests that, for the first 25 years, “[m]uch voluntary work was undoubtedly done individually and

⁷The primary source for this account of the origins and development of local government in NSW is Malcolm A. Bains and N.T.G. Miles’s entry in the collection edited by Power et al. (1981). However, in their first footnote to the entry the authors noted: “The late F.A. Larcombe wrote the historical section for this report drawing on his recently published three volume work *A History of Local Government in New South Wales*” (see Larcombe 1973, 1976, 1978). As such we have denoted the source as Larcombe et al. (1981).

collectively on the initiative of the settlers themselves”, before asserting that “[t]he issuing of Government Orders became the medium of civil government administration”. In fact, it was 70 years from the time of initial dispossession and settlement until the first act for general purpose municipalities, the *Municipalities Act 1858 (NSW)* (NSW Government 1858; discussed below) was assented to.

As we have already seen, the length of time that lapsed between the initial dispossession and settlement and the *Municipalities Act 1858 (NSW)* by no means entails that the British Parliament and the Colonial Office did not envisage a local government system developing in the colony; on the contrary, this was clearly the case (see, for example, Clune and Turner 2009, p. 7). Rather, it indicates that the early attempts to introduce such a system faltered. Thus, in 1825 the Colonial Office ordered the whole of the then colony (including Van Diemen’s Land) to be divided into counties, hundreds and parishes; however, “no local government significance was ever given to them” (Larcombe et al. 1981, p. 130). Similarly, the eighth Governor of NSW, Sir Richard Bourke (see Bongiorno 2010, p. 167), who held this office from 1831 to 1837, made a suggestion for local government in 1832. According to Larcombe et al. (p. 29), the Governor had decided “that the time had arrived when the citizens of Sydney could be expected to administer to their own affairs”. Yet the proposal was essentially ignored.

The ninth governor, Sir George Gipps (see Ventress 2010), introduced both the “Municipal Corporation Bill” in 1840, which provided for the voluntary incorporation of towns, and the “Police and Public Works Bill” in 1842, which envisioned “a body of elected commissioners to undertake local functions” (Larcombe et al. 1981, p. 129; see also Maiden 1966, pp. 44–49). Again, both measures failed (Larcombe et al. 1981, p. 129), with Maiden (p. 48) citing the *Sydney Morning Herald* of 25 June 1824 to the effect that, while the colonists understood the worth of good government, they were not prepared to “defray the expenses of coercing the British convicts”. Subsequently, under the *New South Wales Constitution Act 1842* (Parliament of NSW 2016), Gipps proclaimed 28 district councils that were delegated to provide half the cost of the upkeep of the police and infrastructure. The proposed system was “a complete failure”, as was the original Sydney Corporation (Larcombe et al. 1981, p. 130). Governor Gipps’s *Parish Roads Trust Act 1840* witnessed only a few incorporations (Larcombe et al., p. 130). In the meantime, basic services were provided under a series of earlier acts, including the *Sydney Police Act 1833*, the *Sydney Water Supply Act 1833* and the *Roads and Streets Act 1833* (for a concise list, see Maiden 1966, pp. 32–35).

Yet the initial multiple failures of top-down designed proposals does not mean that the nascent colony was devoid of civic spirit. Larcombe et al. (1981, p. 129) document that “[t]he first moves from Sydney’s inhabitants to establish municipal institutions were made in 1835 when a group of householders and landowners presented a partition for a general system of elected commissioners”. Further, the authors inform us that one “Civis” actually devised a “scheme” for municipal government, from which the “Sydney Town Improvement Bill” was drawn; yet this scheme was rejected principally because it did not include powers of local taxation. Moreover, following the extension of the *Police Act 1833* to the outer towns such as Parramatta and

Windsor in 1838 “demands for locally elected councils led to movements to establish councils in Parramatta, West Maitland and Newcastle” with citizens keeping an eye on the development of municipal institutions around Port Phillip Bay (discussed below) (Larcombe et al., p. 129). Additionally, the special incorporations introduced in 1842 under Gipps and inspired by the granting of charters to the Canadian cities of Montreal and Quebec saw the successful incorporation of the cities of Melbourne and Geelong, with Larcombe (1973, p. 80) expressing regret that legislation did not provide for general incorporations. However, the Sydney Corporation initiated by the *Sydney City Incorporation Act 1842* assented to on 20 July of that year (Larcombe 1973, p. 87) had faltered by 1850 and was subject to the *Sydney Corporation Regulation Act 1850* (Larcombe 1973, p. 110).

The key tension was that, while the colonial office had a clear idea as to how self-government in the colonies ought to develop (see, for example, Clune and Turner 2009, p. 7), and there was certainly demand for local services, citizens were not prepared to pay for the provision of services through local taxes (principally land rates) when the colonial government had been providing services for free and, as we have seen, they regarded such taxes as subsidising the convict system (see, in particular, Maiden 1966, pp. 51–52 for an account of the lack of support for the District Councils). This recalcitrance, along with the main efforts for autonomy being directed at the Legislative Council (the Governor, acting for the Crown, controlled revenue from the sale of land) alongside other grievances (see Twomey 2006, pp. 2–3), combined to form what Larcombe (1973, pp. 5–13) refers to as “factors of retardation” in the development of local government.

Larcombe’s (1972, pp. 79–109) account reveals what in essence was a conflict between the legislature, backed by powerful members of the Squattocracy (John MacArthur in particular) and a town that was in dire need of basic services. There were a series of sophisticated arguments in the politicking around the issue of the Sydney Corporation, including whether or not an unrepresentative legislature had the right to award powers of taxation to an ancillary body (Larcombe 1972, p. 82), and the argument that municipal corporations themselves were historically moribund compared with service provision by commission (Larcombe, pp. 107–109). After being abolished and replaced with an appointed three-man commission in 1853 (Larcombe 1972, p. 129; see also City of Sydney, n.d., p. 2), the council was finally restored by the Legislative Assembly in 1856 (City of Sydney, n.d., p. 2). Nevertheless, overall the account of this initial period provided by Larcombe et al. (1981, pp. 129–130) and Larcombe (1973, pp. 1–178) is one of the top-down-inspired plans for local government that faltered (see also Maiden 1966, pp. 41–65).

2.4.2 *Permissive to Comprehensive System 1858–1906*

A permissive (or voluntary) system of incorporation was eventually introduced under the *Municipalities Act 1858* (NSW Government 1858; see Larcombe et al. 1981, p. 131). The first revision to the legislation was enacted under the

Municipalities Act 1867 (NSW Government 1867; see Larcombe et al. 1981, p. 131). Areas were incorporated under these systems, which allowed as much with petitions of only 50 householders under the 1858 legislation, then 50 ratepayers under that of 1867. However, “[t]he overall result was the creation of an *intensive* rather than *extensive* system” (Larcombe et al. 1981, p. 132; emphasis added). Otherwise stated, many very small incorporated areas came into being (initial incorporations numbered 38 municipalities, including Brisbane; by 1906 the number was 196) but the proportion of the population under these incorporations, and indeed the area incorporated, was very small.⁸

Instead of local services (particularly roads and bridges) being provided by local communities, with or without a grant from government, citizens simply lobbied members of the legislature, to the extent that “an aspiring premier” would make promises to provide particular areas with infrastructure needs, and many small ad hoc boards (often with elected members) were formed, thus delaying the need for local councils (Larcombe et al. 1981, p. 132).

The overall impression of the permissive system gained from Larcombe (1973) and Larcombe et al. (1981) is of uneven and undirected development that continued into the next century—over 40 years—in which time “the best known of the New South Wales statesmen [had] wrestled with the problem of the form of which compulsion could best be introduced” (Larcombe et al. 1981, p. 132). Notably, a “dual system” had also emerged, with road trusts initially incorporated under Gipps’s legislation in 1840 and 1842 developing into shires under the *Shires Act 1905* (NSW Government 1905) standing alongside the municipalities. The *Shires Act 1905* nevertheless gave state government the power to “initiate” new local government areas, and saw the overwhelming majority of the state’s population at that time divided into 134 shires covering 60% of the area (Larcombe et al. 1981, p. 132). The *Local Government Extension Act 1906* allowed municipalities (in essence town councils) to be drawn from the shires, and later that year the legislation was consolidated into the *Local Government Act 1906* (NSW Government 1906), which, according to Larcombe et al. (1981, p. 133), provided the basis of “the balanced and comprehensive system of local government ... under the *Local Government Act 1919*” (see NSW Government 1919).

Larcombe et al. (1981, p. 133) note that in 1928 other incorporations occurred around the Murrumbidgee Irrigation Area under the *Irrigation Act 1912*, and between 1954 and 1959 parts of the Western Division were also incorporated. In a coda to their account of the eventual introduction of the comprehensive system in 1906 followed by the 1919 Act, these venerable local government historians reserve particular venom for what they labelled “an insidious invasion into local government arenas of ad hoc authorities” from as early as 1873, citing the example of the City of Sydney, which “since 1973 [has] lost its vehicle licensing powers, water supply, drainage, saleyards, electricity, fish and produce markets and the

⁸The areas incorporated were nevertheless geographically widespread, including “Albury, Camperdown, Cudgegong, Goulbourn, Kiama and Orange” (Maiden 1966, p. 83).

redevelopment of parts of its area such as the Rocks” (Larcombe et al., p. 133). Thus, despite noting that local government initially gained considerable assets with the introduction of comprehensive incorporation, the revenue that could—indeed ought to be—derived from these services was deprived of local government through the gradual introduction of more and more ad hoc authorities (Larcombe et al., p. 133). As we shall see, this is a continuing theme throughout the accounts presented below.

2.4.3 *Twentieth Century: Regionalising and Greater City Movements*

Perhaps of most interest for contemporary readers are the observations by Larcombe et al. (1981, pp. 133–136) about regionalising movements, both as an element of local government development in NSW and as greater city movements. It is at these points that the topic of local government becomes one of government at the regional level conceived not merely from the perspective of NSW but also from the federal tier. We examine the latter in some depth in Chap. 3, which delves into regionalism as an element to Australia’s federalism. In this immediate context it serves our purposes to place these concerns into historical perspective.

Commenting upon regionalising movements generally, Larcombe et al. (1981, pp. 133–136) examine three phenomena: first, new states movements, second, provision for joint authorities and third, federal schemes for regionalisation. Remarking upon new states movements in NSW, Larcombe et al. (p. 133) concisely observe:

The new States movement is an aspect of *decentralisation* designed by its promoters to overcome the *excessive State centralism* and the dominance of the capital cities and as a means of bringing the people *closer to the seat of government* through a revision of state boundaries (emphasis added).

All of these points are reaffirmed elsewhere in the literature, in particular in the tract by Ellis (1933), *New Australian States*, written in the author’s capacity as Secretary to the Leader of the Federal Country Party and Director appointed to prepare the Case for Riverina separation. Placing to one side aspirations for regionalism based on the grounds of autonomy understood politically, it is important to grasp that the impetus for decentralisation entailed in the new States movement was based on very pragmatic grounds: both the Riverina and New England areas in NSW were several hundred miles away from their administrative, political and judicial centres; there was considerable repulsion against what Ellis (1933, p. 57) labelled “Sydney intrigue”; and there were fears (or at least political rhetoric) that, unless decentralisation was enacted, the federation would be unbalanced and under threat (Ellis 1933, pp. 9–11). Here, the concept of local government, understood as “home rule”, takes on a far more profound meaning.

The demand for these new states was strong. Agitation for a province to the north based around Grafton in 1915 and to the south centred on the Riverina in 1922 led to the 1924 Cohen Royal Commission into the matter, “which concluded that new States were ‘neither practical nor desirable’” (Cohen Royal Commission, cited in Larcombe et al. 1981, p. 134). Instead the Royal Commission recommended a district council system based upon the county council system in England (and in fact initially proposed by the (then) Local Government Association; see Larcombe et al. 1981, p. 134). Despite meeting with “the full approval of local government authorities” the system was never implemented (Larcombe et al. 1981, p. 134).

Two Commonwealth Royal Commissions were conducted examining the introduction of new states between the wars: Pedan in 1929 (discussed in Chap. 3) and Nicholas in 1935. While both broadly approved of the idea of new states, “neither offered any recommendations for strengthening local government” (Larcombe et al. 1981, p. 134). Politically the issue peaked in 1967 with a constitutional referendum for the separation of New England and, while the issue of new states has been the subject of academic inquiry (see, for example, Blainey 2004), it has not been forcefully politically pursued since. Yet for our purposes it is important to see that the issues of local government, regional government and new states are linked and perennial over this extended period.

Commenting upon the second manifestation of regionalism in NSW, namely the provision of joint authorities (what in today’s parlance are labelled “shared services” (see Dollery et al. 2012)), Larcombe et al. (1981, p. 134) note the growth in county councils, for which councils could delegate full authority (i.e., including taxation) for particular services such as abattoirs, water supply and weed control. Larcombe et al. (pp. 134–135) register significant praise of “the county system”, the reasons for which reflect contemporary justifications—both theoretical and public policy-centred—for joint action. Thus:

The county system has a lot to recommend it *from a local government point of view* ... [i]t permits the advantages of specialisation and economies of large-scale operation... it retains local control for local government major functions in danger of being lost to boards *which do not always provide for local representation* (Larcombe et al. 1981, pp. 134–135; emphasis added).

Yet there was also recognition of the disadvantages of ceding authority for potentially profit-raising amenities (Larcombe et al. 1981, p. 135; for a discussion in the contemporary context, see Dollery et al. 2014).

The third impulse toward regional arrangements, namely regionalising schemes from the federal tier, occurred during the latter part of WWII and was premised upon the federal desire to understand the potential of regional areas for reasons of national security and economic development. Again we discuss these processes at greater length in Chap. 3; however, in this immediate context it is important to underscore that this *federal* impulse for regionalism—resulting in inter alia 20 regions being identified in NSW that were controlled by committees (the membership of which was required to comprise half local government representatives)—was, ultimately,

viewed unfavourably by local government. This reluctance to embrace regional structures initiated by the federal government was not so much (as Larcombe et al. 1981, p. 135 note) that the boards were *appointed* and, as such, did not provide for popular participation. Rather, it was that ultimately the local government sector felt threatened by appointed regional bodies *despite* local government *officials* being generally in favour of regionalism (see, for example, Larcombe et al., p. 136; see also Kelly et al. 2009). This added to the suspicion the state governments have traditionally held toward regionalism. For instance, commenting upon the revival of the idea of popularly elected regional councils in the 1950s advocated by Professor F.A. Bland, Larcombe et al. (p. 136) state: “It is doubtful whether the States would countenance a strong regional level of local government. Their Governments are very sensitive of their position at a mid-level, subject to expendability”.

Turning to greater city movements in NSW, as we shall see in our discussion below, the issue of the relationship of local governments to arrangements for metropolitan governance recurs in the sections discussing Victoria, Queensland, Western Australia and Tasmania. In this context it is useful to provide an account of the *types* of movements that have attempted—and occasionally succeeded—in achieving forms of metropolitan governance in NSW.

Larcombe et al. (1981, p. 136) identify three *types* of movements for city governance arrangements. The first is very familiar in the contemporary context, namely attempts to form larger governments through programs of amalgamation, justified “on grounds of economy *or political motives*” (emphasis added); second, county councils based “on the English model”; third, attempts to create “a single metropolitan authority” (p. 136; emphasis added). Notably, Larcombe et al. (p. 136) are directing our attention to the fact that *political* reasons can be offered, or indeed deduced, as justifications for reform, not just arguments about achieving scale and scope economies or arguments pointing to an appropriate scale of control for governing cities. It is also important to note that these three types of reform may or may not involve a variety of democratic arrangements, both representative and participatory (or indeed none at all). In the contemporary context we label those that place *more* rather than *less* emphasis on democratic arrangements as metropolitan *governments*, while those that place *less* on democratic arrangements we label institutions metropolitan *governance*.

According to Larcombe et al. (p. 136), of the three types of regionalising movements (i.e., larger councils; county councils; attempts as instituting a greater metropolitan authority) it was only the third that at that time “was of any significance”. As a way of historically contextualising the discussion of contemporary attempts at metropolitan reform in Sydney provided in Chaps. 10 and 11 it is useful to provide a brief account of the five attempts at reforming Sydney from 1898 to 1931 as discussed by Larcombe et al. (1981, pp. 136–137).

The first of these attempts occurred between 1898 and 1900, wherein “schemes were drafted at the city and suburban council level to amalgamate Sydney [i.e., the Municipality of Sydney] with contiguous suburbs” (Larcombe et al. 1981, p. 136). Competing plans were drafted by both city aldermen and by aldermen in the

adjacent suburbs, inclusive of a two-tier (or federal) system; however no agreement could be reached, with Larcombe et al. (1981, p. 136) commenting: “The supporters of the plans were so opposed in principle that the movement was quickly deadlocked”.

The second attempt was grounded in the idea of overcoming the impasse about the design of the new system by holding a popularly-elected convention to draw up a plan. Larcombe et al. (1981, p. 136) state: “A Bill [i.e., The Greater Sydney Convention Bill] for this purpose was introduced by the McGowen Labor Government in 1912”, but it was rejected by the Legislative Assembly after amendments by the Legislative Council, principally on the grounds that the convention would only consider proposals for a unitary system and that the delegates for the convention were to be drawn from a parliamentary, rather than municipal franchise (Larcombe et al. 1981, p. 136).

The third attempt followed the next year—1913—wherein a Royal Commission was appointed (again by a Labor government) which “recommended a bi-zonal or hybrid unitary-federal scheme embracing fifty-three local units”, with an “inner-zone” comprising the City of Sydney and 23 other municipalities being unified, and the outer zone “federated until such a time that they were suited to inclusion in the inner zone” (Larcombe et al. 1981, p. 137). The plan was to see a Greater Sydney Council undertake metropolitan-wide functions, and a Greater Sydney Bill was introduced in 1915, “but was never earnestly considered because of the seriousness of the war situation and the division of the Labor Party over the conscription issue” (Larcombe et al. 1981, p. 137).

Fourth, in 1931 the Lang Labor Government introduced a Bill for a federated structure “covering the whole of the Cumberland County” (discussed below) which would have seen 69 councils amalgamating to 28 and a Greater Sydney Council as the federal authority (Larcombe et al. 1981, p. 137). However, according to Larcombe et al. (1981, p. 137) “[a]gain a crisis intervened—the Governor’s dismissal of the Lang Government—and no further action was taken”.

Fifth, Larcombe et al. (1981, p. 137) inform us that the *Local Government Areas Act 1948* achieved a reduction in councils from 66 to 39 municipalities, “but that no attempt was made to undertake setting up of a metropolitan authority”, with the authors arguing that the serial failure of reform attempts could be explained by “city-suburban disagreement on a suitable form, the intrusion of party politics at a State level and the crises of war and the Depression”.

By their own account, it is difficult to concur with Larcombe et al. (1981) that these attempts at metropolitan-wide reform were more significant than the perennial bouts of amalgamation experienced in the Sydney metropolitan region discussed immediately above (although for greater context and detail see, for example, Lawrie 2017). However, what the conclusion of Larcombe et al. (1981) perhaps does indicate is the extent to which these authors, along with contemporary scholars (see, for example, Tomlinson 2016) value the idea of metropolitan-wide reform over and above other types of reform, a point we return to in Chap. 11 of our discussion.

2.4.4 *Assessing Attempts at Reforming the System*

Surveying the summation by Larcombe et al. (1981) of attempts to reform NSW local government up until that time, one is struck by the comparative *lack* of major review and reform processes from the inception of local government in the state, compared with the unrelenting avalanche of processes of inquiry in the state since 2011. These processes have included (most saliently) the work of the Independent Local Government Review Panel (ILGRP) and the attempts at reform under the current Baird Coalition Government’s “Fit for the Future” program, the details of which form some of the discussion in Part III of our book across a range of public policy areas (see also, for example, Drew et al. 2016a, b; Grant et al. 2015). Larcombe et al. (1981, p. 137) note that with the repealing of the *Municipalities Act 1858* in 1867 some reforms were introduced, including the division of municipalities into boroughs and districts, the introduction of a plural franchise and some new functions (including libraries) being placed in the hands of councils. However, the *Municipalities Act 1897* that reformed the 1858 legislation did not introduce any structural changes (Larcombe et al., p. 137).

Nevertheless, several historical periods of active reform are identified. Principal of these commenced with the introduction of the *Local Government Act 1906*, which (as we have seen) “provided for compulsory incorporation, retirement of council members [implying that prior to this they did not have to retire], an extension of the franchise to an occupier of rateable property, UCV (unimproved capital value) rating [the subject of some discussion in Chap. 12] and permanent government aid” (Larcombe et al. 1981, p. 138). The *Local Government Act 1919* provided for county councils and various amendments to this act (for a concise discussion, see Maiden 1966, pp. 128–173) which were still in place in 1981, including (but not limited to) further extensions to the franchise and the option for directly electing chairmen of shire councils. In fact, Larcombe et al. (p. 138) are slightly scornful of the law at that time, commenting: “There has been no subsequent change to the legislation, which makes it extremely difficult for the interested observer to discover the present state of local government law”.

Surveying the salient themes in reform, amalgamation forms, to deploy Vince’s (1997, p. 151) phrase, “a thread which runs through [NSW] local government” for the remainder of the 20th century. Thus, there were a series of boundary inquiries, including inter alia the one examining Newcastle that led to its consolidation into a metropolitan form under the *City of Newcastle Act 1937* (NSW Government 1937) alongside the formation of larger councils, including Wollongong to the immediate south of Sydney and Shoalhaven on the South Coast, as well as the creation of the greater cities of Cessnock in 1956 and Lithgow in 1977 (Larcombe et al. 1981, p. 138). According to Larcombe et al. (1981, p. 138) the County of Cumberland (discussed below) also underwent significant amalgamation under the *Local Government (Areas) Act 1956* with all the other amalgamations being processed through the (then) extant legislation.

Also of note is that toward the end of WWII, and in line with the general atmosphere of planning in Australia at that time (see Kelly et al. 2009), the County of Cumberland Planning Scheme was initiated. Cumberland had been one of the original electorates for the extended franchise of the Legislative Council (see Maiden 1966, p. 51). Under ministerial discretion it was the name given to the County Council constituted for planning purposes on 27 July 1945 and tasked with developing a planning scheme for Greater Sydney over a three-year period. The scheme was finalised and adopted by the Council in March 2008 (see Maiden 1966, pp. 267–271) and, while principally a planning instrument, Maiden (p. 272) informs us that, when read in the Parliament by subsequent Premier John Cahill, it was hailed as a “triumph for local government” in collaboratively producing a comprehensive statutory regional planning scheme (see Maiden 1966, pp. 269–281 for a concise account of Cumberland County Council and other regional planning schemes at the time).

For their part, Larcombe et al. (1981, p. 138) inform us that following WWII “the need for rationalisation of areas became very apparent” but was politically problematic to the extent that the procedure for review, which then centred on the Department of Local Government and the Minister, followed by a proclamation of the new local government area by the governor, was overhauled. It was the *Boundaries Commission Amendment Act 1963* (NSW Government 1963) that introduced that body, which replaced the Department in the process of review, followed by ministerial approval, with “[p]rovision made for the hearing of public objections to the recommendations” (Larcombe et al. 1981, p. 138). Still, the problem of amalgamation continued to be a vexed issue, with the Barnett Committee of 1973 recommending a “drastic reduction” from 223 to 97 councils and the government refusing to grasp the nettle.

Pointing to public disquiet arising from putative amalgamations, Larcombe et al. (1981, p. 138) note that the number of councils decreased significantly over the century, with the number of municipalities falling from 191 to 92 and the number of shires falling from 134 to 133 from 1906 to 1963, then under the Boundaries Commission to “79 cities and municipalities and 121 shires”—suggesting amalgamating regional councils was impractical and politically toxic. Larcombe et al. (p. 138) then state:

At the time of going to press, proposals had been recently announced for a dramatic reduction in the numbers of local authorities. Since the situation is so fluid, we have not attempted to update all of the data which were current when the paper was written. At the time (mid 1979) there were 205 local authorities.

Indeed it stands as a testament to Vince’s (1997, p. 151) thesis that we can say *precisely the same thing* some 37 years later. We take up the issue of amalgamation of local government in Australia generally, and the current reform process in NSW in particular, in Chap. 10.

Larcombe et al. (1981, p. 139) note that other salient inquiries have occurred in NSW, including a Select Parliamentary Committee on the Workings of

Municipalities in 1874, (which “considered that municipalities should be maintained on a healthy financial basis ... but it had little to recommend to achieve that desirable state of affairs and no improvements eventuated”) (again, these events are documented at length in Chap. 11; for a critical discussion of the place of inquiries in local government reform, in particular the role of commissioners, see Grant et al. 2015). Further, a 1967 Royal Commission on Finance and Valuation, which *inter alia* examined rating and recommended the introduction of a poll tax, nevertheless saw the state government move from paying rates to its local governments to making contributions of a similar amount to an “Assistance Fund” for local government administered by the Grants Commission, which it could “distribute for any purpose for the benefit of local government” (Larcombe et al. 1981, p. 139). Finally, several other inquiries—the Brown Committee Report on rationalising the county council system for electricity supply, and the aforementioned proposals for radical amalgamation put forward by the Barnett Committee, for example—saw most of the recommendations shelved (Larcombe et al., p. 139).

Returning to what we have styled as “the history wars” in Australian local government studies, Larcombe et al. (1981, p. 139) note that the municipal associations in NSW were at that point both long lived and strong: the Municipal Conference, which was the precursor to the Municipal Association, commenced in 1856, transforming into the latter in 1883, then becoming the Local Government Association in 1906 following the reforms of that year. The shires formed their own association that same year. Larcombe et al. (p. 198) somewhat wryly inform us that “[in] 1922, on the death of the Secretary of the Shires Association, the two associations hit upon the present harmonious compromise of remaining separate entities, but with the same secretariat”. The associations eventually merged on 1 March 2013 (LG NSW, n.d).

However, notwithstanding our caveats to the idea that we introduced earlier in Sect. 2.2—i.e., “Civis” et al.—the impression left by Larcombe et al. (1981) and other sources (see, in particular, Maiden 1966) is one that places NSW squarely in the “State-interventionist” camp. Indeed, historically it would seem that the greatest peak of “constitutionalist” action occurred with the New State movements stretching from the early 1900s through to the 1960s. We next turn to the jurisdiction that contrasts most starkly with NSW, particularly in “the history wars”: Victoria.

2.5 Overview of Local Government in Victoria 1833–1980

The origins and development of local government in Victoria are usually labelled “constitutionalist”, yet this label is not applied without significant qualification. Again, our account is derived principally from the entry for the ACIR paper (Power et al. 1981) written by Bowman (1981, see also 1972, 1976).

2.5.1 Early Settlement, Colonial and Local Government in Victoria 1833–1874

Bowman (1981, p. 235) argues that the initial trajectory of the development of local government in Victoria was subject to three main influences: the incorporation and development of the town of Melbourne in 1842; the influence of the road trust legislation under the *Parish Roads Trust Act 1840 (NSW)* that then applied to what became Victoria in 1851 and was to engender the development of the shires in that colony; and (least successfully), “the more grandiose and ideological scheme of the British Government to create (ultimately) a colony-wide system of local self-government” that we have already discussed in our consideration of the origins and development of local government in NSW.

Before examining these in turn we ought to be cognisant of the political and economic backdrop upon which these events unfolded. Following the failed attempt at establishing a penal settlement at Sorrento on the Mornington Peninsula in 1803 (see Turner 1973, pp. 27–46⁹) “Batman’s ‘village’ on the Yarra”, now Melbourne, was originally settled from Northern Tasmania in 1835 on behalf of the Port Phillip Association, who were seeking pastoral lands (see City of Melbourne 1997, p. 8). The population grew very rapidly: one year after its founding the European population was 224; by 1851 after the discovery of gold (and, coincidentally, the initiation of the separate colony—see Table 2.1) the population totalled 77,345 (Bowman 1981, p. 235), with 100,000 people arriving in 1852 alone (Bowman, p. 240). While it is tempting to explain this growth by pointing to the discovery of gold in 1851, it is also inaccurate. Pastoralism had expanded significantly. For instance, Blainey (2013, p. 36) claims that by 1851 the sheep in the Port Phillip District “numbered 6,600,000”. It was a burgeoning settlement, and the colonial government in NSW was reaping financial benefit. Bowman (1981, p. 235) informs us that as early as 1839 £35,000 was directed to Sydney and New Zealand above what was being spent on local amenities. In that year the citizens, supported by an active press, were petitioning the British Government for local representation on the Legislative Council of NSW and some measure of self-government. This was initially granted in the form of the appointment of the District’s first Superintendent (La Trobe) but, according to Bowman (p. 236), it was soon realised that he was serving the interests of his masters in Sydney and significant discontent remained (see, for example, Turner 1973, pp. 278–303).

The prosperity of the district was attracting the interest of the Governors based in Sydney. Bourke visited in March 1837 (Parliament of Victoria n.d.) and when the

⁹For his part, Turner (1973, p. 27) evinces significant pride—and relief—in the non-penal origins of Victoria, opining that it was fortunate that the original settlement failed, otherwise “the actual history of Victoria, dating a generation further back, would have been developed out of those unwholesome surroundings of felony that make the early annals of New South Wales and Tasmania such painful reading, and that, disguise it as we may, have undoubtedly affected prejudicially their development”.

reforming Gipps visited in 1841 he was presented with a “Bill of Wants” by the Melbourne Chamber of Commerce (Bowman 1981, p. 236). Gipps decided that incorporation of the town was the solution to the ongoing problem of representation (incorporation would see the burgeoning centre stay in NSW) and accordingly Melbourne Town Council was constituted in 1842 under *Act 6 Victoria*No. 7 (NSW) (see City of Melbourne 1997, p. 14), comprising 12 councillors, three each from four wards, and four aldermen (Bowman 1981, p. 236). According to Bowman (p. 237), what we will describe as glamorous amenities were provided (the roads were “metaled”, gas lighting provided, the Princess Bridge opened in 1850, for example). However, the council suffered from the “farming out” (Bowman, p. 237) of specific amenities. Thus, as early as 1856 a Gas Company was incorporated and a Commission of Sewerage and Water formed to service Melbourne (Bowman, p. 237). As such, the problem of service provision (and potential income that could be derived therefrom) being gradually hived off from the representative institutions was initiated in Victoria and was to continue (more on this below).

While Melbourne and the problem of representation were perhaps the central issues,¹⁰ the second lasting influence on the development of local government was that of the *Parish Roads Trust Act 1840 (NSW)* which, as we have seen in our account of NSW, formed the basis of a rudimentary, single-purpose authority that could levy rates. Bowman (1981, p. 237) notes that initially only one such trust was constituted in the Port Phillip District; the populace did not prove keen on paying the cost and the option for incorporation wasn’t widely adopted. However, the idea of roads trusts formed the basis of the District system of road maintenance and construction, as recommended by a committee constituted by the new colonial government in 1851 (Bowman, p. 238). In this iteration the boards could charge the *government* for their services and (unsurprisingly) they were a success, such that they were “given wider powers” then renamed shires under the *Local Government Act 1863 (Victoria)* (Bowman, p. 238). By 1869 “there were 106 shires or roads districts” (Bowman, pp. 238–239). Compared with NSW, this permissive (voluntary) system was proving a success in the newly independent colony.

The third—and least successful—influence upon the early development of local government in Victoria was the aforementioned “grand and ideological scheme” for a system of local government. Under the *Land Act 1869 (Victoria)* decentralisation proceeded around miners’ rights in the goldfields (Bowman 1981, p. 239): in essence, miners “transitioned” (our phrase) to becoming small landholders and police services were also decentralised. However, the development of town councils was less successful. With so many people arriving in Melbourne with the discovery of gold (as we have already noted, 100,000 in 1852 alone) the boundaries of

¹⁰For a concise account of the struggle for separation inclusive of inter alia the process of petitioning the Crown, see Turner (1973, pp. 278–303). Of particular interest is the fact that the first Superintendent, La Trobe, who advised against responsible government in the event that separation was achieved, was appointed first Lieutenant Governor of the new colony (see Turner 1973, pp. 291–303).

Melbourne were extended in 1844 (Bowman, p. 240) but this reform had relatively little impact.

Following this lack of traction, the *Municipalities Institutions Act 1854* (Victoria) was successfully introduced and suburban Melbourne was divided up on the basis of a pre-determined formula in order to address the problems of basic service provision (Bowman 1981, p. 244). This—and the fact that the newly-constituted Parliament of Victoria did not want to see the City of Melbourne develop into a rival power base—engendered what Bowman (p. 240) describes as “the suburbanisation and fragmentation of local government” in the city. This suburbanisation was sponsored by Parliament in the form of one-off grants (diminishing over time) for newly established municipalities, both in and beyond Melbourne. Under this *permissive* system, by 1857 there were 17 municipalities, only seven of which were “suburban” (Bowman, p. 241). As such, as with several other jurisdictions (NSW, Queensland and Western Australia), Victorian local government initially developed with dual systems (shires, municipalities), with the latter being somewhat ineffective in basic service provision. The 1862 *Report on the Royal Commission of Inquiry into Municipalities and Charitable Institutions* generally approved of the system but recommended that both policing and education functions be removed from councils (Bowman, p. 242). Here (again) local government functions developed to cover a smaller range of functions than their English counterparts.

Thus this early development was characterised by what Bowman (1981, p. 242) decried as “crippling and persistent suburbanisation” that, in modern parlance, weakened the financial capacity of local government, such that deferral to ad hoc statutory authorities for basic service provision became inevitable: a Board of Land and Works administered the *Land Act 1869*; the Melbourne Harbour Trust was formed in 1876 and a Fire Brigade and Tramways Board in 1890 (Bowman, p. 244). Only two of these burgeoning authorities—at the time labelled “state socialist enterprises”—were in any way representative, namely the Melbourne and Metropolitan Board of Works constituted in 1890 (discussed below), which comprised commissioners appointed by the (then) 39 councils within the metropolitan area, and the Board of Public Health constituted under the 1889 *Health Act* (Victoria), which included seven elected members from local government (Bowman, p. 245). Commensurately, a range of specific functions (waterworks and water reservations, vermin control, for example) continued to be handed over, in some cases to ad hoc elected bodies which were answerable to state government departments, rather than local councils.

2.5.2 Local Government in Victoria 1874–1901

For our purposes it is significant that Bowman (1981, p. 243) puts forward a firm “constitutionalist” perspective regarding local government in Victoria by 1874, based on the success of the comprehensive system:

The rapid spread of Roads Boards throughout the colony and the steady increase in the number of municipalities testifies to a robust willingness by the settlers to accept responsibility for managing local affairs. By 1874 there were 10 cities and towns, 50 boroughs, 98 shires and 12 districts, a total of 170 local government authorities covering in all ... 209,476 square kilometres and serving a total population of 790,492.

Beyond this portrait of the period leading to the turn of the 20th century, Bowman (1981, pp. 243–246) notes three significant developments. First, the *Local Government Act 1874 (Victoria)* consolidated the shires and municipalities under one act, with Bowman commenting “this has remained the shape of the local government structure” and again underlining the tendency for the creation of ad hoc authorities, or “the development of what Eggleston [1932] has called state socialism” which diminished the “power” of local governments. Second, the aforementioned “Melbourne and Metropolitan Board of Works (MMBW)”, created in 1890, which was “largely self-financing”, thus acting as a restraint on pressure for forced amalgamation. Third, the reaffirmation in 1890 of the property-owning, plural franchise initiated in 1863, with the result that “[a]s local government was designed to provide services primarily to property, it was likely that it would attract to its service men of property rather than village Hampdens”. Describing the “typical local councillor”, she quoted “Q” from the *Australasian*:

He is, of course, intensely narrow-minded ... He is solemn-looking, and it is only when he begins to speak that you find out about his intellectual incapacity ... He is wealthy, or at least independent, and has perhaps been a grocer, or a soap boiler or a turkey merchant ... He is bland, pious, is known in popular circles by some Honest-prefixed abbreviation of his baptismal name, and when he dies his executors discover that he has been living comfortably upon appointed trust monies for the last ten years of his highly respected life (Bowman 1981, p. 254).

Alongside offering this portrait, and noting that women were ineligible to vote or to stand for election until 1914, Bowman (1981, p. 246) surmises that “by the turn of the century, local government was everywhere well established”. Importantly as well, while police districts developed wholly independently of local governments, local councils were also “local boards of health”. This manifested itself in the requirement for the regulation of buildings as fit for purpose of human habitation, rather than health services conceived in the provision of hospitals and clinics; and was a retro-active concern that played second-fiddle to the representation of local interests that were conceived generally in a framework where “councils aimed to socialise their costs and capitalise any profit to be gained from government grants” (Bowman, p. 246).

2.5.3 *Local Government in Victoria 1901–1945*

Bowman’s (1981) account of Victorian local government from 1901 to 1945 can be distilled into five main elements. First was an overall lack of reform, explained at least partially by the economic downturns of the 1890s, and later in 1915 when the

effects of WWI were beginning to be felt. This was despite “bottom-up” pressure for better services (health, welfare and town planning) at the beginning of the century that coincided with a municipal reform movement to counter the now well-established trend of designating specific functions to special-purpose statutory authorities. Bowman (p. 246) described this municipal reform movement as “radical”, yet it failed to achieve any major reform.

Second, the trend of passing responsibility for basic services to statutory authorities continued: 1905 saw the creation of a three-person State Rivers and Water Supply Commission under the *Water Act 1905*; in 1912 the Country Roads Board was established; in 1919 both the State Electricity Commission (SEC) and the Metropolitan Tramways Board were enacted; and in 1930 the Housing Commission of Victoria was created after local governments refused to accept responsibility for addressing the problem of urban slums, despite specifically being given powers to do so *Workers Dwelling Act 1914*. The creation of many of these authorities was frequently accompanied with the ostensible goal of taking the politics out of basic services. Yet the result, according to Bowman (1981, p. 249) was the creation of “a number of independent *principalities* ... within State public administration which, throughout the years, were able to go their own ways independent of ministerial control” (emphasis added). While this might have been the case, it is worth keeping in mind that the centralisation of services to the state level could well have been given impetus by the depressed economic conditions of the time, as noted by Maiden (1966, p. 128).

Third, alongside the construction of this raft of statutory authorities, particular councils were taking on greater roles in health and welfare in what Bowman (1981, p. 249) described as “an increasing ‘feminisation’ ... of the municipal agenda”, with the Baby Health Care Association formed in 1917 (eight centres were established in that year followed by two more for the City of Melbourne in 1918) and an incremental rollout of home care, all centred around the problem of infant mortality, in the immediate post WWI years. Intriguingly, Bowman (p. 250) also notes that it was in the 1920s that several municipalities mobilised to advocate for the inception of Swinburne Technical College, alongside developing “pick-and-shovel” jobs centred on municipal facilities in order to cater for the needs of the unemployed. In these reforms the general tenor of Victorian local government as a provider of health and welfare services that is seen today (see, for example, Grant et al. 2011b) is clearly evident. The provision of welfare services was matched with a drive to implement broader planning powers across municipalities: a conference convened in 1929 by Melbourne City Council resolved to form a city planning commission that the next year saw the (then) government introduce a Town Planning Bill, which was debated once in Parliament and never heard of again.

The fourth trend identified by Bowman (1981, p. 250) during this period was the move toward local government reforms for the City of Melbourne. Opinion was split between two main camps, federalist and unificationist. Labor, represented by the Australian Natives Association at the turn of the century, favoured a single metropolitan authority for Melbourne (as it had repeatedly done for Sydney in NSW

and would achieve for Brisbane in Queensland in 1924), alongside achieving the political goal of universal suffrage. Alternatively, the Municipal Association of Victoria (MAV) argued for a federal (or two-tier) scheme, which was popular up until 1950 and, according to Bowman (1981, p. 251) “was almost carried [presumably in state parliament] in 1913, 1917 and again in 1935”. However, again the habit of ceding more power to a statutory authority prevailed, with the Board of Works willingly accepting an extension of its powers despite a *Metropolitan Council Bill 1913* being narrowly lost and—akin to the situation in NSW—the mood for reform dissipating.

Bowman (1981, p. 252) appears slightly remorseful about the failure of the federal scheme in 1913 that was embodied in the *Metropolitan Council Bill 1913*, which would have seen a directly elected tier of approximately 30–40 members (where councils would be grouped together to form electorates) to be responsible for all major services (water works, all water and garden amenities, electric and gas power and carriage licencing, for example), and the failure of similar schemes in 1922 and 1936. Rather, an alternative route to representation—namely increased demand for representation of suburban interests on the Board of Works—was taken.

The fifth major trend prior to WWII identified by Bowman (1981, p. 252) was that reform schemes—however fraught with a distinct lack of success—were concentrated on Melbourne rather than in the major provincial centres such as Ballarat, Bendigo and Geelong, all of which “continued to suffer the ill-effects of municipal suburbanisation”. In her account Bowman (p. 251) is quite scathing of councils’ inability to agree to amalgamate, echoing sentiments—and reasons—concerning this precise issue that are astonishingly familiar to any contemporary observer:

But it appears that a fairly narrow calculation of self-interest has characterised local government: all councillors share a disinclination to lose office; and no resident expects any enlarged council to take care of its own neighbourhood as well as a smaller council does. No significant numbers have shown an enthusiasm for equality if they have to pay for it—and in local government the calculation of costs and benefits has been precise and limited to dollars paid and personal benefits gained. The reluctance of [state] governments to risk the political costs of enforced amalgamation speaks of a high degree of parochial self-interest on the part of elected representatives. *It is unlikely that the ordinary taxpayer has ever cared very much one way or another* (emphasis added; on this point see Ryan et al. 2015).

Despite this assessment, Bowman (1981, p. 252) is appreciative of “some (metropolitan) councils and a handful of distinguished councillors ... pressing for and helping to implement new services and functions”. Again, these observations could equally be made of several jurisdictions contemporaneously.

2.5.4 Local Government in Victoria 1945–1980

Bowman’s (1981, pp. 252–253) account of Victorian local government from 1945 notes that by 1947 local government in Victoria comprised “35 cities, six towns and 137 shires” with an increase in both the number and size of cities commensurate

with rapid industrialisation and the post-WWII intake of migrants. Again, the emphasis on welfare services was salient through this period, with Bowman (p. 253) commenting that the new “suburban cities” had become “large enough and rich enough ... to afford to move strongly into the welfare field”. Alongside the previous emphasis on childcare came increased attention to aged care, with the Old People’s Welfare Council established in 1951 focussing on pressuring the state government for home care services (“meals on wheels, friendly visitors and home helps”) as well as social clubs and an emergency scheme all introduced by 1955. For his part, Mithen (1964, p. 165) notes the cost-shifting involved from state to local governments in providing these services.

Bowman (1981, p. 253) also notes a significant regional component to the delivery of these services in the immediate post-WWII period, due to the rapid suburbanisation of the population generally. The Victorian branch of the Australian Association of Social Workers commissioned an inquiry in 1963 which concluded that all services ought to be geographically close to the end-users and thus decentralisation was necessary. Following this, policy impetus from the Victorian Council of Social Service (VCSS) saw councils grasp the nettle of providing multiple health and welfare services, such that “[b]y 1967 at least eight councils had established welfare departments” (Bowman 1981, p. 254), with the VCSS then securing federal funding for council-based services in 1971, despite trenchant opposition from the Victorian Government, such that by 1975 at the termination of the Whitlam federal Labor Government “all 201 municipal authorities provided infant welfare centres and elderly citizen clubs, 150 provided meals on wheels, 90 provided home help and 57 all these services through a welfare department” (Bowman 1981, p. 254; see also Mithen 1964, pp. 155–156).

Alongside this remarkable emphasis on health and welfare, Bowman (1981, p. 255) argues that the second salient feature of Victorian local government in the immediate post-WWII era was an emphasis on planning, which flowed from the wartime Chifley Labor Government’s emphasis on same. The *Town and Country Planning Act 1944* passed to this effect saw a central board overseeing and guiding the writing of statutory plans by all local governments, alongside the development of some regional plans in particular areas (the Upper Yarra Valley Authority, for example). However, this act did not cover Melbourne; the task for planning the city was eventually designated to the Board of Works in 1949 and by 1953 the plan was released, with Bowman (p. 255) describing it as “a plan to control essentially broad-acre development by the private sector” wherein “local authorities [were awarded] discretionary power in administering local schemes within the metropolitan plan”.

Bowman (1981, pp. 255–256) notes that the issue of metropolitan reform was again perennial in the immediate post-WWII era, including one plan for a unitary Greater Melbourne Council that would have included 30 municipalities, 24 of which were to be directly converted to wards, with each ward represented by three councillors and a directly-elected mayor enjoying a term of three years subsuming the responsibilities of the Board of Works. In 1951 this plan was defeated by a single vote, with the issue of amalgamation rearing up at various times in the

ensuing decade. For instance, a proposal to merge Melbourne City Council with eight adjoining councils was perceived by the lesser councils as a “starkly political move by the oldest, richest and most prestigious of Melbourne’s councils to take over the resources of its neighbours and use them primarily for the benefit of the central business district” (Bowman, p. 256). Yet this reform, alongside others for amalgamation in regional centres, was unsuccessful during the immediate post-WWII period. In situations where authorities with a greater geographical focus were required (for the purposes of regional planning, for example) the habit of creating ad hoc statutory authorities continued.

Bowman (1981, p. 256) notes that the penchant for regionalism that had been salient under the Curtin and Chifley Labor governments from 1944, and was restated under Whitlam in the early 1970s with an emphasis on equity of service provision to suburban, regional and rural communities, was matched by a similar focus on service delivery on a regional basis by particular service providers (health services around base hospitals, for example). Yet Bowman (p. 256) is insistent that the impetus for regionalism from different tiers of the Australian federation “did not mesh” with what is a familiar refrain for coordination of service delivery between the tiers of the Australian federation becoming familiar at that time.

In summarising this period of Victorian local government, Bowman (1981, p. 256) is concise, anthropocentric and gendered, commenting: “In Victoria, local government has been remarkably conservative in *structure*” (emphasis added) noting also, however, that “at the same time, [it] has found sufficient room within its statutory framework so that at least some councils in some circumstances have been able to adapt to new demands, and to set new directions”. Further, echoing the observations of Mithen (1964), she states:

Like a housewife, local government is commonly under-esteemed, but has a compelling claim to respect as the provider and manager of marvellously varied and disparate services without which our daily round would be much less safe, comfortable, enjoyable and effective.

While one might find this gender essentialism of this last characterisation irksome, surely we can forgive Margaret Bowman and pause to reflect on the import of this description. Certainly it is more humble a portrayal than some put forward from the municipal sector itself (see, for example, Ellery et al. 1888). We now turn to Queensland.

2.6 Overview of Local Government in Queensland 1824–1980

Tucker (1981, p. 379) asserts that “[l]ittle of importance to local government occurred before Queensland separated from New South Wales in 1859”. Nevertheless, in this context it would be remiss not to provide a brief account of the time prior to separation. Contemporary accounts of the historical development of

Queensland have been principally concerned with two themes. First, the development of the colony's political economy and society conceived of as largely devoid of an account of local government structures (see, for example, Fitzgerald et al. 2009); second, the conflict between Europeans and Indigenous people and the complexities of these relationships (see, in particular, Johnston 1988, pp. 69–105).

The original Moreton Bay District penal colony was established on the coast at Redcliffe in September 1824 (see Table 2.1) by John Oxley who, in mid-1825, moved the settlement approximately 27 km inland along the Brisbane River (Oxley named it after the then Governor of NSW) at the site of contemporary Brisbane City (Fitzgerald et al. 2009, pp. 12–13). Established as a convict station, it nevertheless served this function only until 1842, with a mere 2250 convicts serving time there and most of them being removed in May 1839 (Fitzgerald et al. 2009, p. 13). Free settlement was permitted after 10 February 1842 and, by 1846, despite the European settlement comprising only 1000 people, like the Port Phillip District to the south of Sydney the settlement was expanding rapidly. Fitzgerald et al. (pp. 14–15) observe that 340,000 sheep were thought to be present in the District by 1846, coalmining commenced in Ipswich in 1843 and a railway connecting Brisbane and Ipswich was completed by 1876. The general impression gained from these historical accounts is one of a burgeoning economy and a relatively egalitarian polity, “such that a humble baker ... could become a popular member of the Queensland Legislative Assembly by the 1860s”, set against a backdrop of conflict with Indigenous people (Fitzgerald et al. 2009, p. 17).

The initial argument for separation from NSW was that Sydney was neglecting the settlement. In 1851 only four of 26 seats on the Legislative Council were designated for Moreton Bay District. While there was some discrepancy as to the ideal boundary of the colony, the Colonial Office in London (to which partitions for separation had been consistently presented since the early 1840s) decided to include the Darling Downs but not New England, and settled on the 28th parallel. Queensland achieved separation from NSW on 10 December 1859, following a reading of the proclamation of separation on that day. The Letters Patent required to form the colony had been signed by Queen Victoria on 6 June 1859 (Fitzgerald et al. 2009, pp. 16–17).

Fitzgerald et al. (2009, p. 17) also note that under the *New South Wales Constitution Act 1855* the “governmental framework” for the new colony had to mirror that of NSW, including an elected Legislative Assembly and an appointed Legislative Council (the latter of which were initially appointed for five years, but thereafter served for life). Queensland initially had a limited property franchise, with universal manhood suffrage not introduced until 1 January 1873 (Fitzgerald et al., p. 17).

2.6.1 *Voluntarism 1859–1878*

Turning to local government, specifically the “history wars” identified in Sect. 2.2, Queensland falls firmly in the “State-interventionist” camp. Thus, Laverly et al.

(1981, pp. 75–76) underscore what they term the “miserable failure” of the attempt at establishing district councils under the *Constitutions Act 1842* prior to separation, noting the reluctance of colonists “to assume the direct responsibility for, and costs of, local works and services” under Governor Gipps’s plan (including half the cost of police and gaols). The permissive system introduced under the *Municipalities Act 1858* (NSW) fared marginally better, with colonists of the District again being enticed “by the provision of rate revenues from the colonial secretary” (Lavery et al., p. 75). Lavery et al. (pp. 76–77) also note that Brisbane was the first town incorporated under the *Municipalities Act 1858*(NSW), followed by “the other major towns of Queensland”: Ipswich, Toowoomba and Rockhampton (1860), Maryborough and Warwick (1861), and Dalby, Gladstone and Bowen (1863). Further encouragement was given through the allocation of one-third of the proceeds of all land sales being allocated to the voluntarily incorporated municipalities. Thus these major centres were all first incorporated under NSW legislation, despite separation in 1859, demonstrating the rapid rate at which these regional centres were developing and perhaps the expedience with which incorporation was treated. The goal here was to get citizens to provide for themselves (even if only partially, and even if subsidised for a period of 15 years) rather than rely upon the colonial administration.

It was not until five years later that the extant NSW legislation was replaced by Queensland’s own *Municipal Institutions Act 1864* that again encouraged voluntary incorporation through financial incentive—a 15-year “sliding” subsidy—that was increased in 1876 to twice the rateable revenue for the first five years after incorporation (Lavery et al. 1981, p. 76). Under this system many more towns in regional Queensland incorporated (Townsville, Cooktown and Charters Towers, for example). However, rural communities did not. The reluctance toward incorporation resulted in the *Provincial Councils Act 1864* (Qld.), under which only one was formed, resulting in the legislation quickly becoming “defunct” (Lavery et al., p. 77).

Importantly for our purposes there were two early voluntarist (or “constitutionalist”) proposals for regionalism in Queensland. First was a plan by one John Douglas to divide the state into three large “provinces” based on the New Zealand model (Lavery et al. 1981, p. 77). This plan was not supported, with Lavery et al. (p. 77) arguing that they “looked too much like new states for the project to secure strong parliamentary support”. Second was a proposal in 1869 by the (then) Premier Charles Lindley to divide the state into 17 provinces “with wide powers including prisons, mining leases, hospitals, licences, police, education, posts and irrigation”(Lavery et al., p. 77). This proposal was “narrowly defeated” in 1869. For his part, Tucker (1981, p. 380) labels Premier Lilley’s 1869 proposal as “a shrewd legislative response” from which a “nervous Legislative Assembly backed away”.

Overall, the “weak response to the permissive system” (Tucker 1981, p. 380) saw only 18 incorporations during the period, with the attendant growth in special-purpose bodies seen in the other colonies replicated. Thus, the Brisbane water supply, cemetery management and fire-fighting were all “vested” in

authorities in 1863, 1865 and 1876, respectively, with an accompanying “tradition [that] quickly took root that the local MLA [Member of the Legislative Assembly] should be the provider of local works and services by getting their fair share from the pork barrel in Brisbane”(Tucker, p. 380). For our purposes it is significant that Tucker (p. 380) states that “the ambivalent attitudes towards local government so characteristic of Queensland State government were born in this period of anxieties about succession movements”.

2.6.2 Foundations 1878–1902

Tucker (1981, pp. 381–382) labels the second stage as “Laying the foundations of the present system 1878–1902”, about which he made four primary observations. First, legislation for a system of compulsory incorporation was introduced. By the late 1870s there was a broad recognition that the voluntary system had failed to provide the services (roads, bridges, for example) that the colony’s communities needed. Tucker (1981, p. 381) emphasises that this failure was manifesting in MLAs spending an inordinate amount of their time allocating funds, and “too little time on policy”. As such, it is possible to infer that with the development of the colony the Parliament had bigger fish to fry than merely getting the best they could for their local areas. As a consequence, both the *Local Government Act 1878* and the *Divisional Boards Act 1879* were introduced, the former by Attorney-General Samul Griffith, the latter by the incoming Premier Thomas McIlwraith.

Second, the result was “parallel streams of local government” (see also Lavery et al. 1981, pp. 79–80): one system for municipalities and one for rural areas, which operated alongside one another for approximately 15 years. Both Tucker (1981, p. 381) and Lavery et al. (1981, p. 381) emphasise the authority of the Government-in-Council to proclaim areas as incorporated and the speed with which these incorporations were achieved. In essence, the *Divisional Boards Act 1879* was deployed by the government to incorporate “virtually the whole” of Queensland in the few months following the passing of the act: “Indeed on 11 November 1879 no fewer than sixty five divisions were constituted” (Tucker 1981, p. 381) with the boards themselves being appointed, not elected. In the closer towns, “[o]nce citizens realised that they would be governed by a local authority of some kind [there was] an avalanche of petitions for incorporation” (Tucker, p. 381). The operation of the two acts resulted in 34 divisions and 114 divisions (respectively) by 1896 (Tucker, p. 381).

Third, running almost parallel with these processes was the realisation that the system of local government was too fragmented, such that “[b]y the early 1890s, a belief was growing that a general review of local government was needed” (Tucker 1981, p. 381). Events overseas, particularly the instituting of the London County Council and the consolidation of that city’s lower tier of local government, as well as “progress towards [the] creation of a Greater City of New York” stirred the government to appoint a Royal Commission in 1896. According to Tucker (p. 381) the Commission, consisting of “twenty one knowledgeable persons”, “wasted little

time collecting evidence” and pointed to the “Balkanisation of local government”. It recommended that “a detailed review of the territorial structure of local government be undertaken to ascertain whether amalgamation might be effective” (Tucker, p. 381).

Fourth, the Commission’s recommendation that the original two acts be combined was followed, such that the *Local Authorities Act 1902*, legislating for three types of LGAs (cities, towns and shires) was introduced. Significantly, this was the piece of legislation that remained in place at the time of the accounts of both Tucker (1981) and Lavery et al. (1981). The foundations were then set. Lavery et al. (pp. 80–81) note that several pieces of legislation were introduced between 1880 and 1902 to reform the finance and valuation systems of local government. These included the *Valuation Act 1887* and the *Valuation and Rating Act 1890*, the latter of which significantly (although not evenly) increased rating powers of both divisions and municipalities, and the *Divisional Boards Endowment Act 1884*, the *Local Government Act Amendments Act 1881*, the *Health Act Amendment Act 1886* and the *Local Government Endowment Act 1890*, all of which tinkered with the continuing endowments to LGAs on the basis of incorporation. These endowments were significantly diminished in response to the depression of 1889–1893 and were discontinued altogether by 1904 (Lavery et al., p. 81).

2.6.3 *Democratisation and the Greater City Movement 1902–1925*

Tucker (1981, pp. 382–384) demarcated the third identifiable period as “Democratisation and the greater city movement 1902–1925”, encompassing these two areas of reform. We will also add that Queensland dispensing with *ultra vires* during this period (discussed below) must surely be counted as a third significant watershed in the development of local government in Australia *writ large*.

Commenting upon the impetus for democratisation, Tucker (1981, p. 382) notes that from 1902 to 1912 provision was made for local polls (a participatory mechanism), specifically for loan-raising proposals. *Prima facie* this mechanism seems logical—if a council wished to go into debt, it had the option to ask the community—however, the introduction of a recall provision in 1910 stultified these new arrangements for municipal self-financing. All the while, the number of LGAs in Queensland continued to increase, reaching 186 by 1916 (Tucker, p. 382).

The program of electoral reform of local government pursued by the Labor Party at the state level proved far more progressive and significant. Three reforms—dispensing with the ratepayer franchise and plural voting (i.e., multiple votes being allocated to particular citizens) in favour of single-vote adult franchise; triennial elections; and the election of mayors at large—were all enacted by the Ryan Government in 1920 after initially being rejected by the Legislative Council in 1915. According to Tucker (1981, p. 382), “[t]he reforms also created the

conditions necessary for Queensland's long-standing high-profile mayor (chairman) tradition, mayors having developed an executive role during the voluntary period".

Arguably, for Tucker (1981, pp. 382–383) the greater city movement is equally significant. The same Ryan Labor Government extended ("by executive action") the boundaries of several provincial cities (Ipswich, Toowoomba, Maryborough, Bundaberg, Rockhampton, Townsville and Charters Towers), thereby reducing the total number of LGAs in the state from 186 to 171. Following two failed attempts at introducing a Bill for the Greater Brisbane Scheme in 1917 and 1923, in 1924 a shorter bill was successfully introduced, "which in revolutionary fashion swept away 50 separate government bodies" (councils and ad hoc utilities) replacing them with "Greater Brisbane Council comprising twenty-one aldermen, including the mayor" (Tucker, p. 383), all of whom were directly elected by the citizens.

The third significant development of this period was contained in the Greater Brisbane legislation and was, in essence, jurisprudential—and ingenious. There was a general recognition that governing under local law underlain by the principle of *ultra vires* (Tucker 1981, p. 383)—in essence, where a local authority was not permitted to act beyond the powers specifically designated for it—was cumbersome (for his part, Tucker (p. 383) emphasises that "Queensland's general purpose local government authorities were governing in rapidly changing circumstances"). According to Tucker (p. 383), it took one "remarkable administrator", namely Charles Chuter, to deduce in the face of this awkwardness that the 1920 reforms, for the single universal franchise and the direct election of mayors, had introduced a qualitative distinction between councils and other statutory bodies in that councils were "directly accountable to the citizens" and, as such, the "stringent judicial supervision" of state government could be relaxed and they could be granted "a *general power to govern*—a general competence power". This legislation was initially introduced to Brisbane and then extended to other local governments.

2.6.4 *Queensland Local Government 1925–1980*

Tucker's (1981, p. 384) fourth stage he denotes as "Developments since 1925", which can be distilled into six principal observations. First, with the implementation of the Greater Brisbane scheme the government was resolved to reforming local government elsewhere in the state, which found form in a belated response to the 1896 Royal Commission in 1927. A three-man Royal Commission was appointed¹¹ to examine Local Authorities' Boundaries. Tucker (p. 384) notes that this second Royal Commission was a far more substantive affair than the previous one, delivering a 30-page report the following year (a veritable minnow by today's

¹¹Indeed, the habit of conducting what might be termed "inquiries on inquiries" concerning the difficult issue of structural reform has been an enduring one in the history of Australian local government (see, for instance, our discussion of recent reform processes in Sydney in Chap. 11).

standards—see, for example, IPART 2015) with an accompanying “minority report” by Commissioner Charles Chuter.

Examining Tucker’s (1981, p. 384) account, it is clear that the Commission was inquisitorial, finding *inter alia* that small local authorities expended an inordinate amount of their rate monies on salaries, many anomalies in boundarydrawing, investigating the “desirability of extending the general competence power to all local authorities”, the possibilities of regional headquarters for statutory authorities (what in today’s parlance might be deemed shared service centres) and for indirectly elected mayors. The recommendations are essentially portrayed as a series of amalgamations, with the number of cities to decrease from eleven to nine, towns reducing from 17 to three, and shires from 124 to 74 (the minority report penned by Chuter recommending that the latter be further reduced to 67). Of the reception of the recommendations, Tucker (p. 384) states: “[T]he major proposals aroused such a storm of protest from local authority members and officers that [it] was pigeon-holed and largely forgotten”. Nevertheless the point in this context is that the impetus for reform from state government was clearly evident—and the opposition from the sector also.

Second, despite this remonstrance against reform, in 1936 the government introduced a Bill to replace the *Local Authorities Act 1902* (much amended as it then was) which extended the power of general competence to all councils. To this second reform Tucker (p. 385) evinces a quiet pride. Third, there were also significant developments to the oversight of local governments at the state level. In 1942 the Act was amended to provide for a Director of Local Government, then within the Public Works Department, which was renamed the Department of Local Government in 1957, with the Director being awarded “full permanent head status in 1963” (Tucker, p. 285). Fourth, 1957 also saw the granting of authority for water to local government (the 1942 legislation had repealed the *Water Utilities Act 1891*). As such, local government was in charge of water, land use and sewerage, which Tucker (p. 386) argues was a far broader remit than previously.

Fifth, the period also witnessed some skirmishes over the issue of regionalisation. As we saw in our account on NSW in Sect. 2.4 (above), during and following WWII the Labor Commonwealth Government was giving impetus to regionalism *writ large* and a three-man committee was appointed to investigate the issue of regional planning and development for Queensland in 1945. Its report recommended the creation of 25 regions, with extant LGAs gradually amalgamating into 25 regional authorities. Somewhat predictably local government hostility to the proposal saw it shelved (Tucker, p. 385). In 1971 the state government initiated “regional coordination councils”, upon which local government was “exclusively represented”; yet with the election of the Whitlam Labor Government in 1972, the ghost of succession on the basis of regionalism and (we suggest) the holding on to a “State’s rights” line of defence against a regionalising federal government, these councils were dissolved in 1977, with amending legislation introduced in 1978 deleting “all reference to regional coordination in the principal Act” (Tucker 1981, p. 386).

Sixth (and evidencing some annoyance) Tucker (p. 386) notes the tendency of state government to interfere with the activities of Brisbane City Council. Yet for our distinguished local government historian the key lasting impacts of this long period were both the granting of general competence and the handing of the control of water to local government. Commenting upon the latter, Tucker (p. 387) also notes that, at that time, “[a]lone amongst the states, Queensland has no large, centralised, State government town planning bureaucracy”—although contemporaneously it is now firmly in step with the other jurisdictions (see DILGP 2016). In his final summation of the history of local government in Queensland until that time, Tucker (p. 387) laments the lack of structural change in the face of significant population increases, noting that, by contrast, “powers and functions are easy to alter”.

In sum, the accounts of Lavery et al. (1981) and Tucker (1981) portray Queensland as falling squarely in the “State-interventionist” camp. With the enactment of both the *Local Government Act 1878* and the *Divisional Boards Act 1879* the permissive system was decisively dismissed, and further action by (in particular) Labor state governments saw the introduction of reforms that were radical compared with the other jurisdictions, including those resulting in Greater Brisbane and the introduction of general competence powers. The account also suggests that the “constitutionalist” impulses were directed at regionalising new state movements rather than at the local government level. The reforms introduced in the modern era in Queensland with the introduction of the *Local Government Act 2008 (Qld.)* are discussed in Part III of this book.

2.7 Overview of Local Government in Western Australia 1829–1980

Wood (1981, pp. 651–661) divides the history of local government in Western Australia into seven parts. For our purposes these can be condensed into three historical periods: “Events Prior to the *Municipal Corporations Act, 1906*”, “Metropolitan Regionalism and Consolidation” and “Continuing Evidence for Voluntarism”. We turn to a discussion of these categories directly; however, it is worth underlining that throughout his account, Wood (pp. 651–661) is at pains to emphasise two overarching issues: first, the influence that developments in “British political institutions” had on the development of local government in Western Australia and, second, that Western Australia ought to be viewed as falling into the “constitutionalist” rather than the “State-interventionist” type of local government system. Commenting upon the former, Wood (p. 651) asserts that the advent of the 19th century “heralded reforms of corrupt British institutions”. Citing the *Reform Act 1832 (UK)*, the *Municipal Corporations Act 1835 (UK)* and the Northcote-Trevelyan Report of 1854, he asserts that “[e]ach of these reforms was to eventually influence colonial administrators”, the first two encouraging the

expansion of the franchise, and the third laying “the foundation for rebuilding the civil service, based on intellectual excellence, and free from patronage and nepotism”. Commenting upon the latter issue, Wood accuses several writers (Larcombe among them) of promulgating the notions, first, that the development of local government in Australia *writ large* has been a top-down affair; and, second, that the English experience is generally incomparable to the Australian experience (Wood 1981, p. 651). He cites South Australia (discussed in Sect. 2.5 below) as evidence to the contrary and suggests that the “State-interventionist” type is “an inadequate and misleading explanation of the establishment of local government in Western Australia” (p. 651).

Again, our point in this context is decidedly not whether the Western Australian experience is best described as one type or the other. Rather, it is that the matter of interpretation is of some political importance for our protagonist. Clearly, the way that we interpret empirical events of the origins and development of local government in Western Australia is a political one. Again, however, we emphasise that the consequences of this interpretation spill over into our interpretation of politics *writ large* in Australia. For his part, Wood (1981) seems to think that it is acceptable—indeed, desirable—that the development of local government was an antipodean simulacrum of England. To others this will seem both highly unlikely and a trifle offensive. But our point is that it’s veritably dripping with politics.

2.7.1 *Events Prior to the Municipal Corporations Act 1906*

Matters of interpretation aside, conforming to the experience of the other colonies, the development of local government at Swan River was by no means linear. As we noted in Sect. 2.2 (above) following the initiation of the settlement in 1829, the first town trusts at Swan River were established under the *Towns Improvement Act 1838* and included Perth Town Trust. The first roads trusts (or “general trusts”) were initiated under the *General Road Trust Act 1841* (Wood, 1981, p. 652). Wood (p. 652) grounds their initiations in a narrative of voluntarism on the part of the settlers. The fact that these same settlers petitioned the colonial administration to assume responsibility for the Perth Town Trust in 1838 and again in 1856 is attributed to financial difficulties, “because of the small population and subsistence economy of the early economy”. However, it is true that the colonists could—and did—petition the colonial administration to “take over administration of the trust’s affairs” (Atkins, cited in Wood 1981, p. 652).

Perth “automatically” became a city on 23 September 1856 by virtue of being declared a Bishop’s see by Queen Victoria (City of Perth 2016). Perth City Council was established on 10 December 1858 with seven persons, including a chair “annually elected by ratepayers” (Wood 1981, p. 652). With the arrival of the next Governor, Weld (1869–1875), who was formerly Premier of New Zealand, a system of roads boards were legislated for in 1868 (Wood 1981, p. 652). Wood (p. 653) insists that inaugural meetings for these roads boards were well attended.

These arrangements formed the “springboard for expansion” that had its legislative base in the *District Boards Act (1871)* and the *Municipal Institutions Act (1871)* (Wood 1981, p. 653). Nevertheless, at that point the power to create municipalities (and to alter their boundaries) still rested with the Governor. §25–26 of the ensuing *Municipal Institutions Act 1900 (WA)* imitated the legislation in Victoria, thereby allowing citizens to partition for incorporation. It was under these acts that the partitioning of extant areas—both in and beyond Perth—continued apace. The continuing financial difficulties of both types of entities prompted the colonial government to initiate central boards (for health, for example, that was initiated by a Royal Commission in 1884) (Wood, p. 654). However, Wood (p. 655), following Clapham (1949) asserts that councils generally disliked the idea of ceding control. Responsibility for health was handed back to local boards (that had contained one elected local government official) with a central board performing an oversight role. According to Clapham (cited in Wood 1981, p. 655) these central boards “tended to assume the character of general departments”. Following this initial phase and the incorporation of approximately 26 municipalities, the *Municipalities Act 1871* was replaced by the *Municipal Corporations Act 1906* (again modelled heavily on the Victorian legislation). This Act and the *Roads District Act 1919* were consolidated in the *Local Government Act 1960 (WA)* (see §6 of the *Local Government Act 1960 (WA)*)—that is, far later than the other jurisdictions in Australia.

2.7.2 *Metropolitan Regionalism and Consolidation*

Commensurate with the rapid expansion of the colonies generally after 1900, Wood (1981, p. 655) notes that the population of Perth increased from 36,274 to 270,000 between 1900 and 1944. It was during this period that, from our perspective at least, events in Western Australia begin to look similar to those in NSW, Queensland and Victoria occurring at the same time, particularly with respect to the push for a metropolitan governing authority, and the conflict between progress toward achieving this goal on the one hand and the state government wanting to retain control by way of an expanded suite of statutory authorities. These responsibilities included electricity, transport, town planning and road development. Wood (p. 655) informs us that a leading protagonist in these conflicts was one W.E. Bold, who was Town Clerk of Perth City Council from 1900 to 1944.

In the contemporary context where (arguably) so much emphasis is being placed on great civic leaders (see, for example, Sansom 2012), it is interesting to peruse the career of W.E. Bold as recorded by Robertson (1971) and discussed by Wood (1981). Wood (1981, p. 655) informs us that “[m]uch of Bold’s involvement in public life stemmed from his interest in the Greater Perth Movement” and that inter alia in 1907 he was appointed secretary to a committee of metropolitan councils that was then seeking to own the private tramways of the city; that he was “secretary of a Standing Committee of the Metropolitan Municipal Conference during 1910–11”

and in 1917 “Honorary Convenor ... of the Western Australian Town Planning Association”.

For those who have observed the recent failed attempt at the amalgamation of Perth councils (for an account, see Goode 2015) the history of the Greater Perth Movement holds some interest. Wood (1981, p. 665) notes that “[t]he Greater Perth Movement began in 1910”, with a Report by the University of Western Australia’s Department of Economics observing that the reasons given for expanding the city to neighbouring councils “included the unity of economic and social interest ... the lower administrative costs ... and the need to standardise local services and by-laws” (Johns, in Wood 1981, p. 655). Wood (p. 656) goes on to observe that, while several councils (Leederville and North Perth in 1914; Victoria Park in 1917), together with familiar resistance by some members of the Legislative Council, “negated Bold’s master plan”, by 1911 the state government had control of metropolitan water, cemeteries and trams. Intriguingly also, and akin to at least one key player in the current movement for metropolitan regional governance in Sydney (see Williams 2015), in 1914 Bold took inspiration from travelling overseas, stating:

So far as our local expansion is concerned it is of the utmost importance that the municipal boundaries be extended, either on the basis of a unified Greater Perth Council... or on the basis of a federal council which would affect a wide area, leaving small subsidiary [sic] councils to purely control local matters (Bold, in Wood 1981, p. 656).

Wood (1981, pp. 656–657) makes no bones about the fact that Bold was a municipal socialist, taking inspiration from inter alia Joseph Chamberlin’s efforts at Birmingham Town Council and advocating public (i.e., greater metropolitan authority) ownership of key infrastructure and services, clashing on many occasions with particular figures in the state government over various issues. Further, Wood (p. 656) also notes that “an administrative structure akin to Bold’s suggestion was to evolve in the 1950s for the specific purposes of planning”. This structure—the Metropolitan Region Planning Authority—was established in 1959 following a Royal Commission on planning that reported in 1952, and at the time of Wood’s (p. 657) account appeared to still be in operation, with “[e]ach of the 26 councils in the Metropolitan area contributing to the management of the [authority] through a system of district committees which first operated in the 1930s”. This structure entailed four area-based committees, including state officials and local councils and with Perth City Council “itself [being] a fifth district committee”. In essence, these arrangements appear to be uncannily similar to the structure of the newly formed Greater Sydney Commission (see GSC 2015; see also Chap. 11 of this book).

Alongside the skirmishing—and reforms—for the major metropolitan region of the state, in the post-war period up until 1980 local government was “subject to no less than five boundary inquiries” (Wood 1981, p. 657) each of which recommended a reduction in the number of councils for reasons that, in the contemporary context, are wholly familiar, as are the reasons for rejecting such proposals:

The assumption implicit within their terms of reference, and the way in which these were interpreted, is that the size of local authorities is the major determinant of economy and

efficiency. This assumption ... fails to recognise that any assessment of the issues involved requires a comprehensive analysis of all facets of a local government area including area, population, finance, administration, staffing, functions, the place of local government in the total system of government and the political arena in which it operates (Rawlinson, in Wood 1981, p. 658).

In the event, some amalgamations did take place; Wood (1981, p. 658) lists several metropolitan and rural examples. However, in general, amalgamation has not been forcefully legislated for in Western Australia, although it has been encouraged recently (see Goode 2015).

2.7.3 *Continuing Evidence for Voluntarism*

In line with the other contributions for specific jurisdictions in Power et al. (1981), and commensurate with his pursuit of an overall aura of voluntarism as characteristic of local government in Western Australia historically, Wood (1981, pp. 658–671) emphasises the longevity of the various municipal associations in the state. In Western Australia these voluntary associations were initiated extremely early, with the Municipal Association being established in 1894, the Roads Board Association in 1898 and the Country Town Councils' Association in 1931. Wood (p. 658) suggests that a major impetus for these was “the suspicion of State government domination of many small councils and financially precarious councils”. The Municipal Association, established first, was the “precursor” (Wood, p. 658) of the Local Government Association established in 1924, while the Roads Board Association evolved into the Country Shire Councils Association, and (again, like their counterparts in NSW for many years) were housed in the same building in the city. Wood (p. 659) also notes that the Shires' Association was divided into wards (11 in all) “eight of which have two members on the executive” while the remote shires (e.g., the Kimberley) had one representative each. At the time, the Country Town Councils' Association had a membership of only six, yet a joint liaison committee of all three was formed in 1969 and enjoyed considerable ministerial contact.

In reflecting back upon “the influence of the English experiences” for Western Australia, Wood (1981, pp. 659–660) notes that between 1834 and 1894 local government in England experienced a great period of democratisation, such that “it is unlikely, therefore, that the first town trusts in Western Australia or the larger municipalities and Roads Boards were based upon stable and widely accepted models of English government”. Further, Wood (p. 660) cites the normative justifications for local government offered by J.S. Mill in *Considerations on Representative Government*—that it supports representative government generally, that it is a “training ground” for higher tiers of government and that it is intrinsically valuable in its own right, as citizens have control over their own affairs (discussed extensively in Chaps. 4 and 5 of this book)—but warns against the transposition of these ideas to the modern context, arguing that local government is significantly

more complex and that intergovernmental relations in a federal context had eroded the relevance of arguments for local government advanced by J.S. Mill (see Mill 1972).

Wood's (1981, pp. 659–660) late circumspection about his own simulacrum thesis reflects general views of the Western Australian experience regarding our local government “history wars”, particularly if we take into account broader elements of the composition and development of the colony. Representative government and responsible government were both introduced much later than in the other jurisdictions (see Table 2.1) and in some respects the colony was far more provincial. For instance, Governor Stirling (he was promoted from Lieutenant Governor in 1832) led an “official” expedition “which shot and killed about a dozen Aborigines” (Crowley and de Garis 1969, p. 17). Arguably, this type of action by a governor would have been inconceivable in the other colonies. Of the other “stain”, namely convicts, it is worth remembering that Swan River willingly played host to 10,000 convicts from 1850 (see Davis 2012, p. 59).

2.8 Overview of Local Government in South Australia 1837–1980

The account of the historical development of local government in South Australia in Power et al. (1981) was penned by J.R. Robbins and is significantly more concise than those of the other jurisdictions provided in the same volume. Nevertheless, perusing the related literature (see, for example, Jaensch 1977; Marsden 2012; Mathews 1986; Price 1924; Robbins 1978; Shephard 1939), it is clear that Robbins's (1981) concise observations are sage. Robbins (1981, p. 575) commences his entry with “the history wars”, noting that, while it is “commonplace” to view local government in NSW being “foisted on a reluctant and resistant population”, alternatively it was wholeheartedly embraced in the “radical” and “utopian” colony of South Australia (Robbins 1981, p. 575; see also Pike 1967; Shephard 1939, p. 76). Yet he questions this dichotomous reading of “constitutionalist” and “State-interventionist” jurisdictions on the basis that, at the time of his account, South Australia was “the least developed” local government system in the federation (Robbins 1981, p. 575).

We are by no means suggesting that this backwardness is currently the case. As we shall see in the ensuing chapters in Part III of this book, across a range of areas, including the distinctiveness of governance arrangements for the capital city and (in particular) the prominent role of the Local Government Association of South Australia (LGASA), which has included documenting the history of local government in that state (see Marsden 2012), it is possible to argue that local government in that state is now in many ways comparatively advanced. This comparative level of maturity was perhaps most palpably evidenced in the voluntary amalgamation process in 1996–1997 that reduced the number of councils from

118 to 72, whereby the state lost 31% of its local representatives (Marshall 2008, p. 18). As we shall see in Chaps. 5 and 9 of this book in particular, in no other Australian local government jurisdiction have state-local relations reached this level of cooperation. Further, Wettenhall (1988) argues that local government in South Australia ought to be viewed as innovative. Nevertheless, it is the historical development of local government in South Australia, set against the tension between the two ideal types in “the history wars”, that is of interest in this immediate context.

2.8.1 *Early Period: 1840–1878*

There are significant histories of South Australia (see, for example, Jaensch 1977; Price 1924), in particular accounts that detail the relationship of the settlement to England, discussing the themes of religion, economy, political thinking (Pike 1967), and indeed family (Hamilton 2010). Again, however, local government is only of marginal concern in these accounts and we are obliged to turn to the work of ACIR (Robbins 1981) and a clutch of others (Jaensch 1977; Marsden 2012) for specific information about local government. Of the period 1840–1878, Robbins (1981) makes four principal observations. First, South Australia was not only a free colony, it was also “radical and utopian in its aspirations” (p. 575). This status was reflected in the provision for local government in its original laws, one result of which was the Municipal Corporation of Adelaide, formed in 1840, “only four years after the foundation of the colony” (p. 575). However, while it initially thrived, Robbins (p. 575) informs us that it quickly “ran into financial troubles” and “went out of existence in 1843”, overseen by the autocratic second Governor, Grey (see also DEEWR 2013d).

Second, Robbins (1981, p. 575) notes that it was Governor Young who enacted the *Municipal Corporation Ordinance 1849 (SA)*, which provided for the revival of the Adelaide Corporation with a petition of 400 signatures. It was re-established in 1852, just after the instalment of South Australia’s first Legislative Council (Robbins, p. 575). On the basis of the 1849 ordinance, several other municipalities, including Kensington, Norwood, Glenelg and Port Adelaide, were also formed, with a revision of the provisions for incorporation in the *Municipal Corporations Act 1861* leading to the founding of others, such that by 1887 (i.e., 50 years after the foundation of the colony) there were 30 municipalities (Robbins, p. 575). It was also under the 1861 Act that “women became the first in Australia eligible to vote in local government elections, well before they could vote in parliamentary elections” (Marsden 2012, p. 3). However, it was only in 1919 that the first woman was voted onto office: one Grace Benny, to Brighton Council (Marsden 2012, p. 3).

Third, Robbins (1981, p. 575) notes that, unlike the majority of other Australian jurisdictions, single-purpose district roads boards, for which an ordinance was passed in 1949, did not flourish to become the basis of shire councils (as they had, for example, in NSW, Victoria and Western Australia). Rather, in South

Australia the *District Councils Act 1852* allowed residents to petition for general-purpose local authorities, with the support of two-fifths of the potential ratepayers being required. It was on this basis that by 1856, the year that South Australia achieved responsible government, the colony had 42 District Councils (Robbins, p. 575). Thus South Australia, similar to NSW, Victoria, Queensland, Western Australia and Tasmania (discussed below), initially developed with two types of local authorities, despite the fact that the rural councils, like those in Queensland, were initially multi-purpose authorities.

Fourth, Robbins (1981, p. 576) notes that, on this basis, local government continued to expand rapidly: by 1878 there was one city, 19 towns, and 103 districts—123 municipal entities in total, which followed the expansion of the colony both along the coast and inland along the Murray River (see also Marsden 2012, p. 3). However, this fact ought not to lead us to conclude that incorporation was not controversial and uncontested during this period of expansion. For, while residents might be drawn to the power to tax to provide for services, they were also wary of the responsibility this power entailed. Shephard (1939, p. 77) recounts a scene of incorporation for the District Council of West Torrens:

It was on Good Friday, the 25th of March 1853, that a number of residents met at what is now the Hilton Hotel for the purpose of discussing the advisability or otherwise of approaching the Governor with the request that the area be formed into a district council. As a result of this meeting it was decided to approach His Excellency Sir Henry Edward Fox Young who was the Governor of the state at the time ... and in due course a petition signed by 115 residents was presented to his Excellency. All the residents, however, were apparently not in complete agreement with the proposal, for almost immediately a counter-petition signed by 55 inhabitants was presented protesting that the meeting held on the Good Friday was very hurriedly arranged ... [further] the district was too sparsely settled, the administrative expense would be too high... [etc.].

The Governor, or his advisors, however, apparently thought otherwise, for on the 7th of July, 1853, the Council came into being. The establishment of the district was assisted financially by a grant from the Treasurer....

The above extended quote is useful for a number of reasons. Portraying the ambience at the Hilton Hotel that Good Friday in 1853 is one of them; however, note also the deference with which the Governor was regarded (or indeed otherwise) and his central place in the achievement of a local government area. But the main point is that some residents did, and some residents didn't, want to be incorporated—and that the Governor was willing to side with voluntarism, and (as was the case in several other jurisdictions) happy to part with a sum to do so.

2.8.2 *Later Period: 1879–1978*

Robbins (1981) derives four main points from the history of local government in South Australia from 1879 to 1978. First, despite the comparative voluntarism that had until 1879 characterised the jurisdiction, some areas of the rapidly expanding

colony were not petitioning for incorporation, while others were deemed too small. As a result, in 1887 the *District Councils Act 1887 (Act 419)* was introduced to force both incorporation and amalgamation of some smaller authorities (Robbins 1981, p. 576; see also Marsden 2012, p. 4). Second, the Local Government Royal Commission, which was appointed at the behest of the *Local Government Re-arrangement Act 1929*, reduced the number of councils from 196 in 1930 to 142 by the end of the decade (Robbins, p. 576).

Third, the same Royal Commission introduced the voluminous *Local Government Act 1934*, which saw the legislative bases for corporations and districts consolidated (Robbins 1981, p. 576; Marsden 2012, p. 5). Robbins (p. 576) asserts that a “relatively quiescent period” descended on local government in South Australia from the passing of the 1934 Act until the 1960s, wherein the Local Government Act Revision Committee was instituted, delivering its “voluminous report” in 1970, with Robbins (p. 576) commenting that at the time it was “still not acted upon” despite a “battery of amendments” to the original legislation.

Fourth, Robbins (1981, p. 576) notes that, some three years after the Local Government Act Revision Committee had delivered its report, a second Royal Commission into Local Government Areas was constituted, “charged with the rationalisation of local government boundaries” and recommending a decrease from 137 to 72 bodies. However, as we have seen in our history of several other jurisdictions in Australia—and we will see in some detail in our discussion of “Sydney global city” in Chap. 11—this reform encountered vigorous opposition at the level of state parliament, which formed a Parliamentary Select Committee “to consider the situation” and which recommended “that the Royal Commission should proceed by persuasion and advice rather than by statutory compulsion” (Robbins, pp. 576–577). Robbins (p. 577) notes that in this guise the number of local governments was then reduced to 129.

In his overall observations Robbins (1981, p. 557) returns to “the history wars”, suggesting that within the political development of South Australia—and particularly in the pursuance of responsible government—“there was a clear recognition of the place of local government”, and that this recognition was informed by both the reforms occurring in England at the time and developments in Canada. However, Robbins (p. 577) also cautions against accepting that the “Constitutionalist” approach was overwhelmingly dominant in South Australia, stating: “South Australians suffered most of the same flaws and faults of their compatriots”, and asking: “If South Australians did have a ‘sense of difference’ ... by what process was the system rendered inconsequential?”

To this rhetorical question he suggests that we need only dig a little deeper to find that the attitude to incorporation “on the ground” (our phrase) was far more ambivalent: for instance, most petitions for incorporation were opposed by petitions against—our example from the Hilton Hotel in West Torrens in 1853 (Shephard 1939, p. 77) was by no means unusual. For Robbins (1981, p. 578) voluntarism won the day—just—partly for political and ideological reasons. Yet Robbins (p. 577) also points out that there were more pragmatic reasons. Akin with other jurisdictions, financial incentives were attached to the early incorporations, and

(again as with several other jurisdictions) it was easier to lobby the legislature as an extant and identifiable body for the services required. Further, Robbins (p. 577) notes that there had been “the massive, enforced incorporation of 1877” and, at that time (i.e., 1981), local government had not embraced functional expansion. Thus, Robbins (p. 578) concludes that “South Australian local government developed along somewhat ambivalent lines”.

2.9 Overview of Local Government in Tasmania 1803–1980

Another venerable scholar of local government in Australia, Wensing (1981, p. 711; see also Wensing 1997) commences his entry in the ACIR volume by noting that the two initial centres of local government, Hobart Town on the Derwent, settled in 1803, and Port Dalrymple (now Launceston) on the Tamar River, settled in 1804, were initially administered as separate dependencies of NSW, with the northern settlement falling under the County of Cornwall and the southern the County of Buckinghamshire in the legislation of NSW. These were then “drawn together” when Van Diemen’s Land became “constitutionally distinct” in 1825, which also saw the appointment of Governor George Arthur (Wensing 1981, p. 711; see Table 2.1).

At that time, and “on the instructions of the Secretary of State for the Colonies”, Arthur ordered the surveying of the colony with a view to implementing the English parish system (i.e., one composed of “counties, hundreds and parishes” (Wensing 1981, p. 711). While this survey was completed by 1831 and the scheme—“for 11 counties, 31 hundreds and 124 parishes”—was implemented, it never resulted in local governments as such, and the scheme was principally used to allocate land grants (p. 712). Wensing (p. 712) informs us that the real administrative work was done by Arthur’s “famous” police districts, implemented in 1827, which collected fees of varying kinds and for which an official was appointed “who acted as [a] magistrate”. Wensing (p. 712) also informs us that “an elective road board system was set up after 1840” for “secondary roads and by-roads” but it was not extensively used.

2.9.1 Early Development of Hobart and Launceston

Against the salience of its convict past, it is important to convey the point that Van Diemen’s Land was not *merely* a gaol: from the 1840s there was significant agitation for self-government arising from the fact that the colony was “‘caste in more aristocratic shape’” than the other colonies (Dilke, cited in Reynolds 1969, p. 61; see also Roe 1965, p. 47) and, in any event, it “‘was never a poor man’s colony’”

(Fitzpatrick in Reynolds 1969, p. 62). Perhaps in line with this aristocratic tone, the *Hobart Town Commissioner's Act 1846* had created a “court” of 15 elected commissioners but, as noted by Wensing (1981, p. 713), this body had no rate collecting power “and was dissolved within a year”. The *Hobart Town and Launceston Municipal Corporations Act* was enacted in 1852; this Act designated “a seven-member elected council for each centre”, responsible for various day-to-day activities (trading licences, street markets), and was reaffirmed with the transition to responsible government in 1856 (see Table 2.1) and the centres’ incorporation under two separate acts, the *Hobart Town Corporation Act 1857* and the *Launceston Corporation Act 1858*. In fact, several other acts had designated improvements to Hobart prior to its incorporation (see von Stieglitz 1958, pp. 54–56)—in essence, the authority to get on with the administration of the towns.

In his first entry on what we are labelling as “the history wars” of Australia’s local government systems, Wensing (1981, p. 713) states:

The ambivalence of Australian attitudes towards local government is clearly shown by the experience of the two original Tasmanian cities. On the one hand, quite substantial powers were delegated to their councils. On the other, the Acts under which they operated made the exercise of many of these powers subject to colonial (State) government approval. The impression is strong that the main thrust of the creation of the councils was simply government’s desire to pass the burden of collecting revenue to bodies other than itself.

According to Wensing (1981, p. 713) this buck-passing attitude was reflected in the *Constitution Act 1854 (Tas)* “implemented in 1856, and most recently consolidated in 1934” which did not provide for local government at all, such that at that time (i.e., 1981) local government still stood merely on an act of Parliament. While this has now changed substantially—and we document these changes extensively in Chap. 5—Wensing (p. 713) also comments that “Tasmania went further than any other colony at that time when it gave local government wide powers [yet] many of these have since been handed back or taken back by central government”. For his part, von Stieglitz (1958, p. 59) is more specific and lists six reasons for this: a feeling of inadequacy amongst those elected—simply (for example) in the time they could devote to civic matters; “an anxiety to relieve ratepayers of further expense”; a sentiment that difficult matters were best left to government; imitating reforms in other jurisdictions; “[a] mildly socialistic feeling that the chosen representatives [i.e., in state parliament] should shoulder ... responsibilities”; and the fact that being a councillor was entirely unremunerated. Ambivalence seems to be an accurate way to characterise the attitude to local government at the time.

2.9.2 *Beyond the Cities and a Comprehensive System*

Outside the two main cities, the portrait provided by Wensing (1981, p. 714) is one of “petty ad hoc authorities which were to become a feature of the Tasmanian

administrative scene in the later nineteenth century”. This ad hoc characteristic prevailed despite the enactment of the *Rural Municipalities Act 1858*, which allowed for a petitioning procedure—of only 50 qualified landholders (the same as initially in NSW)—being initially met with some enthusiasm, with 19 municipalities incorporated from 1860 to 1866. However, after that time, “the partitioning procedure fell into disuse” (Wettenhall, in Wensing 1981, p. 714). A new act, the *Rural Municipalities Act 1865* divided the remainder of the island into 11 nominated districts (and declared those already incorporated voluntarily as districts), but incorporation was still not taken up.

According to Wensing (1981, p. 714), to this lack of enthusiasm “the Tasmanian polity responded in three ways”. First, the ad hoc bodies were allowed to flourish; second, a new act, the *Town Board Act 1884*, made some distinctions between rural and town areas, including that towns could be declared (on approval of a petition) within existing rural municipalities; and third, from 1888 several attempts were made to enforce a total system, yet these attempted reforms were all unsuccessful.

At this part of Wensing’s (1981, pp. 715–716) narrative—i.e., toward the end of the 19th century—several civic leaders assert themselves, both elected and appointed. Chief among these was Dr. J. McCall, then Chief Secretary of a joint parliamentary committee examining local government, who, along with many others in state parliament, lamented the inefficiency of so many small ad hoc authorities. According to Wensing (p. 714), it was he who “almost singlehanded” led to the passing of the *Local Government Reform Act 1906*, along with initiating the Boundary Commission set up the following year, which engendered “as comprehensive and rational [a system] as its most ardent supporters could have hoped for”, noting further that “the boundaries fixed by the 1907 Commission remain in place”. Here again we see yet another example of the introduction of a system that was to last from an earlier period of reform well into the late 20th century, with 47 general-purpose councils and the city councils of Hobart and Launceston being the result (a concise account of the effect of the Act is provided by von Stieglitz 1958, pp. 98–118; see also LGD [Tas], n.d.).

Further to this watershed, Wensing (1981, p. 716) notes several other developments, including a consolidation of the Act in 1962 and significant attempts at amalgamation, “always at the instigation of central Government, always resisted strongly by local administrators and always unsuccessful”. For instance, a Municipal Commission that was initiated with the revised legislation of 1962 “proposed two greater metropolitan authorities and eighteen municipalities”, but to no avail (p. 716). For his part, Wensing (p. 717) is critical of the stasis, noting at the time that the multitude of small local governments suffer from “lack of resources” and cannot address “the need for service coordination over wider areas”, and have been “overwhelmed by events” leading to the creation of single-purpose bodies for various functions (water supply, transport, hospitals, land use planning) such that councils “are less and less the self-governing areas that the legislators intended them to be in 1906”.

Back to our self-styled “history wars”, Wensing (1981, p. 718) firmly argues that the Tasmanian experience “is a mixed case, sharing many of the features of the constitutionalist states like Victoria, SA or WA but having other elements of the State-interventionist type”. In particular, he argues that the idea of “forced growth” of the local government system is somewhat inaccurate and that foisting the label of “State-interventionist” on the Tasmanian experience fails to take into account the extent to which inhabitants of the two cities saw local government as entwined with the dual issues of self-government and ending transportation. Further, drawing on Reynolds (1969) Wensing argues that many of the early “rural gentry” embraced incorporation with the passing of the *Rural Municipalities Act 1858*—as we saw, 19 shires were incorporated by partition. We return to the “history wars” in Sect. 2.11 (below). In the immediate context we consider what Power et al. (1981) have to say in their general survey of the entries for the ACIR Information Paper No. 7.

2.10 Assessment by Power et al. (1981): Toward a Normative Theory of Australian Local Government?

In their overview of the individual contributions for the states at that time, Power et al. (1981, pp. 96–113) make a series of observations concerned with no less than nine areas, as well as offering a “concluding note”. Revisiting these observations serves the rather obvious purpose of examining their views with the benefit of some hindsight. Further, despite the authors expressly indicating that “[t]his is not the place for an essay on the general theory of local government” (Power et al., p. 96), in our view they come extraordinarily close to providing just such a theory. Their profound reflection upon the local government systems in Australia *writ large* at the time has significant implications for the remainder of our discussion in this book, in particular Part IV Chap. 12 “The future of local government in Australia: maximising service delivery with political voice”.

With respect to what they refer to as *municipal values, policies and reform* Power et al. (1981, pp. 96–98) make six points. First, they posit an optimal, “three-fold role for municipal institutions” generally. Citing Lord Redcliffe Maude from 1974, Power et al. (p. 96) assert that “there has long been recognition” that “municipal institutions serve both as providers of services to local government communities and as instruments of democratic self-government”. Indeed, these dual roles are recognised in the contemporary literature to the extent that, following Aulich (1999, 2005), it is broadly recognised that they are in tension with one another (see, for example, Dollery and Grant 2010; Grant et al. 2011a; Grant and Dollery 2014; see also Chap. 4 of this book). However, Power et al. (p. 96) *also* assert that a third role, namely “that of local government as the developer of resources in the broad sense”, ought to be recognised and that “any discussion of specific functions should take place within this general framework”. This argument

by our venerable authors clearly signals a broad role of local government, not merely in service delivery but also economic development, implying significant capacity for local governments to do so, and reflecting views of what recent research has suggested citizens think ought to be the role of local government, particularly in non-metropolitan areas (see, for example, Hastings et al. 2016; Walsh 2015).

Second, against the idea that local government ought to be conceived of as merely the management of functions, Power et al. (1981, p. 97) cite the work of Stewart (1974)—whom we encountered in the introduction to this chapter—arguing that “democratic self-government” requires the capacity for elected representatives “to make meaningful choices between alternative policies”. As such, local government ought to involve a “concern for place” counteracting a focus on mere functions wherein “*places require to be governed*” (Power et al. 1981, p. 97). Again, we take up these themes in Chap. 4 of this book. Third, Power et al. stress that “it is the elected government at community level which offers such capacity” warning their audience off the promise of “ad hoc boards, statutory corporations, central departments and regional manifestations of central government” (p. 97). Power et al. might be disconcerted with the current context where at state level statutory authorities are very much present in local planning and development processes (see Chap. 11 of this book).

Fourth, Power et al. stress the contribution of “values of participation, accountability and democratic representation” in the governing of place, arguing that “the basic regulatory functions have been overtaken and overwhelmed by service functions” (Power et al. 1981, p. 98). Fifth, commenting upon “government overload” associated with heightened service responsibilities Power et al. (p. 98) presage the (then) gathering impetus for “privatisation” and the minimum state more broadly. However, they assert that in these contexts “*since local government is the least overloaded level of government* it is in a good position to take advantage of such opportunities”. Sixth, Power et al. (p. 98) assert that decentralisation (as opposed to privatisation) offers promise in this regard and that “it is relevant to point out that there are effectively functioning federal systems in which decentralisation of this kind is effectively practiced”, citing Germany as an example.

Reflecting upon this sixth point, one may be tempted to assert that the authors are merely presaging the shift from “government” to “governance” (that we critically examine in Chaps. 4 and 6 of this book; see also Stoker 1998). However, pointing to the “overload” of government is hardly the domain of only local government specialists; in fact, one could argue that they came to the point late in the piece (see, for example, Habermas 1975). Further, the *moral legitimacy* of democratically elected local government, conceived as a single, multi-purpose authority (i.e.: inclusive of those functions that have been hived off to statutory authorities) is clearly important for Power et al. (1981). This is a significant departure from the more contemporary endorsement of governance (again, see for example, Stoker 1998, 2006), and we take this up at some length in Chap. 6 and again in Chap. 12.

Turning to address what they label as the impact of “*historical legacy and political culture*”, Power et al. (1981, pp. 99–100) make no less than nine observations. First, they point to what we now label “path-dependency” (see, for example, Kay 2005) as a constraint upon possible reforms. Second, they caution against what we will label as a “State-interventionist” mindset in viewing the development of local governments in Australia, but still argue “that the scattered inhabitants of the [then] unincorporated areas were able to ride on the financial backs of the more populated, incorporated areas” and that the rural areas taking advantage of their metropolitan counterparts in this way “is a reflection of the strength of the rural lobby in the colonial legislatures” (p. 99). Third, Power et al. (p. 99) emphasise that in some jurisdictions “[t]he MP was first seen as the ‘roads and bridges’ member who, in the absence of municipal institutions, had to wrest concessions for his area from the centre”, in particular in NSW and Queensland, and that this perception lasted well into the 20th century.

Fourth, they point to the lack of capacity for significant decision-making at the local level as characteristic of the Australian jurisdictions generally. Fifth, they do not spare the rod on the upper houses of the state legislatures, arguing (p. 99) that “[t]he over-representation of rural MPs in the state legislatures upper houses placed them ... in a commanding position to influence the passage of many Bills of great significance to the evolution of local government”. In essence, it served the interests of these conservative MPs (and, we would add, their politics) that local government was essentially hamstrung. Arguably, this political dynamic has remained in place, at least in some instances, and we discuss the contemporary activities of the Upper House in NSW in this regard in Chap. 11 examining “Sydney global city”.

Sixth, Power et al. argue (p. 99) that “[n]aturally the state interventionist systems have been more amenable to change than the constitutionalist systems”, despite the fact that Queensland at that time had not undergone significant reform and that the conservative approach to reform in the “constitutionalist” jurisdictions seemed likely to continue. We take up this issue in Sect. 2.11 (below). Seventh, they point to the culpability of local government in the hiving off of services to ad hoc boards and instead suggest the potential for shared services, stating: “[t]he potential of local government for the delivery of local services has yet to be realised in Australia” (Power et al., p. 99; for the contemporary context, see Dollery et al. 2012). Eighth, they assert that “for all the formidable historical constraints, local government has begun to reassert itself as a sphere of government in the federal system”, citing the reforms under the Whitlam Government and beyond (we discuss these at some length in Chap. 3). Ninth, they assert that, while local government does display promise, “there are many observers who still see local government as “stodgy and unenterprising” and as such encourage the trend to centralisation (p. 100).

Power et al. (1981, pp. 100–103) explore what they refer to as *system reform* along several lines. Commenting upon statutory reform they argue that the (then) acts require consolidation and that this ought to be undertaken periodically, as well as pointing to the desirability for general competence powers (which have subsequently been introduced; see Chap. 5 of this book). Commenting upon

amalgamations, they argue that “in themselves amalgamations have no intrinsic merit” and that they must be seen in a broader framework for reform (p. 101). Nevertheless, they suggest the potential for amalgamations, noting “the desirability of emphasising close links between the cities and their suburbs and between cities/towns and their contiguous regions”, asserting that “there is much value in the notion of [a] city region” (p. 101), and pointing to the value in “cooperative arrangements” rather than “forcing the issue of amalgamation (p. 101).

Commenting upon *localisation of service provision* Power et al. (1981, p. 101) argue that “it should be possible for the several governmental systems to move toward a more decentralised structure in administration” and that two principal benefits would derive from this reform. First, the roles for both state and federal governments would be able to become more “strategic” (our word); second, such a move would accrue the benefits of “subsidiarity” (again, our word) and that the benefits of broader participation in decision-making could be encouraged. Further, they point to an expansion of “personal services” (what in modern parlance we refer to as “services to people”—see Dollery et al. 2006), pointing to the experience in Victoria as an exemplar, as well as pushing utilities back to local governments, while at the same time emphasising the need for flexibility in the face of broader changes, both functionally and organisationally. Thus:

For example, it is in the realm of the feasible that local government generally may become a leading force, for the well-being of the whole community, working towards the integrated planning of, and the co-ordination of physical development and personal service delivery over, whole urban areas and over regions away from the cities. In doing so, it may harness the energies of citizens in ways that more remote levels of government are unable to do, and so provide a vehicle for participation to which most of us give lip service and which must strengthen the working of democratic institutions (Power et al. 1981, p. 103).

Further:

For local government, failure will mean at best the continuation of the present patchy arrangements, and at worst the transfer of more powers and functions from democratically elected councils and their administrations.

In setting down this “maximalist” (Dollery et al. 2006) role for local government, Power et al. (1981) articulate a model of *regional government* that we find a lot of evidence for throughout the course of this book, and re-articulate in Chap. 12.

Discussing *local democracy*, Power et al. (1981, pp. 103–106) lament the (then) dearth of research in the area (arguably the comparative lack of research is still evident; see for example, Dollery and Grant 2010). Nevertheless, they assert that “[t]he basic rationale for local government has always involved the elective character of the decision-makers”, pointing to the validity of the universal franchise (and implying the validity of compulsion in this regard) when set against the institutional arrangements at the time (which have still to be achieved in local government universally in Australia; see Christensen and Grant 2016; Hearfield and Dollery 2009; Ng et al. 2016). Further, while pointing toward a general need for the modernisation of voting systems, Power et al. also emphasise the distinct nature of local democracy across several fronts. Thus: “Highly competitive elections for

metropolitan councils often may not be beneficial” due to the difference between candidates not being clear and the antagonism following contestants into the chamber (p. 104). Further: “Many Australians see great virtue in keeping councils free of the dialectics of national party politics”, yet this renders it “difficult for electors to know just what they are voting for” (p. 105). They also point to the promising potential of “[t]he co-option of citizens working with councillors” and “open government” (p. 106) as further increasing accountability.

Discussing “*internal organisational systems*”, Power et al. (1981, p. 107) are adamant that “the accountability of municipal staff is to the elected council of the authority they serve” and champion the need for education and training, even advocating “scholarships by central government” to investigate the issue. Further, while underlining the desirability of defined professional career paths in local government they also assert that “[t]he policy problem confronting all spheres of government is that of opening up traditional and by now restrictive systems [of education and training] without weakening the centres of educational and research skills” (p. 108). Arguably, inroads in education generally have been made (see, for example, ACELG 2014); however, the extent to which these inroads have been fully incorporated into local government is questionable (see, for example, Smith-Ruig et al. 2015).

Discussing what they label “*the diffusion of innovation*”, Power et al. (1981, p. 108) emphasise the (then) perceived desirability of a national approach, citing the example of the German Institute for Local Government Management Studies, controlled by an elected General Assembly and an elected board. They also emphasise that, in the training programs undertaken by this body, “[w]hat emerges from this process is a finding *proved by practice*” (p. 109). Arguably, there have been some sporadic attempts at such institutions in the Australian context (see, for example, ACELG 2015). However, as we shall in Chap. 3, these efforts have been the subject of party-political largesse rather than a sustained element at public administration professional development.

In their discussion of “*finance*”, Power et al. (1981, p. 110) make four general points. First, financial arrangements for local government cannot be considered in isolation. Second, there exists a high degree of variability between types of councils (urban and regional in particular), and shared services (see Dollery et al. 2012) could be appropriate for some rural councils. Third, greater flexibility for own-source revenue (see, for example, Dollery et al. 2013) would be optimal. Fourth, “a fully-fledged system of local government needs to be relatively autonomous in its revenue-raising ability” (p. 111), underlining the centrality of federal funding in the future. We take up this seemingly contradictory proposition in Chap. 12. Commenting upon state-local government relations, Power et al. (p. 111) point to the desirability of greater resourcing for research at the level of state government and for what they describe as “mechanisms of policy analysis, research and co-ordination”, urging the ACIR to pursue such an approach.

Finally, in surveying the entries for the individual jurisdictions, Power et al. (1981, pp. 112–113) observe what they described as “six major themes”: [i] “the unwillingness of State departments and instrumentalities to consult local

authorities”; [ii] “Rigid [although variable] controls imposed by State departments”; [iii] “public apathy and low esteem for local government and its leaders”; [iv] “the need for local government to improve its intelligence gathering and policy development capabilities”; [v] “funding inadequacies”; and [vi] “the need for local government to train its officers more effectively”. Reflecting upon these last six observations, it is interesting to note that they are all limitations to the operations of local government and (arguably) how similar sentiments could be expressed contemporaneously. However, rather than dwell on these laments, it is possible to extract from the observations of Power et al. (1981, pp. 69–113) a prescriptive theory of local government in Australia composed of three main elements.

The first of these elements envisions local government as *the local state*. As we have noted above, contrary to some contemporary theory that endorses the shift from “government” to “governance”, Power et al. (1981) explicitly endorse local government as not “first among equals” but clearly normatively distinct from other elements of society, including other tiers of government. This endorsement is most evidently witnessed in the disdain they—along with (in particular) Larcombe et al. (1981), Bowman (1981) and Tucker (1981)—exhibit, not to ad hoc authorities themselves, but to the way that ad hoc authorities erode the capacity of local governments for not merely service provision but as a “developer of resources”. Further, their stirring endorsement of the *governance of place* denotes that the optimal role of local government is not merely with service provision or as a node for preference allocation, but is involved in developing *and defining* said place.

Second, this local developmental state is *powerfully democratic*. This perspective is clearly evident in the authors’ endorsement of “democratic self-government”, requiring the universal franchise and (very strongly implied, at least) a compulsory franchise. The goal here is legitimacy through accountability, and (again more expansively) the engagement of citizens with the processes of the state, not merely electoral mechanisms. Interestingly, of all the points that they make in their observations, Power et al. (1981) do not express a preference for stronger leadership arrangements—of which directly elected mayors are the most salient example.

Third, this local government is clearly *developmental and expansive*. It is developmental not merely acting upon its local area but as an organisation itself, fostering cooperation with other local *governments* and diffusing innovation. Further, as much as local governments in this guise are “place-based”, they are also clearly regionally orientated. This role is evidenced in their clear endorsement of city-regions and their acknowledgement that amalgamations and shared services both have a role to play. It is also evidenced in the disdain that Power et al. (1981, p. 99) hold for “rural MPs” protecting parochial interests. In fact, there is a strong intimation on the part of our protagonists that arrangements for regional governance already ought to be in place. We return to these themes in Chap. 12 in particular, but also throughout the book. As we have seen, Power et al. (1981) see two other major impediments to this local regionalism: finance, namely the need to reconfigure state-federal financial relations, and what we have labelled the

“path-dependency” of the individual jurisdictions. It is to the latter of these, and the “the history wars” in particular that we now turn.

2.11 Observations

Chapter 1 described how de Tocqueville (1972, p. 59) observed that, in a quest to understand a federal government, it makes more sense to commence with an examination of the components rather than to start (as it were) with, in our case, the place of local government in Australia’s federal system. It strikes us that this is particularly the case if our central concern is local government itself—or at least Australia’s political economics viewed from the perspective of local government. Again, while we freely admit, following Maddox (1996, p. 213) that we have undertaken the task “briefly and unsatisfactorily”, we assert that it is one that ought to be undertaken in order to commence and invite an understanding of the *constitutions* of the local government systems in Australia.

Reflecting back on our account of the jurisdictions organised around the contributions from the ACIR paper (Power et al. 1981), it is possible to imagine a ledger which places the jurisdictions (say) on the left if they conform to the “State-interventionist” type on the one hand, and (say) on the right if they conform to the “constitutionalist” type on the other hand. Envisioned as such, the contributors to Power et al. (1981) suggest that two of the states—NSW (Larcombe et al. 1981) and Queensland (Tucker 1981)—should be placed to the left, and that three—Western Australia (Wood 1981), Victoria (Bowman 1981) and South Australia (Robbins 1981)—should be placed on the right, with Tasmania (Wensing 1981) having a foot in both camps. Further, the Northern Territory would fall on the left, first by virtue of being a creature of the Commonwealth, and on account of recent reforms in that jurisdiction (see Michel 2015).

However, to organise the jurisdictions in this way by no means implies *either* that these classifications are unequivocal *or* that the jurisdictions haven’t changed since that time. For instance, Aulich (1999) clearly asserts that, if we choose to examine *reform processes*, the classifications were significantly disrupted at that time. Thus, despite the traditionally “constitutionalist” systems having “developed under long periods of conservative governments ... [that] tended to accord lighter responsibilities to local government, but leave it largely alone in the discharge of its responsibilities” (Aulich 1999, p. 20), this overall historical pattern was ruptured by (for example) the radical amalgamation program in Victoria undertaken by the Kennett Government in 1993 (see, for example, Kortt and Wallis 2015). Similarly, Aulich (1999, p. 21) argues that, at that time, “[i]t has been the interventionist states of New South Wales and Queensland and, lately, of Western Australia, where the local democracy and political approaches to reform [have been] dominant”. However, in their account, Grant and Dollery (2014, p. 77) argue that subsequently Queensland has (as it were) reverted to type in the forced amalgamation process of 2007–2008. Further, following the forced amalgamation program currently being

undertaken in NSW (see, for example, NSW Government, n.d.) one would have to argue that this jurisdiction has now reverted to its “State-interventionist” type also.

The point here is—decidedly—not *merely* whether the jurisdictions conform to their specific types over time. Rather, it is that the two ideal-types afford us the capacity of understanding the origins and development of the local government systems—and of comparing them—wherein local government is conceived as principally political. This broad heuristic focuses upon state-local relations but also offers a broader politics of local government, of which public administration is a part of, but by no means the complete, picture. This broad heuristic is reflected in our subsequent discussions in this book, in particular in Chap. 5, examining autonomy and Australian local government systems, and Chap. 12, discussing the future of local government in Australia.

Our first general point is that local government is both a legitimate and an important unit of historical and political inquiry. To local government specialists this assertion might seem *prima facie* obvious. However, within mainstream political studies in Australia this is (arguably) *not* the case. This has recently been borne out in what was, at the time of writing, the most recent volume of *Australian Journal of Political Science*, a “Special Issue: Taking Stock: 50 years of research in the *Australian Journal of Political Science*” edited by Marian Simms and Geoffrey Stokes. In this review issue, matters of local government are discussed by Halligan (2015). Local government is afforded approximately one page of text under the sub-title “Local and regional governance”, wherein Halligan (p. 711) comments that in the 50 years of the journal, “[l]ocal government has been a constant ... The politics of local government system [sic] (as opposed to the operations of municipalities) pervades the articles”. Our comment to this observation is that this is to be expected—not only are we talking about a political science journal, we are also reviewing local government (and regional governance) as a subject in that journal. We believe that local government should be conceived as being more than mere “administrative practice”. Rather, a broader conception would view local government as a critical element to the history and future of Australian politics. The associated point is that, just because telling a history of local government in Australia intrinsically involves an examination of colonial and state governments—and, as we see in the chapter immediately to follow, arrangements for regional governance and government conceived from the federal tier—it does not render the focus on local government in itself any less legitimate.

Second, the idea that the creation, maintenance and reform of local government ought to be understood as more than merely administration is reinforced when we consider what we have labelled “the history wars” of Australian local government studies. The conflict in interpretation between the “constitutionalist” and “State-interventionist” categorisations of local government systems underscores the fact that in discussing local government in Australia some extremely foundational issues in politics—for instance, those around representative and responsible government, about political communities (and as such who *isn't* included as well as who *is*) and, crucially, notions of identity that are inextricably bound up with place—are necessarily an element of these discussions.

Arguably, viewed through the lens of “the history wars” we are alerted to some profound differences, and similarities, across the jurisdictions that in everyday parlance are very casually remarked upon, yet form important elements of the constitutions—again, broadly understood—of these individual systems. Part III of this book reflects upon these differences and similarities framed by the broad themes of autonomy, community, economics and finance, leadership and ethical issues in local government. In Chap. 3 we turn our attention to how these similarities and differences have been brought together and viewed from the federal arena of politics. Yet it is important to emphasise that this is not merely an exercise in history as we discuss it in this book, nor of issues of public policy as discussed in Chaps. 5–11. It is also, pressingly, an issue of the future of local government in Australia, discussed in Chap. 12. For now, however, we turn to local government as an element of the federation.

Appendix 1

Notes for Table 2.1 Australia: Placing Colonial, State and Local Governments.

¹The settlement at Sorrento under Lieutenant George Collins in 1803 was abandoned in that year (see Turner 1973, pp. 24–76). The date for the ensuing settlement is marked as 1836/37 due to the fact that the colonial government in Sydney named Port Phillip District in 1836 (DEEWR 2013f) while the first Resident Magistrate was appointed 29 September 1837 (Quick and Garran 1995, p. 52).

²1841 marks the election of the Botany Road Trust on 28 January of that year under the *Parish Road Trusts 1840* and as such pre-dates the *Sydney Corporations Act 1841* (see Larcombe 1973, pp. 53–55; Power et al. 1981, p. 10).

³The first Corporation of Adelaide ceased to exist in 1843 but was restored in 1852 (Robbins 1981, p. 575).

⁴The First Sydney Corporation enacted in 1842 was replaced by the Second Sydney Corporation from 1850 to 1853, which was in turn replaced by the Sydney Commission in 1854. The Commission was abolished and elections successfully held for a new Sydney Corporation in 1857 (For a discussion, see Larcombe 1973, pp. 79–178, 1976, pp. 3–30).

⁵The first municipal incorporations in both Victoria and Queensland (Melbourne and Geelong in 1842 and Brisbane in 1859) were created under NSW legislation written specifically for these purposes (see Larcombe 1973, pp. 130–197). While these incorporations did not occur under the legislation of the later constituted colonies it is common practice in the literature to list these as the first municipal corporations in the *geographic area*, particularly as it denotes a degree of voluntarism by the citizenry and especially in the case of Melbourne and Geelong (see, for example, Larcombe 1973; Bowman 1981).

⁶1825 marks the first of four failed attempts to establish a permanent settlement in the area now within the jurisdiction of the Northern Territory (see Powell 1988, pp. 48–84). Following from other comparative accounts (see, for example, Aulich

1999; Marshall 2008), and in recognition of the fact that local government is constituted under Commonwealth law and was constituted far later than in the other jurisdictions, the history of local government in the Northern Territory is not separately discussed in this chapter. For concise accounts, see Michel (2015) and Sanders (1996, 2006).

⁷In Table 2.1 “consolidation” principally refers to the initial modernisation of the acts in the individual jurisdictions and the merging of two or more acts such that local governments generally (although not exclusively) fell under the one Act. The dates for these are primarily taken from Power et al. (1981, pp. 23–24). However, within the literature the term “consolidation” is also used to mark the introduction of broader stability in local government in that jurisdiction. For instance, Halligan and Wettenhall (1989, p. 79) mark “the passing of the last compendious, comprehensive Local Government Act in South Australia in 1917 and the establishment of the unified city of Greater Brisbane in 1925” as the consolidation of legislation in those jurisdictions and as such those dates have been included here. For his part, Tucker (1981, p. 382) argues that, following the recommendation of the 1896 Royal Commission, “under a unified local government code three classes of local authority need to be retained: cities, towns and shires” and that “[t]his basic structure was later included in the *unified* local government code (*Local Government Authorities Act of 1902*)” (emphasis added). As such this date has also been included. Bowman (1981, p. 243) argues that it was “[d]uring the last quarter of the nineteenth century [that] the local government system for Victoria was consolidated”.

The capital cities of Adelaide, Brisbane, Melbourne and Sydney and the regional Victorian city of Geelong were historically incorporated under their own acts and this remains the case (*City of Adelaide Act 1998* (SA) (South Australian Government 1998); *City of Brisbane Act 2010* (QLD) (Queensland Government 2010); *City of Melbourne Act 2001* (Victoria) (Victorian Government 2001) *City of Greater Geelong Act 1993* (Victoria) (Victorian Government 1993); *City of Sydney Act 1988* (NSW) (NSW Government 1988). Hobart and Launceston were incorporated under one act, the *Hobart Town and Launceston Municipal Corporations Act 1852* and later in the 1850s under separate acts (see Chapman 1981, p. 713). According to von Stieglitz (1958, p. 103) under the consolidation introduced by the *Local Government Act 1906* (Tas) ‘the cities of Hobart and Launceston were left unchanged’. Presently both Hobart and Launceston fall under the *Local Government Act 1993* (Tas) (see, for example, City of Hobart, n.d.). The *City of Perth Act 2016* (Government of Western Australia 2016) received Royal Assent on 3 March 2016 with the new boundaries coming into effect 1 July 2016 (DLG&C [WA] 2016).

⁸The first incorporation in what is now the Northern Territory was the District of Palmerston in 1874 under South Australian legislation, the *District Councils Act 1858* (SA). Following from the Commonwealth accepting control of the Northern Territory in 1911, the District of Palmerston was replaced by the Darwin Town Council in 1915 (Museum of Australian Democracy, n.d.c). In 1935 the council

resigned in protest at Commonwealth interference and the Commonwealth installed a mayor and four councillors in 1931. This council petitioned the Commonwealth to assume control of town and it did so in 1937, despite protests. In 1957 the Municipality of Darwin was incorporated under the *Local Government Ordinance 1957 (NT)* enacted by the Legislative Council in that year (Museum of Australian Democracy, n.d.c). As such, the three dates of 1874, 1915 and 1957 have all been included to mark the introduction of the first incorporations under South Australian and Commonwealth legislation.

⁹In Row 6 the three dates for the Northern Territory refer to the first incorporations under the *District Councils Act 1858 (SA)*; legislation providing for the Darwin Town Council in 1915 and incorporations under the *Local Government Ordinance 1957* (see Museum of Australian Democracy (n.d.c); Sanders (2006, p. 1)).

¹⁰In row 7 the three dates for Northern Territory refer to the introduction of permissive systems under the *District Councils Act 1858 (SA)*; the *Local Government Ordinance 1957* and the *Local Government Act 2008 (NT)*.

¹¹Arguably, it was only with the introduction of the *Local Government Act 2008 (NT)* (see Northern Territory Government 2008a, b) that a compulsory and consolidated system of local government was introduced in that jurisdiction.

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Chapter 3

Local Government and the Australian Federation: Regionalisation, Regionalism and the Struggle for Constitutional Recognition

Abstract This chapter provides an introduction to the history of local government in Australia from the federal perspective, discussing three interrelated narratives. First, we identify what we are labelling as the necessity for, and the romance of, regionalism in Australia, considering how the issue of local government has always featured as an element of Australian federalism. This concern for local government dates from the drafting of the Australian Constitution through to the advocating for new states and to contemporary discussions about what is, in essence, the political organisation of territory in Australia. The crucial distinction between “top-down”, or administrative, regionalisation on the one hand and “bottom-up” political regionalism on the other hand is highlighted. The chapter then provides a history of federal-local relations from the immediate post-World War II period through to contemporary Labor and Liberal-National Coalition governments, noting that the assumption of a strict party-political divide about local government is not helpful. We then consider the failed attempts at constitutional recognition for local government in 1974 and 1988 and the failed attempt at achieving a referendum on the issue to coincide with the federal election in 2013. We argue that the issue of constitutional recognition of local government has reached an impasse and, as such, policy considerations have been directed to a consideration of state-local relations.

Keywords Australian local government • Constitutional conventions • Constitutional recognition • Federalism • Regionalisation • Regionalism

3.1 Introduction

Chapter 2 provided a synoptic account of the origins of local government in the individual colonies, subsequently the states of the Australian federation. This account was derived principally from contributions to the Australian Council for Intergovernmental Relations’ (ACIR) *Local Government Systems of Australia* edited by Power et al. (1981). In many respects, this veritable 881-page document, replete with maps of the state jurisdictions at that time and commissioned under an

act of *federal* parliament, is symbolic of the earnestness and the angst of attempts to establish a consistent relationship between the Commonwealth and local governments. It is also symbolic of what we describe here as both the necessity for, and the romance of, regionalism in the Australian context, and the complex relationship that local governments have had with regionalism when viewed federally.

It is beyond the scope of one chapter to examine in detail the history of federal-regional-local government relations in Australia. Rather, as with Chap. 2, we stand on the shoulders of giants—some of whom are our contemporaries—to consider these issues. This chapter is divided into four main parts and, in essence, tells three different types of histories of the Australian Government’s relationship with local government. Section 3.2 examines the history of regionalisation and regionalism in the Australian federal context. Drawing on Aulich and Pietsch (2002), Sect. 3.2 examines the reasons why local government did not feature in the Constitution drawn up in 1900. We then provide an account of what we are labelling as “the great game” of the Australian federation, namely regionalisation and regionalism, principally through the work of Brown (2006). We briefly examine various ways that the Australian continent has been imagined as a series of sub-national units, and argue that any discussion of regionalism in Australia is necessarily a discussion with which local government, both historically and contemporaneously, is inextricably bound.

Section 3.3 provides an historical account of the relationship between the federal government and local government in the post-World War II (WWII) era, documenting the “three generations” of regional policy by Labor governments during this time provided by Kelly et al. (2009), and extending this narrative to provide an account of the relationship during the terms of the Labor governments of 2007–2013 and the Coalition Governments led by Prime Ministers Tony Abbott and Malcolm Turnbull during 2013–2016.

Section 3.4 provides the third historical narrative, namely that of attempts to provide for local government in the Australian Constitution, drawing on Brown (2008) to provide an account of the attempts in 1974 and 1988, then examining the failure of the attempt to hold a referendum on the issue on financial recognition in September 2013. Section 3.5 derives some general observations from these three intersecting histories and examines the implications for public policy. We argue that the regional-local nexus was significantly weakened under the “Reform of the Federation White Paper” agenda (Australian Government n.d.a). Nevertheless, both the necessity for and romance of regionalism, and the unresolved relationship between the federal government and local government, are destined to continue.

3.2 Federalism, Regionalism and Local Government

It is frequently and correctly asserted that local governments in Australia are creatures of state statute and that local government is not mentioned in the Australian Constitution (see, for example, Aulich 2015; Constitutional Commission

1987, pp. 57–58; Marshall 2008, p. 37; McNeil 1997, p. 21). However, beyond this observation, descriptions of the relationship between local government and the Commonwealth at the time of federation differ. On the one hand, there are those who, if they are not roundly dismissive of the importance of the relationship, then at least are prepared to describe it with an air of inevitability. For example, Chapman and Wood (1984, p. 30) *inter alia* state that “[l]ocal government has been affected by the growth of federal power in much the same way as the states, though local government was left out of the federal constitution”; further, “At none of the three [Constitutional] Conventions held in the 1890s was local government discussed; it was not important for the creation of the federation, a process in which the location of sovereignty and the distribution of powers and functions were an issue”. In a similar vein, Jones (1993, p. 38) cynically states: “Most Australian local governments think that Federal-local links are wonderful because they mean money from Canberra”, before asserting that “Australian federal theory says nothing about local government” (p. 39).

On the other hand, there are those who view the issue of local government as an important influence upon the framing of the Australian Constitution and who view it as a central issue of the shape of putative reforms to the federation. Arguably, principal of these authors is Brown (2006, 2008), who takes issue with both Chapman and Wood (1984) and Jones (1993) about the precise points described above (Brown 2008, p. 437). However, before considering the work of Brown (2008) it is worth reflecting on the place of local government in the constitutional conventions leading up to federation in 1901.

3.2.1 *Local Government and the Constitutional Conventions 1890–1898*

Against the claims of both Chapman and Wood (1984) and Jones (1993), Brown (2008, p. 437) states: “Local government *was* mentioned at various points in the Federation conventions, in a manner that demonstrated that the founders’ were creating not a two-tiered but a three tiered system”. In their discussion, Aulich and Pietsch (2002) provide five reasons why local government, in their parlance, was not excluded per se but rather “left on the shelf” in the framing of the Constitution during the constitutional conventions that were held in 1890, 1893 and 1897–98, namely:

1. The anxiety of the colonies about the transfer of powers to a national government, and their corresponding desire to retain as many of their existing powers as possible;
2. An acceptance of the status quo nexus between colonial governments and local governments;
3. A view held by those who framed the Constitution that local government was not seen as sufficiently important to warrant its inclusion;

4. Concerns about the potential threat posed by a strong local government sector; and
5. The national, rather than the local, focus of the federation movement (Aulich and Pietsch 2002, p. 15; see also Appendix 1).

Arguably, these reasons are important because they provide a link between the development of the local government systems within the individual colonies, then states, and how local government was perceived in the formation of the federation.

Examining these reasons in detail, Aulich and Pietsch (2002, p. 16) first observe that a “resounding refrain” from the majority of delegates to the conventions was “that the powers already vested in the colonies should be little diminished by the establishment of a federal government”. Aulich and Pietsch (2002, p. 16) cite Sir Samuel Griffith from the 1890 preliminary Federation Conference, who stated: “The re-establishment of a central executive would appear to many persons like going back to *the old state of things*” (emphasis added). In other words, resistance toward the transfer of authority to a central executive was grounded not merely in concerns about the states ceding authority to that central executive but also in the idea that the continuation of executive government at the level of the states was, at the time, a *progressive step*, away from the centralised authority of the Crown in Britain.

According to Aulich and Pietsch (2002, pp. 17–18), the second reason why local government didn’t feature in the final constitution was that under the “minimalist” model adopted it was simply assumed that municipal authorities would remain under the control of the states. While *prima facie* this might be viewed as obvious, there was an ancillary reason here—namely that if local government was to be included, the question of how so would have to be decisively answered. We think that it is important to note that the idea was debated, with Alfred Deakin arguing that local government ought to be directly funded by excise and customs duties collected by the new federal authority (Aulich and Pietsch 2002, p. 17). However, for some delegates Deakin’s view was tantamount to arguing for unification. Thus the issue of the direct funding of local government by the Commonwealth, although eventually defeated, was problematic within the conventions and, as we demonstrate in Chaps. 7 and 12, it has haunted the federation since.

The third reason Aulich and Pietsch (2002, pp. 18–20) list for the omission of local government from the Constitution was its lack of status at the time, with the authors commenting *inter alia* that it was held in “modest esteem”; that “some ... spoke derisively about municipal government” at the conventions and that, while the colonial governments were the centre of all authority, “[f]or many of those involved in the colonial parliaments, municipal councils were little more than an administrative convenience” (Aulich and Pietsch 2002, p. 19). Fourth, the authors note that, despite this derision, there were some concerns about the political power of local governments having the potential to challenge the power of the colonies, with several participants pointing to the power of the municipalities (specifically, the cities] in the United States (Aulich and Pietsch 2002, p. 20; see Chaps. 5 and 12 for further discussions of these points).

Fifth, Aulich and Pietsch (2002, pp. 20–21) argue that, in essence, the conventions had a national focus, with sentiments of nationalism and patriotism forming an important backdrop to the eventual makeup of the Constitution. Otherwise stated, the metaphysics of the whole exercise were set against a detailed examination of the division of authorities internal to the emerging federation, alongside an overwhelming concern for preserving the authority of the colonies. For both these background sentiments, the minimalist model, rather than the minutiae of divided power, made sense.

From this account, then, we have a sense of both the “how” and the “why” of the die being cast in a particular direction for local government before being set in the Australian Constitution—and some reasons as to why this remains problematic to this day, as we now move to explore in the ensuing sections of this chapter. Yet the overall point is that local government, while being “left on the shelf”, was hardly out of the frame of consideration.

3.2.2 *The “Great Game”: Federalism, Regionalism and Local Government*

As informative as their scholarship of the constitutional conventions discussed above is, it is nevertheless possible to describe the *attitude* of Aulich and Pietsch (2002) toward the constitutional fate of local government as one of lament—one that sees local government “left on the shelf” (as their article suggests) or “still a tale of Cinderella?” (Aulich 2005, p. 193). The same cannot be said for Brown (2006, 2008), for whom the issue of regionalism in Australian politics takes centre stage and to which the issue of local government can be seen to be inextricably bound. To cite at length:

Since its inception, the constitutional development of local government has been just one important part of the debate over how sub-national government as a whole should be structured, and the subject of a range of colonial constitutional principles and home-grown reform movements. Intersecting pressures have included those for further colonial subdivisions, the formation of ‘new States’, and alternative forms of regional governance with or without state governments. Across much of the ‘island continent’, the general problem of institutionalising an appropriate ‘balance’ between centripetal and centrifugal imperatives in governance has never gone away (Brown 2008, p. 438; emphasis added).

Two crucial points can be gleaned from this citation. First, understood in this way, the idea of “constitutional development” is a far less literal affair—*contra* the idea of setting the ground rules on a piece of paper and getting on with the rest of the nation’s future. Indeed, this understanding of constitutional development conforms to the way that we, following Lowndes and Leach (Lowndes and Leach 2004), have organised the central methodology of this book (although for a far more elegant account of same, see Irving 1997). Second, the issue of regionalism in post-1788 Australia has indeed been the great game, as our ensuing discussion (we think) bears out.

Before we consider the federal/regional/local issue in greater detail, it is useful to deal with questions of definition regarding the concept of regionalism, from which other definitions (in particular “local”) fall into place. Brown’s (2006) work in this regard is extremely useful. Brown (2006, p. 13) draws a distinction between “state-regionalism” on the one hand—where regions conform to the boundaries of the states—and “regional-regionalism” on the other, where regions are defined as areas *other than* the states. Brown (2006, p. 13) is sweepingly dismissive of “state-regionalism” in the Australian context, asserting that “the idea immediately raises a tension, because our normal understanding of a ‘region’—in political life, in economic life, in biogeographic terms and so on—is very different”, and that “for the most part, it rarely and sometimes never aligns with our concepts of state government”. Further: “In the real world of public policy and popular political culture ... *the vast bulk of citizens operate on an entrenched assumption that Australia has many more than six regions*” (emphasis added).

Against both “state-regionalism” and the more organic “regional-regionalism”, Brown’s (2006, p. 14) third definition is “administrative” or “scientific regionalism” which is a “top-down concept used by experts for the purposes of planning, bureaucratic organisation, funding distribution ...” and “operates independently of regionalism as a bottom-up political or constitutional phenomenon” often assuming differing, overlapping forms. Brown (2006, p. 15) regales the reader with a list of top-down administrative sub-divisions, including “the 85 biographic regions of Australia, identified cooperatively by federal and state government scientists since the mid-1990s”; “the 69 statistical divisions, based on agreed definitions of a ‘region’, identified cooperatively by federal and state statisticians and used by the Australian Bureau of Statistics since 1969-73” and “the 54 regions of the nation’s Area Consultative Committee (ACCs), administering Commonwealth regional development assistance funds” that are represented in Fig. 3.1.

Reflecting upon the three definitions of regionalism discussed above, we concur with Brown (2006, p. 16) when he asserts: “Rather than seeking a definitive reconciliation of these definitions, it is more important to note that ... they exist, and that on any of them the place of the region in Australian federalism matters enormously”. Precisely the same comment could be made of Fig. 3.1. It could also be made of Fig. 3.2—namely, that it is the necessary delineation required by what Brown (2006, p. 13) refers to as “the general problem of institutionalising an appropriate ‘balance’ between centripetal and centrifugal imperatives in governance” that is ever-present in European Australian history. Figure 3.2, adapted from Ellis’s (1933) *New Australian States*, represents how the Australian Labor Party envisioned the ideal (but not “frozen”, to deploy Brown’s (2003) powerful metaphor) partitioning of the Australian continent at that time.

While this graphic is reproduced in other discussions of regionalism in Australia (see, for instance, Brown 2006, p. 22), in this context it is important to emphasise both the political and the local nature of these divisions (as opposed to the mere administrative regionalisation represented in Fig. 3.1). Thus in his Introduction Ellis (1933, p. 9) states:

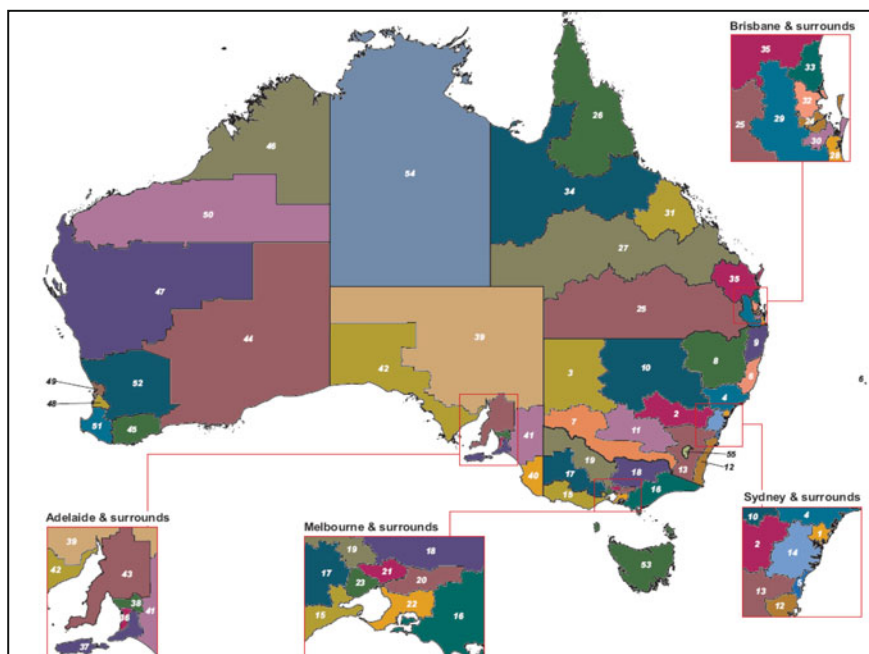


Fig. 3.1 Australia divided by Regional Development Australia(RDA) Regions 2015. *Source* Adapted from RDA 2015 (key not included)

No complete history of the *fight for local self-government in Australia* has ever been written, though the Riverina and New England movements date back more than seventy years, and the desire for domestic independence in Central and Northern Queensland has existed for almost as long.

Self-government has never been granted by Australians to Australians. Australian Governments have always resisted what local agitations forced upon the British Government. Tasmania, Queensland and Victoria won their freedom by Imperial action with much opposition from the central Government in Sydney. Since Queensland was separated from that influence in 1859, there has been no real subdivision of Australian territory.¹

This is not due to any lack of energy on the part of those outposts which desire self-government. *The agitations for domestic freedom recall ominously the words of the Declaration of Independence:*

In every stage of these oppressions, we have petitioned for redress in the most humble terms; our repeated petitions have been answered only by repeated injury (emphasis added).

¹Notably, Ellis (1933) did not include the excision of the Northern Territory from South Australia or that of the Australian Capital Territory from NSW, both of which occurred in 1911. See Brown (2004).

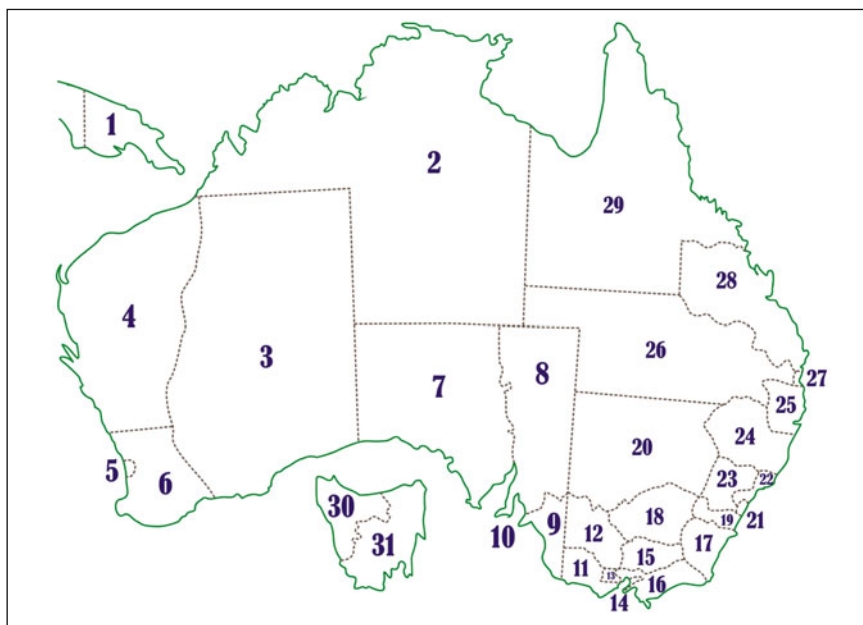


Fig. 3.2 The Labor Party scheme of 1920 proposed the subdivision of Australia into the 31 provinces shown on the map. *Source* Adapted from Ellis (1933, p. 237). *Notes* For a description of the numbered regions as described by the Labor Party (McNamara 1928) see Appendix 2

We fully concede that Ellis's (1933) is a political tract grounded in "the fight for local self-government in Australia" (p. 9). As such we cannot look upon his text, nor the lines drawn across the continent in Fig. 3.2 by the Labor Party, as administrative subdivisions from above. Rather they are the result of the desire for a very US-inspired freedom from below. In this regard Ellis (1933) ought to be a prescribed text for all students of Australian politics and history. Indeed, the fact that it isn't is remarkable.

There have been other maps (see, for example, Hurford 2004; Murray 2012; Pape 2003; Prescott 1987). Our point in this context is that *regional* is to an extent *local* and it is, to a greater or lesser extent, *explicitly political*. This is a far cry from local government as an instrumental deliverer of services and as a preference-allocation machine in the guise of local democracy, which we discuss in Chap. 4.

Explaining why local government is necessarily an enduring element of regionalism (however conceived) in Australian politics is our next task. In so doing, it is important to keep in mind the tension between the concept of regionalisation on the one hand (graphically illustrated in Fig. 3.1) and Brown's (2006) concept of "regional-regionalism" on the other hand, the latter of which is (arguably) the one

that he champions. It is also important to keep in mind that the extant state and territory boundaries have not been, and are not, devoid of meaning, both political and ideational, as emphasised we in Chap. 2.

3.2.3 *Brown (2006): Why Regionalism Is a Federal Issue—Five Facts*

Thus far we have seen that for Brown (2006) regionalism—and, we have argued by implication, local government—has historically been a federal issue. In turning to explain his view, as well as “to understand ... the extent of the challenges faced by Australia’s current federal system”, Brown (2006, p. 16) stresses that we must understand “five facts”. For the more empirically-minded of our readers, these facts might appear somewhat abstract and/or stylised. However, we think that they are learned and provide an important historical and institutional backdrop upon which to frame our deliberations both here and later in Chap. 12, “Future of Australian Local Government”.

Brown (2006, p. 17) asserts that the first of these facts is “the unusually highly centralised nature of [Australia’s federalism] compared to most federations”. According to Brown (2006, pp. 16–17) this has resulted for a number of reasons, not the least of which is the historical and constitutional weakness of local government that we have described above. Nevertheless, this overall level of centralisation is problematic for several reasons, principal of which is that we might assume that the Australian federation garners the benefits of federalism—that is, those associated with politically and fiscally decentralised governments—when in fact it does not. Otherwise stated, the Australian federation is *hamstrung* from pursuing these benefits. The way that Brown (2008, p. 17) demonstrates the lack of sub-national governmental capacity is by comparing “own-purpose” governmental outlays across the three tiers in the Australian federation with other federations.

Figure 3.3 displays the historical lack of local government fiscal outlays when compared with the US, Canada, Germany and Brazil. The more general point here—and one that is essential to grasp in understanding the role of local government in Australia’s “great game”—is that local government is an essential element of any consideration of territorial sub-divisions. Lack of capacity at the sub-national level is an enduring issue and one that, arguably, the recent and now defunct “White Paper on Reform of the Federation” (see, for instance, Australian Government n.d.a) was initiated to address (Grant et al. 2016).

The second reason why Brown (2006, p. 18) deems regionalism (and in our reasoning, local government) as being a federal issue is because “our federal system has been historically dependent on institutions with weak—or indirect *political legitimacy*” (emphasis added). In essence, as we saw in Chap. 2, all the individual

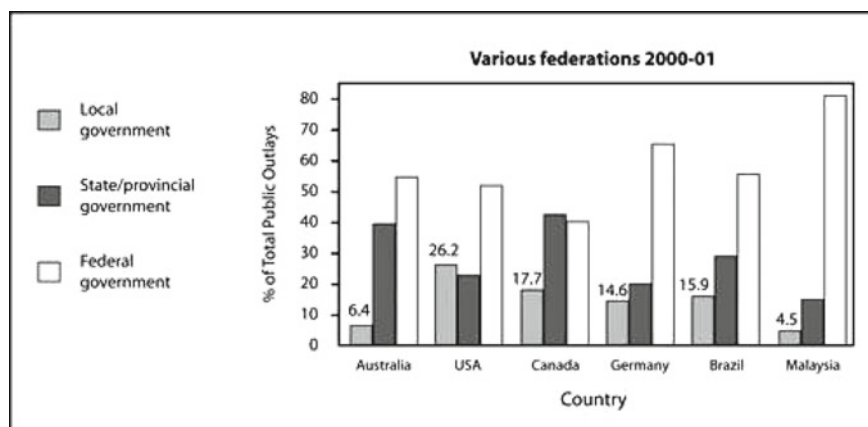


Fig. 3.3 Federal, state and local government own purpose outlays as a share of total public outlays (2000–01). *Source* Brown (2006, p. 17)

colonies and states (and by implication, the federation) have laboured with historically weak local governments. As a result, state governments have grown by way of introducing multifarious statutory authorities to undertake basic service functions. Brown (2006, p. 18) asserts that this weakness has been reinforced with the growth in federal government authorities—that is, they have grown in response to weak local and regional structures. As a consequence, Brown (2006, p. 18) conjectures that “While this experience has resulted in strong public service traditions, it has reduced popular expectation that elected officials should even be in place, let alone have the capacities, to take direct responsibility for the delivery of many services” and that “for most of the last 150 years we have tended to rely on large specialist bureaucracies more than general-purpose local, provincial or ‘regional’ government” and that this overt reliance has led to a cynicism about the capacity of politicians, particularly sub-national politicians. In essence, bureaucracy, in the form of statutory authorities, has filled the space occupied in other federations by sub-national politicians and voluntarist political and civil action. This overall characteristic of Australian federalism is the second reason why regionalism—and, by implication, local government—is a federal concern: the gap has to be filled and this is a federal problem.

For Brown (2008, p. 18) the third reason is that the issue of political devolution has always been with us. We have seen that a consideration of local governments shadowed the development of the Australian Constitution (Aulich and Pietsch 2002). Further, the Constitution was written to include “express provisions” for the introduction of new states in Chap. 6, and Brown (2006, p. 19) makes the point that the drafters of the Constitution had in their minds the further territorial divisions that took place in the United States. In essence, it is in our constitutional DNA that Australian federalism would expand to include more states.

Brown's (2006, p. 21) fourth reason reinforces this point: he suggests that Australia lacks what he refers to as a "deliberative culture on constitutional questions—and in particular, a better party-political culture of constitutional bipartisanship". Brown (2006, p. 21) reminds us that both major constitutional reviews of the last century achieved "bipartisan consensus" that the provisions for introducing new states should be altered to make it easier for new regions to be recognised and admitted to the federation. Thus, the Peden Royal Commission of 1927–1929 "recommended unanimously to this effect, even as it only voted—by four members to three—to retain the federal system", and the parliamentary constitutional review committee of 1958 "made a similar recommendation", despite the Labor Party platform at the time being abolitionist (Brown 2006, p. 21).²

Brown's (2006, pp. 22–23) fifth reason as to why regionalism (and, we have argued, local government) is a central concern to federal government is because Australian federalism is "a dynamic and changing system". While this may appear to be at odds with Brown's (2003) own metaphor of a "frozen continent", he is correct to emphasise that inside the stable shape of Australia's federalism significant changes to governing arrangements have taken place. These include the changing role of the Council of Australian Governments (COAG), the expansion in the roles of local governments (discussed extensively in Chaps. 5, 7, and 12) and the continual dialogue about and institutional formations of regional governance.

3.3 Commonwealth Interventions Post-WWII

Our discussion above focused upon the place of local government within the changing landscape of regionalism and regionalisation in the Australian polity, utilising Brown's (2006) careful generalisations in this regard. Another way to recount the history of federal-local relations derives from an examination of the varying policies of successive federal administrations. In their account of federal regional policy in the post-WWII era, Kelly et al. (2009) trace the peaks and troughs of federal intervention into the enduring problem of regionalism and local government, discerning "three generations" of heightened attention toward these issues. It is to these three generations that we now turn.

²Brown (2006, p. 21) issued a cautionary salvo against what we will label "bi-partisan reductionism"—that is, with the Federalists (conservatives) on the one side and the Centralists (Labor) on the other—arguing that the pro-federalist new state arguments were also accompanied by rhetoric endorsing stronger central government "to deal with national issues" and that "proposals for conversion to a unitary system closely resembled new state movements, in their constitutional formulae for the structural devolution of power to 'regional' provincial governments". In the context of contemporary public policy debates these arguments appear at once sincere, radical and very important (see also Grant et al. 2016).

3.3.1 Kelly et al. (2009): “Nation-Building” of the 1940s

The first of these generations Kelly et al. (2009) describe as the “nation-building” of the 1940s under the Prime Ministerships of John Curtin and Ben Chifley. This broad policy approach is nevertheless embodied in one impressive document published by the (then) Commonwealth Department of Post-War Reconstruction (CDPWR 1949) entitled *Regional Planning in Australia: A History of Progress and Review of Regional Planning Activities through the Commonwealth*. Like the Australian Council for Intergovernmental Relations’ Information Paper No. 7 *The Local Government Systems of Australia* (Power et al. 1981), it contains an impressive map dividing the continent into approximately 100 regions. A foreword by the (then) Minister for Post-war Reconstruction, John J. Denman, states:

I am firmly convinced that the work of Regional Planning, if vigorously pursued, will lead to the best development of Australia’s resources, and to the moulding of the type of environment that every Australian wishes to see (CDPWR 1949, p. 3).

The great irony—arguably, a feature of Commonwealth-regional-local agendas in Australia’s history—is that the very year CDPWR (1949) was published the newly elected conservative Government led by PM Robert Menzies “abandoned the scheme and returned all regional development policy to the states” (Kelly et al. 2009, p. 175).

However, this is not to say that the role played by councils immediately prior to and following this policy change is not instructive for our narrative. In this regard Kelly et al. (2009, pp. 174–176) make six observations. First, the regions represented in CDPWR (1949) were in most instances jointly identified by the Commonwealth Department and the states and were represented by Regional Development Committees (RDCs). Second, municipal representatives made up approximately half the participants, alongside state-appointed bureaucrats. Third, the initial task of these committees was to inventory their regions for natural resources, economic resources and “social resources”, including housing, hotels and hospitals (see CDPWR 1949, pp. 21–24).

According to Kelly et al. (2009, p. 175) the role of councillors on these committees “reflected the Commonwealth’s belief that councils could break out from their straightjacket of ‘wastebin’ functions to regional cooperation [hence regional economic development] on broader issues”. In this way the RDCs provided something of a template for future regional groupings of councils organised by the federal government (see, for example, Fig. 3.1 depicting territorially-adjacent administrative areas as drawn up by Regional Development Australia (RDA 2015)). They also presaged voluntary regional groupings of councils engendered by councils themselves, particularly Regional Organisations of Councils (ROCs) which have played an important, although historically intermittent role in representing the joint regional interests of local governments across Australia, with varying degrees of success (for an extensive discussion, see Dollery et al. 2012, pp. 159–251). We return to the issue of ROCs directly below and in Chapter 12 of our discussion.

Fourth, Kelly et al. (2009, p. 176) note that, despite its reforming zeal, the Commonwealth was conscious of not trampling the authority of the states, particularly their planning functions. Fifth, the program (short-lived as it was) had significant failings, particularly in not seeing plans through to fruition, or even having a framework to do so. Sixth, at that time local government was ill-placed to capitalise on the opportunity to regionalise its operations from the bottom-up (Kelly et al. 2009, p. 176); rather, its “functional activity was narrow and primitive”, with councils having “no background in strategic planning” or “entering into partnerships with other tiers of government”.

3.3.2 *Kelly et al. (2009): “Paternalism” of the Early 1970s*

Like his predecessors John Curtin and Ben Chifley, Gough Whitlam is undoubtedly a heroic figure—for many, *the* heroic figure—of the Australian Labor Party. In Sect. 3.4 we examine the attempt at constitutional recognition for local government in 1974 under his Prime Ministership. Here we examine the regional policies of his governments.

Whitlam saw local government as having an important functional role in the equitable distribution of services to Australia’s regions. Kelly et al. (2009, p. 177) note that the first major policy shift under Whitlam was “an overhaul of the Commonwealth Grants Commission (CGC) [which] led to a substantial injection of funds to local authorities”. In essence, “a new financial nexus between municipal and Commonwealth governments via the state governments provided a foundation for local government’s maturity”.³ Further, Kelly et al. (2009, p. 177) emphasise that the basis of the attempt at constitutional recognition in 1974 (discussed below) was in large part to bypass the states when distributing this funding. While the attempt at constitutional recognition was ultimately unsuccessful, monies were distributed to local government by the Financial Assistance Grants (FAGs) scheme; however, “because the grants [were] unconditional, there is no assurance on how the monies are spent”. Kelly et al. (2009) also emphasise that at the time they were introduced, FAGs were explicitly designed to “strengthen” local government and “promote equity between councils” (DTRS, cited in Kelly et al. 2009, p. 177).

The second major policy shift was the introduction of Regional Organisations of Councils (ROCs), then known as “regional assemblies” (Kelly et al. 2009, p. 177). Notable is that “[w]hilst the legislation [for the creation of ROCs at the federal parliamentary level] enabled grants to be made directly to the ROCs themselves, this never took place” (Kelly et al. 2009, p. 177). According to Kelly et al. (2009,

³For an account of the redesigning of the Commonwealth Grants Commission under the 1933 legislation to becoming the Grants Commission under the new Act of 1973, see CGC (1995, pp. 107–136).

p. 177), “the ROCs served as funding conduits for FAGs and other funding schemes”, with the explicit goal of inter-regional social equity and with the CGC itself being charged with the task of “surveying areas throughout the nation in terms of revenue-raising capacities and expenditure disabilities” (Kelly et al. 2009, p. 178). The ROCs themselves were overseen by Minister Uren’s Department of Urban and Regional Development (DURD); approximately 80 of them were initiated, “with membership exclusive to local government”, and they included metropolitan areas (Kelly et al. 2009, p. 176). Again, the fact that a federal government was able to directly fund regional groupings (in this iteration ROCs) despite the hurdles deliberately put in place when the Constitution was drafted (see Sect. 3.2 above) has a significant bearing on whether or not this could happen again. Again, we return to this issue in Chap. 12.

The Whitlam Government introduced several other instruments to channel funds to regional areas. These instruments included the Australia Assistance Plan (AAP) that “established Regional Councils for Social Development to coordinate social welfare programs”; the Growth Centre Program that aimed to decentralise and improve particular government services (Kelly et al. 2009, p. 178) and the Area Improvement Program initiated under DURD “which assisted the sustainability of active ROCs” (Kelly et al. 2009, p. 179). Further, the strategic goal of regionalisation was part of the core vision of the government: the Commonwealth insisted that the ROC network could “eventually lead to permanent forms of regional organisations without necessarily disrupting existing systems” (Kelly et al. 2009, p. 179).

Yet it seems that it was the promotion of regionalism that caused not only the states, but also local government, to become resentful: “The kaleidoscope of emerging regional organisations funded from the federal level helped to fuel municipal discontent with Commonwealth regional policy” (Kelly et al. 2009, p. 179). Kelly et al. (2009, p. 179) also cite evidence of inter-municipal rivalry and resentment concerning the seemingly unfair allocation of funds, which were at that stage applied for through the ROCs and not allocated on principles of equity, as they are presently (see, for example, Drew and Campbell 2016).

Kelly et al. (2009, p. 179) observe that consequently there was minimal resistance when the Fraser Government, elected in 1975, “stopped ROC support and shut down many regional programs”, with few ROCs surviving and those that did tending to be located in outer-metropolitan areas (see Dollery et al. 2012, pp. 160–192). Yet their summation of this second generation of Labor intervention into regionalism—necessarily implying, as we have seen, local governments—was by no means completely negative. On the contrary, they noted that local governments were on the cusp of experiencing a step-change in functionality toward not just human services but also planning, and that “[f]or those councils keen to modernise their portfolios, the Whitlam/Uren government provided considerable potential for new ideas” (Kelly et al. 2009, pp. 180–181).

3.3.3 Kelly et al. (2009): “Self-sufficiency” of the 1990s

It would be a mistake to derive from the account presented here that, following the replacement of Labor governments with their conservative counterparts in the post-WWII era, local government was left (as it were) high and dry from acts of federal intervention and significant financial assistance. On the contrary, funds still flowed, particularly under the Fraser governments from 1975 to 1983, principally in the form of FAGs, then by way of direct financial assistance under the Howard governments from 1996 in the form of Roads to Recovery (R2R) funding that was subsequently subsumed under the Austlink National Partnerships Program from 2006/07 (see Dollery et al. 2013, pp. 182–188). Nevertheless, it is the federal government’s engagement with local government as an element of regionalism and regionalisation—the “Great Game”—that is of specific interest in this context, and in this sense Labor governments have indeed played the dominant role in the post-WWII era. Kelly et al. (2009) denote the third generation of this engagement as the “self-sufficiency of the [early] 1990s” under the Hawke and Keating administrations.

Kelly et al. (2009, pp. 181–183) make five observations about the approach taken by the Labor governments from 1983. First, drawing on the work of Beer (2002) they observe that under the Hawke Prime Ministerships from 1983 to 1993 “the Commonwealth instituted various regional institutional arrangements but none directly involved local government”. Second, from 1993 interest in regionalism and in local government as an element of regionalism was marked with the initiation of the Taskforce on Regional Development and the publication of a series of reports, including the Taskforce’s own *Developing Australia: A Regional Perspective* (Australian Government 1993), alongside a report prepared by McKinsley and Company (1994) entitled *Lead Local Compete Global: Unlocking the Growth Potential of Australia’s Regions* that was commissioned by the [then] Office of Regional Development; also the Commonwealth’s own “Working Nation” policy (Keating 1994). The rhetoric of these documents is strikingly similar to that contained in the documents of the “nation-building” era in the immediate post-WWII period and to that recently evidenced in the Abbott Government’s revitalisation of an agenda for regional economic development, discussed below.

Third, Kelly et al. (2009, p. 181) note that “[r]egional policy was very different from the Whitlam/Uren approach”, embracing a “heavy emphasis on economic development”, with the issue of inequitable government service provision giving way to the government fulfilling a role as “facilitator” under a modestly-funded program. Fourth, funds were made available through the Regional Development Program (RDP), which again saw the engendering of regional organisations—this time labelled Regional Development Organisations (RDOs) (originally labelled Regional Economic Development Organisations)—with a “parallel program” of Area Consultative Committees (ACCs), designed “to assist communities in improving employment levels and training schemes” (Kelly et al. 2009, pp. 181–182). The core difference between ACCs and the other regional organisations at that time was their

voluntary nature: under Working Nation, councils were to play a key role in the formation of RDOs, and this was accompanied by the expectation that other types of regional leaders would also come forward and be actively involved.

Fifth, Kelly et al. (2009, p. 182) emphasise that “the Commonwealth never dictated the functions of RDOs but made funds available for the preparation of regional economic strategies”, the implementation of which was somewhat more problematic. Again, however, these organisations were seriously undermined with the abolition of the RDP by the Howard Government elected in 1996, with many of the RDOs simply disbanding while others folded back into the extant Regional Organisations of Councils (ROCs).

Kelly et al. (2009, pp. 182–183) draw three lessons from this particular iteration of federal government intervention into regionalism. First, they underline the vulnerability of these types of regional programs to the whims of federal government. Second, they argue that this “generation” of intervention did attract more sustained (and, we think) less confused engagement from local government, principally because of the advancement of local governments themselves, which at that time had rapidly progressed, particularly in terms of management practice (see, for example, Marshall 2008). Third, the programs, which required significant cross-boundary cooperation, revealed the vulnerability of any such policy to unevenness across disparate regions and councils with radically divergent capacities.

3.3.4 Regional Institutions and Local Government Under the Howard Governments 1996–2007

It is important that our account of the Keating Government’s interest in regionalism and its funding of the Working Nation program discussed above is not interpreted as an act of financial largesse on the part of the federal tier towards the local government sector. Rather, it ought to be seen as a continuation of the post-WWII Labor interest in and development of the idea of regional Australia as an element to the federation, and one that is open to the observations that it was both modestly funded and politically motivated. In fact, from the early 1990s through to 2000, the quantum of money directed to local government was consistently austere across the later years of the Keating administration *and* the early Howard administrations (see Dollery et al. 2013, p. 183).

In their account, Dollery et al. (2013, p. 182) emphasise that it was the mix of funding in particular that changed, citing the Commonwealth Grants Commission to the effect that “although expenditure on roads had remained the largest single item of expenditure across all Australian local governments, its comparative importance had nevertheless declined from approximately half of all expenditure in the 1960s to around one quarter in the 1990s”. Further, Dollery et al. (2013, p. 182) argue that, as a consequence of this funding regime, “political pressure was brought

to bear” upon the Howard Liberal-National Government, culminating in a National Roads Summit held in Moree, NSW in March 2000 designed to highlight the nature of the problem. The result was that significant monies were given directly to local government under the “Roads to Recovery” (R2R) program. The first tranche of R2R was distributed from 1 January 2001 to 30 June 2005 and amounted to \$1.2 billion (\$850 million of which was to be expended in rural and regional Australia), followed by significant tranches in the ensuing financial years 2005/06 to 2007/08 inclusive (Dollery et al. 2013, p. 184).

Alongside the monies provided for roads, Kelly et al. (2009, p. 184) note that regional Natural Resource Management (NRM) bodies received significant funds under Howard governments, with \$1.4 billion distributed over seven years from 2000, topped up by \$1.5 billion in 2001 then “a further \$300 million added in 2004 to cover all 56 regions in Australia”. However, while these monies were directed to regionally-defined catchment management authorities, there is little to suggest that this funding was designed to support regionalism, or indeed regionalisation, as a form of political economy in Australia’s federation. Further, following the 2002 federal election the Howard Government provided small sums of money to rural councils, but these were not specifically targeted as regional organisations (Kelly et al. 2009, p. 183). In short, under successive Howard governments (1996–2007), local governments were conceived of and funded *as such*, principally in their custodial role over local roads and, while these sums were significant, the regional element in the previous policy iterations under Labor was not present.

3.3.5 Commonwealth-Local Relations Under the Labor Governments of 2007–2013 and Subsequent Developments

The defeat of the Howard Government at the general election held on 24 November 2007 and the swearing in of the Rudd Government on 3 December 2007 marked a new phase in the relationship between the federal tier and local governments in Australia. Arguably, however, this relationship was initially not directed toward combining local governments with a “vision” for regional Australia. It is certainly the case that the new government initiated a new ministry, Regional Development Australia and newly-minted versions of regional committees, this time named Regional Development Australia (RDA) Committees, of which there were 55 and within which, as we saw was the case in previous iterations of these types of bodies, local government personnel played a vital role (see Tiley 2012 for a discussion of the operations of these in NSW).

However, under the Prime Ministership of Kevin Rudd, and Minister Anthony Albanese (who was very much in the mould of his predecessor Tom Uren from the Whitlam years), local governments were seen as the rightful recipients of funds, in particular those allocated under the stimulus package to alleviate the events of the

Global Financial Crisis (GFC) from 2008–09. Indeed it was the political elevation of local government, again conceived of *as such*, that marked the initial Rudd Government's engagement with local government.

In their account of this initial period, Grant and Dollery (2011, p. 2) highlight the establishment of the Australian Council of Local Government (ACLG), the membership of which included representatives from all local governments in Australia. The ACLG held its first meeting on 18 November 2008 at Parliament House in Canberra hosted by the Prime Minister. The language of a “genuine dialogue” was again invoked, with local government being attached to a broad-ranging policy agenda (see Grant and Dollery 2011, p. 2). Prime Minister Rudd (2008) emphasised that the new government was committed to receiving input from the local government sector on the issue of constitutional recognition, discussed in Sect. 3.4.3.

Observing the initiation of the ACLG and its subsequent meetings on 29 June 2009 and 18 June 2010, Anderson and Parkin (2010, p. 109) state that “it would be easy to dismiss these initiatives as merely symbolic, since the body itself was too large a caucus to engage in decision-making effectively”. Yet, as pointed out by Grant and Dollery (2011), this symbolism was important. As well, the monies that had flowed to local government under the Howard Government's R2R and Austlink scheme continued, with \$350 million being allocated annually from 2009/10 through to 2013 (see Dollery et al. 2013, pp. 185–186). Further, seen in the historical perspective taken in this chapter, the point of the ACLG was that local government, again under a Labor federal government, was at the table of a “genuine dialogue on a number of issues of concern to both levels of government” (ACLG, cited in Grant and Dollery 2011, p. 2).

The political symbolism attached to ACLG was, arguably, overrun by concern about the effects of the GFC and the fact that local government was put to work to ameliorate its effects. As discussed by Grant and Dollery (2011, p. 2), the 2009 meeting of ACLG saw PM Rudd deliver a speech entitled “Nation Building for Recovery”. This speech was followed at the 2010 meeting with Minister Albanese emphasising that an additional \$1.1 billion of extra funding had been made available to local governments across Australia as part of the government's neo-Keynesian (our phrase) stimulus package, alongside a suite of other measures directed at the economy more broadly. We take up the story of Labor's failed attempt at a referendum for the constitutional recognition of local government in Sect. 3.4. Nevertheless in this immediate context it is important that we briefly document the swing away from local government as an element to regional policy under the Abbott Government elected in September 2013 *and* the initiation of a broader regional agenda still reflective of the concerns advanced by Brown (2006).

The Abbott Government moved quickly and decisively to distance itself from local government, abolishing the Department of Regional Australia, Local Government, Arts and Sport, with responsibility for local government being subsumed by the (then) Department of Infrastructure and Transport (Philipson 2015). It also abolished the Major Cities Unit then housed in the Department of Infrastructure and Transport (Thistleton 2013) and, as an element of the 2014–2015

budget, froze the indexation of FAGs for a three-year period, a policy that, according to the ALGA (2016, p. 2), will result in a decrease in funding to local governments of approximately \$300 million per year. While this policy was wrapped in the rhetoric of fiscal necessity, arguably it was just as rich with symbolism as the Rudd Government's embracing of local government with the creation of the ACLG.

However, this distancing from local government by the Abbott Government did not entail that he and his ministers could, or even wanted to, wash their hands of the "great game" of regionalisation, regionalism and federalism in the way we, drawing on Brown (2006, 2008), have described it here. On the contrary: In 2014 the Abbott Government initiated no less than three White Paper processes on precisely these issues. First, the "Reform of the Federation White Paper" (Australian Government n.d.a) which took what some have described as a pro-federalist stance on reforming intergovernmental relations (see, for example, Grant et al. 2016), with rhetorical emphasis being placed on "sovereign spheres" of government and where subsidiarity was accorded to state and territory governments as opposed to their local counterparts (Grant et al. 2016). Second, the "Re:think Better tax, better Australia" White Paper process (Australian Government n.d.b), which was in essence a financial shadowing of the "Reform of the Federation White Paper". Third, the "White Paper on Developing Northern Australia" (Australian Government n.d.c), the rhetoric of which (arguably) strongly echoed that contained in the "nation-building" era of the federal government's engagement with regionalism and local government in the 1940s.

Yet despite the promise of foundational reform to the federation, the "Reform of the Federation White Paper" was unceremoniously abandoned by the Turnbull Government in April 2016, with the Government website stating: "There will now not be a white paper. The work is now being progressed by the Council on Federal Financial Relations, and the Commonwealth, State and Territory Treasuries (see Borello 2016). A "Discussion Paper" for the Re:think taxation white paper process was released on 30 March 2015; however a White Paper is yet to appear (Treasury 2016). The White Paper on Developing Northern Australia is the only one to have been produced (see Australian Government, n.d.c). It is of paramount importance to note that there are complex ideational sinews in these public policy developments that are far more sophisticated than those reflected in the Liberal-National *versus* Labor Party split that reach into the core ideas of federalism. On the contrary: the slow demise of the "Reform of the Federation White Paper" has been similar to the petering out of the regional programs initiated by the three generations of Labor administrations discussed in this chapter.

More recently this ideational and public policy complexity has been made more intricate with the embracing of a pro-cities agenda at the federal level. Following the ousting of Prime Minister Abbott, the Turnbull Government appointed a Minister for Cities and the Built Environment in September 2015 (Flitton 2015). For its part, the current Shadow Cabinet is upholding the long-standing Labor interest in urban development (see Kelly et al. 2009), and includes "cities"

alongside “infrastructure” and “transport” and “tourism” within the portfolio responsibilities of former Deputy Prime Minister Anthony Albanese (Labor Party 2016). In this immediate context it is important to emphasise that these developments, and the place of local government within them, must be seen not as simple party-political conflicts or as public policy choices about regionalisation, scientifically conceived, but in the more complex frames of both regionalisation and regionalism discussed here. As well, they are very much constitutional issues. It is to our third history, that of the issue of the constitutional recognition of local government, that we now turn.

3.4 Constitutional Recognition of Local Government

Turning now to examine the attempts at constitutional recognition for local government, we take up the narrative from Brown (2008) who, again, is unequivocal in stating that the principal reason why the issue of recognition in the federal constitution has arisen perennially is that “local government has always been a comparatively weak creation, and in most jurisdictions has typically operated as much in conflict with the State governments under whose constitutional control they fall” and that in other “English and Anglo-American political systems ... local institutions effectively developed as the first tier of government, with a major early call on political loyalties, on or over which intermediate and national institutions were then built” (Brown 2008, p. 438). Otherwise stated, Brown (2008) asserts that the comparatively weak (although, importantly, variable⁴) position of local government in Australia has forced the issue back to the “basic law” in search of some degree of resolution.

In examining the 1974 and 1988 attempts our account is drawn principally from Brown (2008). In examining the failed attempt in 2013 our account is drawn from Grant and Dollery (2011) and Grant et al. (2016).

⁴As discussed in Chap. 2, Power et al. (1981, p. 20) issued a strong cautionary note against what they described as the “mainstream interpretation” of the historical weakness of Australian local government systems *writ large*, which asserts that “[b]ecause of the reluctance of local inhabitants to combine in order to build and pay for local institutions ... they have had to be imposed from above by colonial governments”. Indeed, Power et al. (1981, p. 20) went so far as to state that while this view “is not without relevance in Queensland and parts of Tasmania and especially in New South Wales”, this view—which they accused scholars of NSW local government of promulgating—“is coming to be seen as inappropriate to the experience of the majority of the systems”. As we emphasised in Chap. 2, they then moved to distinguish between two types of systems: “constitutionalist”, denoting “the stably structured systems which have developed largely in response to local demand”, and “state-interventionist, for those that are malleable and have been imposed from above”. According to Power et al. (1981, p. 21) at that time neither were the two types mutually exclusive; however, generally South Australia, Western Australia and Victoria are “constitutionalist” while NSW, Queensland and Tasmania are “State-interventionist”.

3.4.1 *Brown (2008): Financial Recognition 1974*

Recalling Sect. 3.3, in its quest for equitable service provision the problem for the Whitlam Government was channelling money to regional areas. While, as noted by Brown (2008, pp. 440–441), federal governments had achieved this policy goal through §96 of the Constitution (i.e., via the states) and had legislated for representation of local government on the Commonwealth Grants Commission in 1973, “it was still generally regarded as undesirable, if not impossible, to provide direct Commonwealth funding to local government without amending the Constitution”, as §96 referred only to the states (Brown 2008, pp. 440–441).

For those unfamiliar with the period of the Whitlam governments in Australian history, it is important to point out that the period was one of immense social change (as indeed it was elsewhere in the Western world). In Australia under the Whitlam governments—short-lived as they were—changes at the hands of a progressive social democratic party were set against a deeply conservative polity and society (see, for example, Hocking 2013). In this context, and given the conservative “states’ rights” stance about local government set against Whitlam’s centrist government in pursuit of social change, the proposal to alter §96 of the Constitution would have appeared worryingly radical to many, even though it followed from the 1967 referendum whereby Aboriginal people were to be included in the national census.⁵

Against this background, the proposed *Constitution Alteration (Local Government Bodies) Act 1974* would have given to local government what Brown (2008, p. 441) labels both “symbolic” and “financial (functional)” recognition. Subtitled “An act to alter the Constitution to enable the Commonwealth to borrow money for, and to grant financial assistance to, local government bodies”, the proposal would have seen the following inserted into paragraph 51(ivA) and §96A:

51 The Parliament shall, subject to this *Constitution*, have power to make laws for the peace, order, and good government of the Commonwealth with respect to:

(iv) Borrowing money on the public credit of the Commonwealth:

(ivA) *The borrowing of money by the Commonwealth for local government bodies:*

96 During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.

96A *The Parliament may grant financial assistance to any local government body on such terms and conditions as the Parliament thinks fit* (cited in Brown 2008, p. 441; additions emphasised).

⁵This referendum achieved a 90.77% “yes” vote (National Archives 2016). It is worth emphasising how unapologetically racist §§51 and 127 of the Constitution were before they were altered following the 1967 referendum (see: National Archives 2016).

Table 3.1 1974 Referendum results

State	Ballot papers issued	<i>For</i>	% (of formal votes)	<i>Against</i>	% (of formal votes)	Informal
NSW	2,702,903	1,350,274	50.8	1,308,039	49.2	44,590
Vic.	2,070,893	961,664	47.4	1,068,120	52.6	41,019
Qld.	1,098,401	473,465	43.7	610,537	56.3	14,399
SA	722,434	298,489	42.5	403,479	57.5	20,466
WA	577,989	229,337	40.7	334,529	59.3	14,123
Tas.	237,891	93,495	40.0	140,073	59.9	4323
Total	7,410,511	3,406,724	46.9	3,864,777	53.2	139,010
Obtained majority in one state and an overall minority of 458,053 votes						
Not carried						

Source Adapted from Brown 2008, p. 441

The results of the referendum, put to the people on 18 May 1974, are represented in Table 3.1. Examining Table 3.1, while both a majority of states and a majority of voters must vote “yes” for an amendment to the Constitution to be successful, only one state—NSW—voted in the affirmative (Table 3.1). In this sense the defeat was comprehensive, although the overall “yes” vote of 46.9% was in all probability construed as encouraging by supporters of local government. Nevertheless, it is noticeable that as one moves down the table from the most to the least populous states, the margin of the defeat increases.

In his examination of the reasons for the failure of the referendum, Brown (2008, p. 444) asserts that in the main it was “the absence of bi-partisanship” at the federal level, also “the direct intrusion of a party-political campaign” that hindered the effort. Further, Brown (2008, pp. 442–443) does us the service of extracting the “five reasons” that the Opposition Members in the federal parliament advanced against constitutional recognition during the parliamentary debates at the time. An examination of these provides a more nuanced understanding of how the “great game” was played out in the (then) parliament and how these reasons echo those advanced both before and after this particular attempt at recognition.

Principal of these reasons was the awareness of the potential diminution of the authority of the states if they were by-passed financially. Indeed, there were some dramatic metaphors deployed in parliament at the time by, for example, Doug Anthony (later to become Deputy during the Fraser Prime Ministership), who warned of the consequences of a “direct umbilical cord” between the Commonwealth and local government, offering that this situation would leave “the States, ‘like cut roses in a vase ... fair to behold but doomed to die’” if the referendum were consented to by the people (Anthony, cited in Brown 2008, p. 442). Yet the principal charge against the Labor Government was one of centralism and the backdoor introduction of “some sort of amorphous provincial system of representation” (Snedden, cited in Brown 2008, p. 442) to which Labor replied that “[i]f there is any real centralism, it is in the States, particularly

Queensland, New South Wales and Victoria, which centralise power in Brisbane, Sydney and Melbourne. They are the centralists. Let us face the issue” (Uren, in Brown 2008, p. 443).

Second, the opposition parties took issue on procedural grounds, arguing that the government had gazumped the process of the Constitutional Convention examining the issue of local government recognition and proceeded to the vote; third, the lack of necessity for the changes, given that funds could be provided through the states (Brown 2008, p. 443). Fourth was the fear that the term “local government bodies” would be interpreted loosely, thereby allowing the dispersal of federal funds to an assortment of organisations; fifth, “scaremongering” that local government would be responsible for increased own-source revenue if the Commonwealth funded it on a per capita basis (Brown 2008, p. 443).

Brown (2008, p. 443) notes that, in the end, the money still ended up flowing to local government through the *Local Government (Personal Income Tax Sharing) Act 1976*, then the *Local Government (Financial Assistance) Act 1995* and the interpretation of §81 of the Constitution offered by the High Court in *Victoria v Commonwealth and Hayden* (or the “AAP Case”) in 1975. Nevertheless, the first attempt at constitutional recognition for local government in Australia was quashed.

3.4.2 Brown (2008): Symbolic (“Token”) Recognition 1988

Yet the aforementioned legislation assisting the federal financing of local government by no means put the matter to rest, with Brown (2008, p. 444) arguing that “[i]n response to the 1974 referendum ... the State and Commonwealth governments pursued an alternative path of securing formal recognition or entrenchment of local government in the State constitutions”. Further, in a gesture that belies the often proclaimed partisanship of the issue of constitutional recognition, it was the Coalition Fraser Government that initiated the formation of the Advisory Council for Intergovernmental Relations (ACIR), the institution that commissioned a significant body of work and which, as noted by Power et al. (1981, p. 3), was responsible for examining the issue of “the relationships that *should* exist between federal, state and local governments” (emphasis added).

Brown (2008, p. 444) notes that “State constitutional recognition of local government followed [from the work of ACIR] fairly quickly” and that several states at that time granted local government what he described as “quasi-plenary powers”, for instance, to “‘provide for the peace, order and good government’ of their jurisdictions”. In encouraging recognition of local government by the states (and at the same time steering the advocates of local government away from seeking constitutional recognition at the federal level) Brown (2008, p. 446) notes that ACIR still maintained a patronising air, equating the relationship between state and local government “‘much as the adult son working the family farm with his father is a partner in the family enterprise, rather than a hired hand bound to do the employer’s bidding’” (ACIR, cited in Brown 2008, p. 445).

However, this placation did not last long. The Hawke Government elected in 1983 established a Constitutional Commission Advisory Committee on the Distribution of Powers in 1985—plainly the work of the Frazer-appointed ACIR was tainted—which, in its report in 1987 recommended against constitutional recognition of local government for three reasons. First, it expressed concerns about the lack of agreement on the part of local governments as to the form of constitutional recognition; second, it was not satisfied that state recognition was *not* sufficient; third, it envisioned constitutionally-recognised local government as a level of local government that would be in competition with the states (Brown 2008, p. 445; see also Constitutional Commission 1987).

Yet according to Brown (2008, p. 445) this advice was contradicted by the still extant ACIR's 1985 eighth and final report, *Implications for Constitutional Recognition of Australian Local Government*, which recommended recognition in state *and* federal constitutions, a view that was echoed in the final meeting of the Australian Constitutional Convention in Brisbane. As such, this second tilt at constitutional recognition was, according to Brown (2008, p. 445) “[a]ssisted by the Constitutional Commission, but not its Advisory Committee”, with the proposed *Constitution Alteration (Local Government) 1988* bill introduced in May of that year entitled: *A Proposed Law to alter the Constitution to recognise local government*. The proposed alteration, to be inserted in Chap. 5 of the Constitution (i.e., that dealing with the states) read:

119A Each State shall provide for the establishment and continuance of a system of local government, with local government bodies elected in accordance with the laws of the State and empowered to administer, and to make by-laws for, their respective areas in accordance with the laws of the State (Constitutional Convention 1985, cited by Brown 2008, p. 446).

Brown (2008, p. 445) describes this form of recognition as “simply symbolic” and the result of the referendum held on 3 September 1998 “a spectacular failure”. Again we present the results in full.

Perusing Table 3.2 the scale of the defeat is discernible compared with the 1974 result. Commenting on the reasons for this defeat, Brown (2008, pp. 446–447) again cites the party-political opposition to the proposal and the effectiveness of the (then) Opposition's campaign, noting that “this time, the Opposition tended to complain that rather than doing too much that might interfere with State powers, the proposal appeared to do too little”, *and* that “the symbolic value of recognition of this kind was dismissed, with some justification, as simply a ‘political exercise’ or an act of ‘tokenism’”, whereas “[d]emonstrably ... the recognition proposal of 1974 had at least substantive merit to accompany its symbolism” (Brown 2008, p. 447). Brown (2008, p. 447) also emphasises the political point about both attempts at constitutional recognition, that is, rather than either being about substantive (read: financial) recognition *or* symbolism, these two peaks of “the great game” ought to be understood as “having some political currency” in the sense that they could be perceived as the government addressing “perceived dysfunctions in the spatial distribution of government, the roles of different tiers, and the availability of resources to fulfil those roles”.

Table 3.2 1988 Referendum result

State	Ballot papers issued	<i>For</i>	% (of formal votes)	<i>Against</i>	% (of formal votes)	Informal
NSW	3,297,246	1,033,364	31.7	2,226,529	68.3	37,353
Vic.	2,491,183	882,020	36.1	1,563,957	63.9	45,206
Qld.	1,542,293	586,942	38.3	945,333	61.7	10,018
SA	873,511	256,421	29.9	602,499	70.2	14,591
WA	845,209	247,830	29.8	584,863	70.2	12,516
Tas.	282,785	76,707	27.5	202,214	72.5	3,864
ACT	149,128	58,755	39.8	88,945	60.2	1428
NT	56,370	21,449	38.8	33,826	61.2	1095
Total	9,537,725	3,163,488	33.6	6,248,166	66.4	126,071
Obtained majority in no state and an overall minority of 3,084,678 votes						
Not carried						

Source Adapted from Brown 2008, p. 446

3.4.3 The Failed Attempt at Referendum 2013

In his account of the pressure building for a third attempt at constitutional recognition *post* the failure of 1988, Brown (2008, p. 448) notes the pivotal role of the Australian Local Government Association (ALGA⁶) and the influence of the House of Representatives' Standing Committee on Economics, Finance and Administration's *Rates and Taxes: A Fair Share for Responsible Local Government* (Hawker Report 2003), in particular in invoking motions of recognition from the (then) Commonwealth Parliament during the time of the Howard Government (see, for example, Grant and Dollery 2011).

Further, Brown (2008, p. 448) argues that "[s]ince the 1988 failed referendum, some of the broad objectives of local government recognition [had] become clearer, in three ways". First, rather than being merely about recognition, there was a broader understanding that the issue was "about strengthening the political status of local government and its dealings with its own communities, State governments and the federal government". Second, that "it is now acknowledged that the structural issues obscuring the ability of local government to play their role are fundamentally akin to those of which the State governments complained of prior to the introduction of the Goods and Services Tax" implemented by the Howard Government in 2000 (Brown 2008, pp. 448–449). Third, despite the lack of popular support which he then documented by way of an extensive poll and analysis thereof, Brown (2008, p. 449) asserts that "[i]t is clearer that these political and structural issues

⁶A little-noted feature of the continual presence of the ALGA commenting upon the issue of constitutional recognition is the extent to which it had explored and put forward the rhetoric of a moral justification for local government, derived in great part from the support for local government in the international community. See, for example, Grant and Dollery (2011).

now inform a call not simply for ‘recognition’, but for a measure of constitutional autonomy—a concept never suggested in the 1970s, and certainly not heeded in the 1980s”.

Given the events over the past eight years it is remarkable to see how far the national debate has moved away from the sentiment expressed by Brown (2008) in support of local government. We canvass this issue in greater detail in Chap. 12; however, in this immediate context it is important to note that the now defunct “White Paper on Reform of the Federation” process initiated by the Abbott Government in June 2014, which produced only a “Terms of Reference” (ToRs) (PM 2014) and a “Discussion Paper” released mid-2015 (Australian Government 2015) in essence tucked local government firmly back under the realm of the sovereign states rather than signalling a more expansive, autonomous or indeed regional role (see, for instance, Grant et al. 2016).

Yet in this context it is also important to document what happened to the “pro-local government” sentiment identified by Brown (2008) in terms of the issue of constitutional recognition. In essence, support for local government emanated from the Australian Labor Party during its period of office in 2007–2013. As we have already noted, in the term of the first Rudd Government dating from December 2007 this had several manifestations, including the initiation of the (short-lived) Australian Council for Local Governments (ACLG) in an attempt to ensure that local government “had a more effective voice at COAG [the Council of Australian Governments]”⁷; the announcement of a \$25 million Local Government Reform Fund and the granting of \$8 million to establish an Australian Centre of Excellence for Local Government (Anderson and Parkin 2010, p. 109). This renewed commitment to local government also witnessed a statement from Prime Minister Rudd “to pursue the process of gaining constitutional recognition for this third tier of

⁷The Council of Australian Governments (COAG) was formed out of the “Special Premiers Conferences” initiated by the Hawke Labor Government in 1990, with the meetings renamed COAG by the then newly-elected Keating Labor Prime Minister in 1991 (Walsh 2012, p. 26). COAG has played a key role in securing the cooperation of the states and territories when the federal government has introduced wide-ranging policies and in monitoring subsequent reforms. These have included micro-economic reforms initiated under the Keating Government from 1991 (for an overview, see Walsh 2012) and strengthening “cooperative federalism” under the Rudd Government from 2007 (Anderson and Parkin 2010, p. 108). Under Rudd, COAG met far more frequently than was the case under previous Prime Minister Howard and pursued an active policy agenda across a range of areas, including education, health and housing (for an overview, see Anderson and Parkin 2010). These policy agendas have been overseen by intergovernmental ministerial councils organised by COAG (Walsh 2012, p. 27). Local government, specifically the head of the Australian Local Government Association (ALGA) has been represented on COAG since its inaugural meeting on 7 December 1992 (COAG 1992). Arguably, local government having a seat at the COAG table is not tokenistic. Rather, it is demonstrative of the fact that in order to introduce wide-ranging and deep reforms (such as compulsory competitive tendering, adjustments to labour market regulation and the governance of cross-jurisdictional natural resources, including the Murray-Darling Basin) federal governments have found it useful to communicate directly with the peak organisation of local government in Australia, thereby facilitating the communication of reforms to ALGA’s constituents (see, for example, ALGA 2010).

government in Australia” (Anderson and Parkin 2010, p. 108; see also Grant and Dollery 2010).

Moreover, a pro-regional sentiment was evident in the ensuing minority government led Prime Minister Julia Gillard when the first Green’s candidate was elected to the House of Representatives and four independent members of the House of Representatives from regional seats held the balance of power following the federal election held in June 2010 (Beer 2016; National Archives n.d.). In this political environment the issue of constitutional recognition of local government was *again* subject to considerable investigation. Most saliently, this consisted of the work of three bodies:

- The Senate’s “Select Committee on the Reform of the Federation” which was established on 17 June 2010, then re-established on 29 September 2010, and *inter alia* published *Australia’s Federation: an agenda for reform* in June 2011 complete with 21 recommendations (SSC 2011);
- The “Expert Panel on Constitutional Recognition of Local Government” that was commissioned in 2011 and delivered its “Final Report” in December 2011 (EPCRLG 2011);
- The Australian Parliament’s “Joint Select Committee on Constitutional Recognition of Local Government”, established on 1 November 2012, which published a “Preliminary Report” on 24 January 2013 (JSC 2013a), a “Final Report” on March 2013 (JSC 2013b), a “Dissenting Report” (JSC 2013c) and “Additional Comments” (JSC 2013d).

While our account of this activity is by necessity brief, it is important to note that the work of the Senate Select Committee Inquiry (SSC 2011), the deliberations of the Expert Panel (EPCRLG 2011) and the findings of the Joint Select Committee (JSC 2013a, b, c, d) were, like the activity of their predecessors, substantial documents. Thus, the Senate Select Committee’s *Final Report* canvassed *inter alia* the case for recognition, particularly in the face of (then) recent High Court cases that had seen the Commonwealth warned off providing funds to bodies other than state governments (see, for example, Grant and Dollery 2010). It also canvassed the likelihood for success, gauging support from both the states and the local government sector, and outlined the major lessons to be derived from previous attempts, principal of which was the issue of bipartisanship (SSC 2011). Nevertheless, the SSC (2011) avoided making an explicit recommendation on constitutional recognition (see Grant et al. 2016, p. 5).

For its part, the Expert Panel, which was tasked with “identify[ing] options for the constitutional recognition of local government and to report on the level of support for such recognition among stakeholders and the general community” identified four forms of recognition: “symbolic”, “financial”, “democratic” and “recognition through federal cooperation”, noting that “these ideas were not mutually exclusive”. The Expert Panel was broadly in favour of pursuing a form of financial recognition within the timeframe—specified to coincide with the federal election scheduled to be held in September 2013—subject to two caveats: first, that

support from all states was successfully negotiated (at the time, the Victorian, Western Australian and New South Wales governments had expressed reservations); second, “that the Commonwealth adopt steps suggested by ALGA necessary to achieve informed and positive public engagement with the issue” including committing substantial resources to this end (EPCRLG 2011, p. 1).

The Expert Panel noted that the Commonwealth at that time was then *directly* funding three programs of significance to local government (the Nation Building Roads to Recovery Program, the Regional Development Australia Fund and the Regional and Local Community Infrastructure Fund) (EPCRLG 2011, p. 4) and that this direct funding, if deemed problematic, could be redirected via the states under §96 of the Constitution. Yet it nevertheless argued that achievement of constitutionally permissible direct funding was preferable for four reasons. First, the direct route allowed “the Commonwealth to implement, and to be seen to be implementing, *its own policies at the local level*” (emphasis added). Second, the indirect route “fails to recognise local government as a legitimate tier of government in the Australian system” (EPCRLG 2011, pp. 4–5). Third, the Expert Panel accepted the argument that funds allocated indirectly might be less efficient. Fourth, it argued that “as the experience of the Nation Building Roads to Recovery program suggests, the ability of the Commonwealth to directly fund local government can create a relationship that supports, facilitates, and drives collaboration among all three tiers of government” (EPCRLG 2011, p. 6). While the Expert Panel noted that all four reasons emanated principally from local government (in particular the ALGA), one can see that all four would be deeply objectionable to anyone holding a “states’ rights” point of view *and* indeed to the High Court of Australia as it was then disposed if the Constitution was not altered (see Grant and Dollery 2010).

Turning to the specific form of constitutional amendment to achieve financial recognition, the Expert Panel (EPCRLG 2011, p. 8) canvassed two options to amend §96, the first comprising a “minimalist alteration”; the second, drawing on the language of §51(xx) designed “to expressly acknowledge that local government bodies are created by State or Territory legislation” and thus subject to it. The minimalist option, comprising an alteration to §96, read:

the Parliament may grant financial assistance to any State *or to any local government body* on such terms and conditions as the Parliament sees fit (changes emphasised).

The alternative option read:

the Parliament may grant financial assistance to any State *or to any local government body formed by State or Territory Legislation* on such terms and conditions as the Parliament sees fit (changes emphasised).

One can see that the distinction from the first to the second amendment is designed to placate the concerns of those opposing any change to the Constitution to begin with. Yet (arguably) from a layperson’s perspective it is difficult to envisage how the second type of amendment would not be potentially litigious, that is, provoking a challenge in the High Court by either a state government or its federal counterpart should a conflict arise.

The Expert Panel (EPCRLG 2011, pp. 8) also canvassed its second viable option, “democratic recognition”, defined as “changing the Constitution to guarantee that local councils are elected bodies”, despite noting that this option “was opposed by a number of key stakeholders, including the federal opposition and several State governments and oppositions”, as well as not being “broadly supported” by the local government sector and *despite* enjoying the highest levels of support from the general public in the polling the Expert Panel commissioned. The Expert Panel devised specific wording for this type of recognition (although it did not specify which Section of the Constitution they would be inserted into; presumably it would be §96). It read thus:

Each State shall, and each Territory may, provide for the establishment and continuance of a system of local government bodies elected in accordance with the laws of the State or Territory (EPCRLG 2011, p. 9).

Reflecting on this option in the context of our discussion thus far in this chapter, it is not difficult to imagine how problematic it would be if enacted. For its part, the Expert Panel (EPCRLG 2011, p. 9) observed that “[u]nder this provision, it is probable that State and Territory governments would not be able to exercise their executive powers to dismiss local councils, as they have done in the past, nor could they pass legislation authorising themselves to do so either by legislation or executive order”. From the perspective of the states, the possibility that they would be constitutionally proscribed from dismissing or dissolving local government bodies would be an alarming one indeed. Further, while the local government sector itself might intuitively be attracted to such a strong constitutional provision, it would also certainly recognise that the probability of it being accepted at a referendum would be far less than that of “financial recognition” previously discussed.

Recognising the problematical—and, we would imagine, potentially litigious—nature of the second form of recognition, the Expert Panel (EPCRLG 2011, p. 9) stated that:

To maintain the possibility of dismissing a local council, preferably by an Act of Parliament rather than by ministerial directive, this amendment could be qualified by adding the following words:

The Parliament of a State or Territory may by Statute dismiss a local government body, and provide for the appointment of persons to perform its functions and exercise its powers until such time as a new local government is elected (EPCRLG 2011, p. 9).

The Expert Panel (EPCRLG 2011) did not comment further upon this putative addition to the amendment—effectively, an amendment on an amendment. Nevertheless, we would make the point that, surely, the two parts to the proposed amendments could be juxtaposed in law. Further, one can see how, when specific changes are introduced to something as fundamental as “the basic law”, these changes easily lead to arguments for *other* changes to counter the changes proposed in the first place. Thus it may not be that the Australian Constitution is difficult to change merely because of the historical lack of support for such change. The

particular example of recognition for local government (specifically “democratic recognition”) suggests that changes are fraught with technicalities.

For its part, the Joint Select Committee (JSC) was established on 1 November 2012 “to inquire into and report on the majority finding of the preceding Expert Panel on Constitutional Recognition of Local Government” (Parliament of Australia 2013). Like its two predecessors, it was furnished with extensive terms of reference, called for submissions, held public inquiries, and, as we have noted above, published four outcomes in the form of a Preliminary Report (JSC 2013a), a Final Report (JSC 2013b), a Dissenting Report (JSC 2013c) and Additional Comments (JSC 2013d). In essence, the JSC (2013b, p. 2) was “directed to inquire into, and report on, the majority finding of the Expert Panel”—that financial recognition for local government be pursued—and made one recommendation, “that a referendum on the financial recognition of local government be put to Australian voters at the 2013 federal election”, scheduled to be held in September 2013.

Following this recommendation, on 29 May 2013 the Gillard Government introduced the *Constitution Alteration (Local Government) 2013* Bill, including the statement (perhaps curiously) that “[t]he proposed constitutional alteration would have no financial impact”. The proposed amendment to §96 read:

96 Financial assistance to States and local government bodies

During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State, *or local government body formed by a law of a State*, on such terms and conditions as the Parliament thinks fit (Parliament of Australia 2013; alterations emphasised).

In the context of our discussion it is worth underlining that Schedule 1 of the Explanatory Memorandum of the Bill emphasised that “[t]he alteration of §96 would establish specifically that the Commonwealth may grant financial assistance to local government bodies formed by a law of a State” for a variety of purposes. As such, “The Commonwealth would thus no longer need to rely on other, less specific sources of power to provide financial assistance to local government bodies”. However, it also stated that “the amendment would not enable the Commonwealth to interfere with the creation or regulation of local government bodies by the States”, and that “[t]his financial assistance must be optional; that is, the recipients must have the option of the proposed financial assistance and terms and conditions” *and* that “[s]tates would not be prevented from changing their systems of local government should they wish to do so” (Parliament of Australia 2013). Otherwise stated, the parliament was fully cognisant of the principal objection to financial recognition as it had existed since before federation, and it placed this in the Bill authorising the referendum to be held in conjunction with the next federal election 14 September 2013.

The ALGA (2013) notes that in the above legislative format, “[o]n 24 June the Bill passed the Parliament with a total of 197 members of Parliament voting in favour ... and 10 voting against (133 for and 2 against in the House; 46 for and 8

against in the Senate)” and that this comprised “approximately 94% support” in federal Parliament. The ALGA (2013) also notes that the passing of the Bill triggered the process whereby a referendum on constitutional recognition had to be held within two to six months of the Bill passing Parliament and (as we have seen) that the referendum was scheduled to coincide with the federal election on 14 September 2014.

However, Aulich (2015, p. 165) observes that “When it became clear that the proposed referendum had no realistic prospect of success, the Gillard Government did not proceed with a formal proposal”. Moreover, on 26 June, a mere two days after the Bill passed Parliament, fearing a loss at the federal election the Parliamentary Labor Party replaced Prime Minister Gillard with former Prime Minister Kevin Rudd. The subsequent rescheduling of the federal election to 7 September (announced on 4 August) proscribed holding the referendum as the date fell prior to the minimum two months from the passing of the *Constitution Alteration (Local Government) 2013* Bill (see ALGA 2013). While at the time bringing forward the date of the election was justified in terms of the Government taking advantage of Rudd’s political capital following his replacement of Gillard, in our opinion it also proved convenient timing in avoiding what might have been a third failed attempt at the constitutional recognition of local government since 1974. Whatever the political reasons, constitutionally speaking local government was back on the canvass. We reflect upon this in Sect. 3.5.

3.5 Observations and Implications for Public Policy

We now briefly recapitulate our discussion, thereby distilling some general observations. Section 3.2 examined the relationship between federalism, regionalism and local government in Australia. From our perusal of Aulich and Piestch (2002) we gleaned the reasons why local government was not included in the Australian Constitution drafted in 1900. Principal of these reasons was that the conventions were focused upon hammering out the detail of state-federal relations such that the then centres of power in the colonies did not cede too much authority to the federal government. Yet this process included the recognition that an explicit provision for local government could lead to the possibility of the states being circumvented. As such, the issue of the division of power both spatially and hierarchically nevertheless considered extra and regional political units. This consideration is clear in the provisions for the inclusion of more states in Chap. 6 of the final document.

Drawing principally on Brown (2006), Sect. 3.2 then examined how this dynamic has played out in the “great game” of federalism, regionalisation, regionalism and local government, and how this dynamic has been influenced by several salient characteristics of Australia’s federalism. These characteristics include the high degree of centralism, both toward the federal tier *and* the centrality of state governments set against historically weak local governments, the lack of a

deliberative culture around constitutional issues and the realities of governing as large an area as Australia. These facts have meant that federalism, and the relations therein (including federal-local relations) have been pushed toward a variety of reform processes.

Section 3.3 provided an account of the changing institutional formulations of federal-local relations in the post-WWII era that were driven by both constitutional realities and changing public policies as informed by party-political preferences. These preferences have been dominated by centralist/progressive Labor administrations engaging with regionalisation, regionalism and local government more than their conservative counterparts. This has been the case from the Curtin and Chifley administrations in WWII and immediate post-WWII era through to the latest iteration under Prime Ministers Rudd and Gillard. That Labor has perennially (but not, it must be emphasised, consistently) held such a bright candle for local government, in particular for the constitutional recognition of local government, can be explained due to a confluence of *both* the centralist and progressive components of its ideology: the arguments first, that it is in central government that sovereign power, properly understood, ought to reside and second, that such a sovereign power *ought* to redistribute wealth and opportunity equitably (see Maddox 1996, pp. 168–199).

However, as emphasised by Brown (2006), beyond the issue of constitutional recognition it would be reductionist to conclude that *only* Labor governments have favoured local government. On the contrary: under both the Fraser and particularly the Howard administrations, direct funding for local governments was maintained and supplemented, despite the traditionally federalist sentiments of the conservative side of Australian politics. And while the more recent Labor and conservative administrations can be interpreted as resorting to ideational type (Rudd/Gillard with their neo-Keynesian support of local government set against Abbott's disavowal), regionalism, understood in different ways (for instance, as Northern Australia, as metropolitan Sydney) has significantly complicated this picture.

Section 3.4 examined the history of the failed attempts at constitutional recognition and it is at this point that we commence our discussion of the implications for public policy, reflecting upon the federal, state and local levels of government in turn. In the context of this chapter we confine our discussion to the (more or less) explicitly political public policy ramifications, leaving a broader discussion for Chap. 12.

At the federal level, it is difficult not to agree with Aulich (2015) and conclude that the issue of constitutional recognition for local government has, for the short-to-medium term, reached an impasse. In pointing out the reasons for this impasse, the casual observer might be tempted to assert that constitutionally we have bigger fish to fry, most saliently the issue of recognition of Australia's Indigenous peoples (see, for example, Human Rights Commission n.d.) and—by no means nearly as important, but for some (perhaps) equally thrilling—another round of examining a potential Australian republic. These issues, thought of separately or as intertwined (McKenna 2004) ought to take precedence over the recognition of local government. The first is of profound moral importance; the result of the 1967 referendum mentioned in Sect. 3.4 demonstrates this amply. And even if the issue of Australia becoming a republic does not match the first in moral gravity, the process

of revisiting the question is an important one to undertake, and will contain within it the possibility of a profound conversation about regionalism that may—or may not—include local government. As such, the agenda for constitutional reform is, for the foreseeable future, very crowded. There is a sense also in which local government “dodged a bullet” in 2013 when the referendum did not eventuate; in all probability it would have failed and, as such, the arguments for burying local government under the blanket of state authority would have been vindicated.

Yet beyond these extraneous factors, the fact remains that the issue of constitutional recognition of local government has now been vigorously prosecuted three times within most of our lifetimes in the attempts in 1974 and 1988 and the failed attempt at achieving a referendum in 2013. Perhaps more significantly, it has been the subject of searching inquiry. This does not mean that it is not important to continue to ask the citizenry what they think about the current constitutional arrangements (see, for example, Brown 2014). However, plumbing these sentiments is a long way from recommencing an attempt at recognition.

These recent events, coupled with the High Court warning off the Commonwealth directly finding local government bodies under §81 of the Constitution since 2008 (see Dollery et al. 2013, pp. 202–204) leaves immediate local government policy where it has always principally resided, namely in the hands of the states. If we focus on the regional element of this picture over and above other areas of policy it is a vexed issue indeed and one that, we think, is usefully viewed through the prism of amalgamation or the threat thereof. Viewed as such, the situation is that larger local governments, in essence a form of regionalisation, are being imposed upon regional, that is, “bottom-up” local governments. In non-metropolitan areas this may be less problematic. Regional councils in some jurisdictions (NSW and Queensland) have, arguably, a good chance of becoming political bodies rather than merely administrative divisions. In other jurisdictions this favourable outcome has not proven to be so, particularly in the Northern Territory, where regionalisation has been badly handled (see, for instance, Michel 2015). In metropolitan areas attempts to impose regional structures without appropriate attention to regional issues—what, in the language of public policy is referred to as “communities of interest”—are bound to be fraught. The two must coincide or at the very least the issue must be recognised as one of importance. What happens in terms of governance arrangements, whether it is a Greater Sydney Commission (GSC), discussed in Chap. 11, or a regional water authority, is of secondary importance.

We assert that local governments themselves have a very important role to play in how this issue unfolds. The recognition that place and identity are important elements of local government requires an ideational politics at the local level alongside reforms that are directed at the instrumental functioning of local governments. Resting in between these issues is that of appropriate political structures for local government and addressing this issue is one of the reasons why leadership is of crucial importance when implementing reform. Nevertheless, as recently pointed out by the former Minister for Local Government in NSW, Don Page (2015), the relationship between state and local governments must be secured as good before these types of reforms can be satisfactorily prosecuted.

Appendix 1

See Table 3.3

Table 3.3 Federation conventions and conferences

Conference	Date	Place	Attendees	Selection of delegates
Australian Federation	6–14 February 1890	Melbourne	Up to two parliamentary delegates from each colony (NSW, NZ, Qld, SA, Tas, Vic, WA)	Appointed by the parliaments of each colony
National Australasian Convention Conference (Unofficial)	2 March—2 April 1891	Sydney	Up to seven parliamentary delegates from each colony	Elected by the parliaments of each colony
Federation Conference (Unofficial) Australasian	31 July—1 August 1893	Corowa	Delegates from regional branches of organisations such as the Federation League, the Australian Natives Association, and municipal councils	Appointed by the bodies themselves. There were apparently no restrictions on numbers or on who could attend
People's Federal Convention (Unofficial)	16–20 November 1896	Bathurst	As above	As above
Australasian Federal Convention (in three sessions)	First Session 22 March—23 April 1897	Adelaide	10 delegates from each of NSW, SA, Tas, Viv, WA (Qld did not send any delegates). Most, but not all, were members of the colonial parliaments. NZ had decided not to join the federation at this point	Delegates were elected by popular vote in four out of five colonies
	Second Session, 2–24 September 1897 Third Session, 22 January—17 March 1898		As above	As above

Source Aulich and Pietsch 2002, p. 15

Appendix 2

Specifications for regions in Fig. 3.2 The Labor Party scheme of 1920 proposed the subdivision of Australia into the 31 provinces.

1. PAPUA. Estimated number of electors, 1000.
2. NORTHERN TERRITORY, including the Kimberley District of West Australia. Estimated number of electors, 3000.
3. GOLDFIELDS DISTRICT, W.A., extending from the South Australian boarder to No. 1 rabbit proof fence (including Kalgoorlie Federal Electorate, and portion of Dampier Electorate east of No. 1 rabbit proof fence). Estimated number of electors, 28,000.
4. PORTION OF DAMPIER Federal Electorate, West of No. 1 rabbit proof fence, and south to the 129th parallel of latitude. Estimated number of electors, 12,500.
5. GREATER PERTH, including the Perth and Freemantle Federal Electorates, and a portion of the Swan Electorate, within 25 miles of Perth. Estimated number of electors, 77,000.
6. SOUTH-WESTERN PORTION OF W.A., including the electorate of Swan and portion of Dampier electorate south from the 129th parallel of latitude. Estimated number of electors, 17,043.
7. The portion of South Australia west from a line from Port Augusta to Oodnadatta. Estimated number of electors, 7300.
8. NORTH EASTERN PORTION OF SOUTH AUSTRALIA, including the Federal Electorate of Wakefield, northern portion of Angus, and eastern portion of Grey, from Port Augusta to Oodnadatta, to NSW boarder. Estimated number of electors, 86,000.
9. SOUTH-EASTERN PORTION OF SOUTH AUSTRALIA, including the Federal Electorate of Barker and southern portion of Angus, excepting such portions as may be within 25 miles of Adelaide. Estimated number of electors, 44,000.
10. GREATER ADELAIDE, including the Federal electorate of Adelaide and such portions of the electorate of Hindmarsh, Boothby, Angus and Barker as may be within 25 miles of the City of Adelaide. Estimated number of electors, 128,000.
11. WESTERN DISTRICT OF VICTORIA, including federal electorates of Corangamite, Wannon (except subdivisions of Dimboola, Kaniva, Jeparit, and Nhill), and the Stawell and Glenorchy sub-divisions of Grampians. Estimated number of electors, 70,000.
12. NORTH-WESTERN DISTRICT OF VICTORIA, including Federal Electorates of Wimmera, Bendigo (except Elmore, Goornong, Castlemaine, Maldon, and Tarandale sub-divisions), Dunolly, Inglewood, St. Arnaud, and Wedderburn sub-divisions of Grampians, and Dimboola, Kaniva, Jeparit, and Nhill sub-divisions of Wannon. Estimated number of electors, 75,000.
13. Includes Federal Electorate of Ballarat, Corio (except subdivisions of Diamond Creek, Melton, Sunbury, Wallan, Werribee, and Whittlesea), Grampians, (except sub-divisions of Dunolly, Inglewood, St Arnaud, and Wedderburn), and

- Castlemaine, Maldon, and Taradale sub-divisions of Bendigo. Estimated number of electors, 88,000.
14. GREATER MELBOURNE, including the Federal Electorates of Balaclava, Batman, Bourke, Fawkner, Henty, Kooyong, Maribyrnong, Melbourne Ports, Yarra, Corlo (part) Flinders (part). Estimated number of electors, 450,000.
 15. NORTH EASTERN, including the Federal Electorates of Echuca, Indi, and the Elmore and Goornong sub-divisions of Bendigo. Estimated number of electors, 70,000.
 16. GIPPSLAND, including the Federal Electorates of Gippsland, and the Berwick, Bunyip, Cowes, Dromana, Drouin, Frankston, Korumburra, Lang Lang, Loch, Pakenham, and Wonthaggi subdivisions of Flinders. Estimated number of electors, 56,000.
 17. EDEN-MONARO, including the Federal Electorates of Eden-Monaro and eastern portion of Hume. Estimated number of electors, 44,000.
 18. Includes Federal Electorates of Riverina (except portion north of Lachlan River), Hume (Western portion), and a small portion of Barrier east of Lachlan River. Estimated number of electors, 63,000.
 19. Includes Federal Electorates of Werriwa, Illawarra (except sub-divisions adjacent to Sydney, and the Cowra sub-divisions of Calare. Estimated number of electors, 63,000.
 20. Includes the federal electorates of Darling, Barrier (except small portion east of Lachlan River), Calare (western portion), and small portion of Riverina north of Lachlan River. Estimated number of electors, 65,000.
 21. GREATER SYDNEY, including the Federal Electorates of Cook, Dalley, East Sydney, Lang, North Sydney, Parkes, Parramatta, South Sydney, Wentworth, West Sydney, northern portion of Illawarra and Nepean (except four northern subdivisions). Estimated number of electors, 540,000.
 22. Includes Newcastle and Greater Hunter electorates. Estimated number of electors, 81,000.
 23. Includes electorates of Robertson, Macquarie, eastern portion of Calare, and small portion of Nepean. Estimated number of electors, 90,000.
 24. Includes the Federal Electorates of Gwydir, New England (except small northern portion). Estimated number of electors, 88,000.
 25. Includes the Federal Electorates of Richmond, New England (small part), Cowper (small part), and southern half of the Darling Downs and Moreton Electorates of Queensland. Estimated number of electors, 75,000.
 26. Includes the Federal Electorates of Maranoa, Darling Downs (northern portion, including Toowoomba), and the northern portion of the Moreton electorate. Estimated number of electors, 64,000.
 27. GREATER BRISBANE, includes the Federal Electorates of Brisbane, Oxley, Moreton (part, including Logan and Ipswich districts), and southern portion of Lilley. Estimated number of electors, 135,000.
 28. Includes the Federal Electorates of Capricornia, Wide Bay, and the northern portion of Lilley. Estimated number of electors, 83,000.

29. Includes the Federal Electorates of Herbert and Kennedy. Estimated number of electors, 72,500.
30. Includes the Federal Electorates of Bass, Darwin, and Wilmot. Estimated number of electors, 60,000.
31. Includes the Federal Electorates of Denison and Franklin. Estimated number of electors, 48,000.

Source McNamara (1928, pp. 72–73).

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Part II

Theory

Chapter 4

Theories of Local Government and Application to Australia

Abstract Local government writ large is grounded in a significant body of theoretical work that spans a range of academic disciplines, yet rarely is this work applied to local government in Australia in any holistic sense. Initially this chapter outlines what we identify as the dominant theoretical/conceptual approach to local government in Australia, namely the “efficiency versus democracy” heuristic, arguing that it accurately reflects tensions in both historical and contemporary reform debates. We then set out various disciplinary perspectives on local government, including the philosophy of place, the moral justification for local government grounded in both deontological (i.e., duty-based) and utilitarian (i.e., ends-based) understandings of the principle of subsidiarity, the economics of place, the political theory of local government and contemporary theories of public administration pertaining to local government, in particular the “shift” from government to governance and public value creation. The chapter then examines “new localism” in the Australian context. We argue that recent writings on this topic are largely confined to an understanding of localism as public administration. We assert that new localism is better understood as a bona fide political ideology incorporating the disciplinary perspectives discussed in this chapter and argue for the relevance of the “place-shaping” approach developed in England to the Australian context.

Keywords Economics of place • Fiscal federalism • Government to governance • New localism • Philosophy of place, Place-shaping • Principle of subsidiarity • Regionalisation • Regionalism • Sub-national finance • Tiebout sorting

4.1 Introduction

Contemporaneously, the word “theory” is surprisingly under-utilised. Within the social sciences concerned with local government, a slew of other words have become more prevalent than boring old “theory”. For instance, a variety of authors deploy the word “paradigm” to describe, inter alia, local government “failure” (see,

for example, Byrnes and Dollery 2002) or approaches to regional development (Bentley and Pugalís 2014), without referencing the genesis of this particular word (see, in particular, Kuhn 1970, pp. 10–22). Similarly, the word “model” is also deployed in social science concerned with local government: Dollery et al. (2011, p. 601) posit what they label as “a normative model” for the de-amalgamation of local governments in the Australian context. Haus and Sweeting (2006) have constructed four different “concepts” or “non-exclusive components” of local democracy, which we examine below. Alternatively, the idea of “strategies” has gained increasing salience. For example, Pugalís and Gray (2016) deploy the word “strategies” in describing approaches to urban regeneration in Britain. Evans et al. (2013a) utilise the same concept in discussing different types of “localism”. For their part, Grant and Dollery (2010) prefer the term “mode” when discussing place-shaping as a type of local government reform. While we, along with Colebatch (2009), are fully prepared to admit that public policy is an empirically slippery idea, it would seem in this latter instance that local government reform has an ontological and epistemological status akin to film criticism (Bordwell 1979).

It is possible to disentangle these ideas from one another when they are read in context. For instance, “paradigm” in the local government literature generally refers to a broad approach that is grounded in a specific insight. The ideas of “government failure” generally and “local government failure” in particular are examples of this deployment of the concept of “paradigm” (see, for example, Byrnes and Dollery 2002). Generally, “model” refers to a specific conceptual map for envisaging a particular empirical domain—for instance Dollery et al. (2011) deploy the word to describe their prescriptive approach to local government de-amalgamation. Alternatively, economic modelling invariably involves the use of empirical techniques (see, for example, Drew et al. 2015), while “strategy” is representative of broad public policy approaches (Pugalís and Gray 2016) and “mode” is something different than all of these approaches (see Grant and Dollery 2011a).

But the point that we are making is that in this chapter when we use the word “theory” we are using it to include all these other terms. In some cases these terms will feel more specific (“model”, “strategy”); in some cases they will feel more general (“paradigm”, “mode”). In essence, “theory” captures all these ideas, including the somewhat fallacious distinctions between, first, positive and normative theorising and, second, pure and applied theorising.

With this discussion in mind, this chapter is divided into four main parts. Section 4.2 outlines what we regard as the dominant theoretical approach to conceptualising local government in the Australian context, namely that posited by Aulich (1999). This approach suggests that the requirements for “democracy” are consistently set against those for “efficiency”, both at a broad normative level and at the coal faces of public policy and reform in Australian local government. We argue that, while as a heuristic it may appear too simple to reflect such complex, cross-jurisdictional realities, Aulich’s (1999) heuristic accurately reflects the tension, both historical and contemporaneous, between two different ways of conceptualising local government. Section 4.3 provides an account of several disciplinary approaches to the theory of local government. We examine in turn the

philosophy of place, principally through the work of Malpas (1999), and the moral theory of local government in the two competing concepts of subsidiarity derived from a recent discussion by Deem et al. (2015). We also examine the political theory of local government, focusing on the work of Wickwar (1970) and Haus and Sweeting's (2006) four-part typology of local democracy. Section 4.3 also provides an account of the shift from "government" to "governance" as a way of conceiving public administration for local government. Section 4.4 unpacks the concept of "new localism" and criticisms thereof. We argue that the tripartite definition of localism as "managerial", "representative" and "community" (Evans et al. 2013a), accompanied by the insistence that "it's the mix that matters", does not pay sufficient regard to the theoretical approaches to local government outlined in Sect. 4.3. We then posit a theory of localism for local government based upon the "place-shaping" developed in England (Lyons 2007). Section 4.5 reflects upon the implications of our discussion generally for public policy, particularly in the Australian context.

4.2 Dominant Theoretical Approach to Local Government Reform in Australia: Aulich (1999)

It may seem presumptuous on our part to assert that there is one dominant theoretical perspective for examining local government reform in Australia. Such an assertion surely begs the questions of, first, "What do you mean by dominant?" and, second, "Dominant *for whom*?" Further, it is a fact that various disciplinary perspectives that discuss local government in Australia are informed by their own theoretical "deep background", whether this be in law (see, for example, Purdie 1976), history (Kelly et al. 2009), political science (Brown 2008), economics (Dollery and Crase 2006), public administration (Marshall 2008), management (Marshall 2003), gender (Smith-Ruig et al. 2015) or indeed regional studies (Brown 2006). No doubt we could add a few more examples to this list—those from the "harder" sciences (geography, biology) for example.

However, if we confine ourselves to that very small sub-discipline labelled "local government studies", in which some of us (but not many) choose to specialise (even if only from time to time), *and* to Australian local government studies in particular (a narrow field, to be sure), we assert that the dominant approach is that developed by Aulich (1999, 2005), represented in Fig. 4.1.

Examining Fig. 4.1, the principal dynamic—particularly in debates about local government reform—is the tension between the left and right sides. On the left, the requirement for local government's plural local democracies is juxtaposed, on the right, by the requirement for both individual local governments as "firms" and for

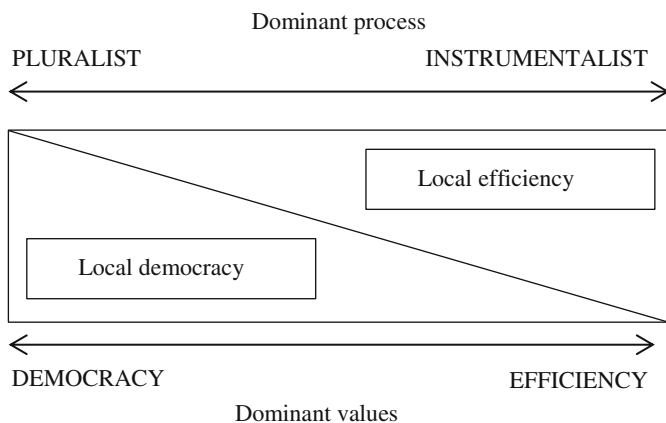


Fig. 4.1 Aulich (1999): Models of local government reform. *Source* Adapted from Aulich (1999, p. 20)

local governments *collectively* (i.e., as an element of state administrations; as an element of the national public sector) to operate as efficiently as possible.¹

It is important to point out that the two sides are not entirely sealed from one another. For instance, the effective functioning of democratic processes can inform the efficient allocation of resources; similarly, an efficient local government or local government sector can reinforce the legitimacy of democratic processes. Nevertheless, there *is* a fundamental tension between the two: local citizens may well express preferences for a level of services that far outweigh the capacity for local governments to deliver. Similarly, measured for efficiency only, a minimal quantum of services may well have a bearing on the standing of a council conceived as a local democracy *and* as an element to Australia's democratic federal structure.

We noted in Chap. 2 that an earlier generation of scholars recognised the role of local government in terms of service provision and local democracy but joined these two functions with a third, namely as the developer of local resources, broadly conceived (see, for example, Power et al. 1981, p. 96). Despite the absence of this third role, we think that it is reasonable to assert that Aulich's (1999) heuristic is the dominant approach contemporaneously for two reasons. First, it has been utilised by many other scholars (see, for example, Dollery and Grant 2010; Grant and Dollery 2014; Grant et al. 2011; Hearfield and Dollery 2009; Jones 2002; Marshall and Sproats 2000; Pullin and Haidar 2003). Second, it largely reflects realities of local governments in Australia in two broad ways. The first of these is historical.

¹Although we note that in recent reforms there has been an additional point of contention: equity. Moreover, the *raison d'être* of government is to correct market failure and ensure equitable access to public goods and services. We thus suggest that a revised model might incorporate equity as a value.

As we saw in Chap. 2 in our discussion of the origins of Australian local government systems, there has been a consistent tension between the role of local government as the focus of a political project of self-government on the one hand and that of service provider on the other. This is embodied in the distinction (by no means an absolute one) suggested by Power et al. (1981, p. 21) between “*constitutionalist* ... [systems of local government] ... which have developed largely in response to local demand, and *State-interventionist* for those that are malleable and have been imposed from above”. Second, the tension between democracy and efficiency has been an important tension in contemporary processes of reform that seek to accrue scale and scope economies through programs of amalgamation, set against the desires of smaller communities to remain as such. This point is made by Aulich (1999, p. 19) and has since been reiterated by scholars observing these reform processes (for an overview, see Dollery et al. 2013). However, we would note that reform discourse might be improved were it to consider “equity” as an independent value (see, in particular, Chap. 10 of this book).

We can argue about whether Aulich’s (1999) work as we have described it above constitutes a “genuine theory” (akin to, for example, Einstein’s theory of relativity, Darwin’s theory of evolution, etc.). However, to engage in such a discussion would be a diversion from our purpose of outlining theoretical approaches to local government. At the very least we think that it is reasonable to assert that as a *heuristic*—as a process or method of understanding—Aulich’s (1999) work has been influential *and* is generally accurate. The question of to what extent this heuristic has shaped subsequent reform debates and outcomes (if at all) is an interesting one. Further, we could also describe in some detail how Aulich (1999, 2005) and others (Dollery and Grant 2010; Grant and Dollery 2014; Grant et al. 2011; Hearfield and Dollery 2009; Jones 2002; Marshall and Sproats 2000; Pullin and Haidar 2003) have applied the heuristic in their examination of local government (see also Sect. 2.11 of this book). However, our central concern here is with the rich array of theories in the social sciences that have been applied to local government and it is to this that we now turn.

4.3 Disciplinary Perspectives

Part III of this book, “Public Policy and Australian Local Government”, canvasses in depth several theoretical perspectives pertaining to local government. Thus, Chap. 5 “Autonomy for Local Governments in Australia” examines the concept of autonomy through a consideration of the work of Pratchett (2004) and the history of home rule in the context of the United States (Krane et al. 2001). Chapter 6 “Community and Community Engagement in Australian Local Government” briefly considers the concept of community grounded in both political and sociological understandings (see Anderson 1991; Gellner 1983, 1994). Chapter 9 “Ethical Issues in Australian Local Government” considers the transition from traditional public administration through to New Public Management (NPM) and

Public Value Management as “paradigms” of government administration, all of which have explicit theoretical dimensions, both positive and normative (Stoker 2006).

Further, Wickwar (1970, p. vi), whose work we discuss in some detail below, suggests that “[s]ince Local Government, like all public administration in the modern state, is essentially a creature of law, its political theory has been to a large extent identical with its legal philosophy” (see, for example, Jennings 1931). As such, a legal perspective on local government would assert that local government is simply what the law determines it to be, and that different jurisdictions require various processes to be conducted prior to local government boundaries being decided upon. For instance, in NSW there is a requirement that the Boundaries Commission “have regard to”² factors such as the financial advantages or disadvantages of a boundary change proposal and the attitude of residents to the proposal (see the *Local Government Act 1993 (NSW)* s263 (3)(a) and (d), respectively (NSW Government 1993). However, the decisive act is the Governor’s proclamation, and there is a clear sense that “place” is what the Governor’s proclamation (reached generally through a statutorily determined process of inquiry) says it to be. The furore generally engendered by proposed local government amalgamations suggests that this legal philosophy of place may be at odds with other philosophies of place.

However other approaches to the concept of place generally and to the institution of local government more particularly are our main concern in this chapter. First, we provide an account of the “philosophy of place”, principally through the work of Malpas (1999). Second, we examine the explicit moral justification for local government embodied in the principle of subsidiarity. Third, we delve into the economics of local government. Fourth, we examine how local government sits within a range of political theories before (fifth) examining the shift from “government” to “governance” and public value creation as elements to theories of public administration. All of this work forms an entrée to our consideration of “new localism” and its discontents and the examination of the theory of “place-shaping” derived from the work of Grant and Dollery (2010). These disciplinary perspectives are then brought to the fore in the contemporary public policy context in Australia in Chap. 12 “Future of Local Government”.

4.3.1 *Philosophy of Place*

In examining—albeit briefly—the philosophy of place we are by no means claiming that there is a well-worn path between this work on the one hand and the ideas surrounding the “new localism” discussed in Sect. 4.4 on the other. For all its

²There is, however, no *requirement* for the Boundaries Commission to garner any evidence (for instance by conducting a poll of resident attitudes), nor does it appear that the Boundaries Commission is required to examine the veracity of evidence or even to give any weight to specific evidence when making its recommendation for boundary change.

earnestness, the significant body of work on new localism does not, as it were, “dig this deep”, but is more concerned with political theory and, more pervasively, public policy and the possibilities and problems that localism provides (see, for instance, Evans et al. 2013a). However, we *are* claiming that a consideration of the philosophy of place gives further credence to why new localism ought to be understood as a bona fide political philosophy or, at the very least, it is “bootstrapped” to a significant degree.

A salient contribution to the philosophy of place is Malpas’s (1999) *Place and Experience: A Philosophical Topography*. For anyone who dabbles in serious philosophy (and we are guilty as charged, particularly on the “dabbling” front), Malpas’s work on place is rewarding. Nevertheless, in this context we are limited to a brief discussion of three points drawn from his seminal work: first, the *influence* of place; second, the *obscurity* of place; third, what we will denote as the *ontology* of place.

Discussing the *influence of place*, Malpas (1999) asserts that “a sense of place” looms large in the Western canon, particularly in poetry and art. For instance, Malpas (1999) engages in discussion of the work of William Wordsworth and Marcel Proust. More than this, however, he argues that a profound experience of place is more or less common to all human societies, to the extent that our experience of place *constitutes* who we are. Malpas (1999, p. 3) impresses upon us the fact that in many accounts of Aboriginal Australians—for instance, the account of the Pintupi from the Western Desert region provided by Myers (1986)—“core identity is determined by [the] place of derivation”, to the extent that “for an Aboriginal person to be removed from that country in which he or she belongs is to be deprived of their very substance, and in past times such removal—particularly when it involved imprisonment—frequently led to sickness and death”. Malpas (1999, p. 13) advances a hypothesis (although we hasten to add that he does not name it as such):

There is good reason to suppose that the human relationship to place is a fundamental structure in what makes possible the sort of life that is characteristically human, *while also being determining, in some way that requires clarification, of human identity*. In that case, it is not surprising that place, and associated notions of spatiality and embodiment, should have come to such prominence in so many disciplines in the work of so many different writers and researchers (emphasis added).

In essence, Malpas’s (1999) book is devoted to this question of clarification. Otherwise stated, his first point concerning place is that *prima facie* it seems to be of profound importance and, as such, it is a worthy exercise in philosophy to undertake to determine whether or not this is the case, and why.

Of course we can interpret this glibly and say (in effect): “I agree that place matters. I have heard that some Aboriginal people are profoundly connected to the land. A lot of Australians say the same thing and I wouldn’t be surprised if this was the case all over the world. But I fail to see how this assertion has anything to do with local government”. Fair enough; however, to emphasise the importance of the point philosophically, Malpas (1999, pp. 15–16) also asserts: “[S]upposing that the

fundamental thesis of the book is correct, that there is no possibility of understanding human existence—and especially human thought and experience—other than through an understanding of place and locality, it follows that the inquiry into the mind itself will be identical with the inquiry into place”. The point here is that if we are setting out to construct a theory of politics and the institutions that will embody this politics, it seems to be a very good idea to undertake, more or less continuously, the Socratic recommendation to “know thyself”. Understood as such, it would seem that place *does* matter, and in a way that is anything but glib.

Second, discussing the *obscurity of place*, Malpas (1999, p. 19) asserts that, as essential as the idea of place is, it has been marginalised—that there has been a “forgetting of place within philosophy” and that “the notion itself” is opaque. Following from a brief exposition of the competing etymologies of place and space, Malpas (1999, p. 27) cites the claim of Casey (1997):

In the past three centuries in the West—in the period of modernity—place has come to be not only neglected but actively suppressed. Owing to the triumph of the natural and social sciences in this same period, any serious talk of place has been regarded as regressive or trivial. A discourse has emerged whose exclusive foci are Time and Space. When the two were combined by twentieth century physicists into the amalgam “space-time”, the overlooking of place was only continued by other means. For an entire epoch, place has been regarded as an impoverished second cousin of Time and Space, those two colossal cosmic partners that tower over modernity.

Poor old place: it has missed out in its battle with space, but also in particular with *time*—as Agnew (1987, pp. x–xi) observed: “place [appears] in social science as a social-categorical rather than a geographical concept”. Otherwise stated, to science go the ideas of space and (in particular) time; place is, in comparison, mud. Malpas (1999, p. 28) continues that, in the battle between space and place, “[s]pace, it seems, is the more general and more basic concept”; and that while it might be tempting to delineate between the two on the basis of affectation—that is, that we are more attached to *places* as opposed to *spaces*—we are in danger of conceiving of place *merely* as a component of affectation, when we have many reasons to suggest it is much more (Malpas 1999, p. 31). Further:

[A]lthough it is certainly the case that place is not constituted independently of subjectivity—just as it is not constituted independently of the physical world—neither is it dependent on the existence of an independent subject or subjects. Place is instead that within and with respect to which subjectivity is itself established—place is not founded *on* subjectivity, but is rather that *on which* subjectivity is founded. Thus one does not first have a subject that apprehends certain features of the world in terms of the idea of place; instead, the structure of subjectivity is given in and through the structure of place (Malpas 1999, p. 35; emphasis added).

Of course, we live in a time when any tweaking of the nose of ontological dualism (subject vs. object; space vs. time; boy vs. girl) is lauded—and indeed there are some profound reasons to suggest that this tweaking ought to be vigorous (although it seems that talk of “binarisms” has now quietly drifted into the past). However, what Malpas (1999) suggests here is profound. It moves us away from the seemingly logical but at the same time seemingly dubious argument about the

“social construction of reality” on the one hand, *and* the idea of unfettered objectivity—*prima facie*, an oxymoron—on the other. Rather: “The social does not exist prior to place nor is it given expression except in and through place ... It is within the structure of place that the very possibility of the social arises” (Malpas 1999, p. 36).

This insight is what we (not, we hasten to add, Malpas himself) take as the third major point from Malpas’s (1999) discussion: that place necessarily has something to do with ontology, or the *nature* of reality, and epistemology, or theories of knowledge. Place is not something that we merely interpret; rather, it is a necessary precondition of interpretation. Of course (again) we can spend a long time arguing the toss on this point. Indeed, Malpas (1999) and those that he cites by way of investigating what we have described as his hypothesis do precisely this. But for our purposes the cardinal point is that place matters a little bit more—much more, we would suggest—than it being merely a subjective experience. Notice also that this account of place is more than merely “post-subjectivist”; it is also “post-humanist” in the sense that it suggests that we cannot *make* the world, we can only *shape* it. Of course, that shaping might be so radical so as to render the (then) extant world unrecognisable, and we can argue about whether or not this is a good or a bad thing. However, the fundamental difference is profound and, while “place” is not “local” and it certainly isn’t “local government”, the implication—appreciative as it might be—is that local politics ought to be of far greater importance. Notice also that this account of place, as well as having political implications, is also necessarily a psychology of place, in that it provides an account of ontology and the social.

While Malpas’s (1999) work is profound and we think worthy of consideration—albeit briefly—in this context, we ought to recognise that a very similar point has been made (if it is not indeed the very same one) by others. For example, those academics trained in the United Kingdom (particularly, although by no means exclusively, those a generation older than us) would be very familiar with the work of Harold Laski who, in Part II of his *A Grammar of Politics*, states:

Neighbourhood, in other words, makes us automatically aware of interests which impinge upon us more directly than upon others ... [A]dministration from without lacks the vitalising ability to be responsive to local opinion ... And such government is bound, almost inevitably, to aim, not at variety, but at uniformity ... It cannot grasp, in other words, *the genius of place* (Laski 1967, pp. 411–412; emphasis added).

Notice here that “place” for Laski has the same grammatical status as it does for Malpas (1999): it is not merely a noun, in its “genius” it is clearly *doing something*, as opposed to having meaning inscribed upon it by us. It is notable as well that this central insight is an element to what is best described as a complete theory of politics that is set out by Laski (1967). In a way that directly reflects the work of Mill (1972) in *Considerations on Representative Government*, Laski’s (1967) consideration of local government forms a relatively minor element of a much larger discussion, canvassing what might be termed foundational concepts in politics in Part I (“The Purpose of Social Organisation”; “Sovereignty”; “Rights”;

“Liberty and Equality”; “Property”; “Nationalism and Civilisation” and “Authority as Federal”) before moving to discuss institutions in Part II (“Political Institutions”; “Economic Institutions”; “The Judicial Process” and “International Organisation”). Discussion of “The principles of local government” is assigned to Section “X”—the final substantive section—of “Political Institutions”). Our point here is that the theory of local government is very much *built into* a complete account of politics. We return to the political theory of local government directly below; first we consider the direct moral justification for local government.

4.3.2 *Moral Justification for Decentralised Government: Principle of Subsidiarity*

Without a doubt the principle of subsidiarity must be the most misunderstood and misrepresented concept in the federalism literature (Golemboski 2015). Minimalist (and inaccurate) accounts of subsidiarity abound, by luminaries of federalism scholarship who variously refer to the principle in terms of asserting that “taxing, spending and regulatory functions should be exercised by lower levels of government unless a convincing case can be made for assigning them to higher levels of government” (Boadway and Shah 2009; see also Oates 1999; Deem et al. 2015). In point of fact this interpretation of the principle of subsidiarity could hardly be further from the truth—the principle proper is a social ontology that posits bottom-up plural power structures which stands in stark contrast to the minimalist interpretation of the trickling down of government power.³

Understood as a social ontology, the principle of subsidiarity has its ethical roots in the Natural Law tradition that asserts a right order revealed by reason, nature and the ordinance of God (Messner 1952). It is a neologism first articulated by Pope Pius XI (1931) in his encyclical *Quadragesimo Anno*, but which draws on the earlier work of Pope Leo XIII (1891) *Rerum Novarum*. It has since been affirmed by Pope John XXIII, Pope John Paul II and Pope Benedict XVI. At its core the principle of subsidiarity seeks to protect the dignity of the individual. Where a task can be accomplished by an individual, the principle asserts that it is “an injustice and at the same time a grave evil and disturbance of right order” to assign the task to a higher order association or government (Pius XI 1931, p 80). Thus, the principle recognises the potential for perfection of the individual in the act of striving to achieve a goal. Yet it is clear that some tasks and perfections can only be conducted through associations—for example, procreation and care of offspring—and in this case the principle asserts that the task should be accomplished through the smallest association possible in order to create moral proximity and allow the individual to share in the collaborative enterprise, which itself holds intrinsic value (Hittinger

³We note that it would save a lot of confusion if minimalists would refer to their position as the Principle of Decentralisation given its discordance with the Principle of Subsidiarity proper.

2003). Moreover, when associations are small then the role of both the donor and recipient is more transparent—which not only generates moral accountability but also respects the dignity of both parties.

The concept of *subsidium* (often loosely defined as assistance) has its linguistic roots in the term used to describe Roman military auxiliary units. Consistent with these roots the term *subsidium* denotes a form of assistance which insists upon its provision only in times of genuine need, with reciprocal responsibilities *and* in a manner designed to make it superfluous as quickly as possible (Brennan 2014). This leads to the conclusion that *subsidium* should be reviewed regularly with a view to divestment (Sirico 1997). To do otherwise is a social injustice—not only to the individual deprived of the opportunity for personal growth, but also to the individuals which must pay for the assistance through taxation, debt (effectively a tax impost on a future generation), or charity.

It is contended that failure to abide by the Principle of Subsidiarity creates a “group of incomplete imperfect men” wholly dependent on government (Kenney 1955, p. 34) that will lead to a “state...overwhelmed and crushed by almost infinite tasks and duties” (Pius 1931, p. 78). The rise of the modern welfare state and the fiscal crises engulfing many local and federal governments throughout the world might attest to the truth embodied in the articulation by successive Popes.

However, it would be wrong to think of the principle of subsidiarity solely in terms of Catholic social teaching. It is in truth a deontological (i.e., a duty based) moral principle which has relevance well beyond the confines of the Church. Indeed, Eisenhower’s (1955) State of the Union Message is eerily consistent with the principle:

The aspirations of most of our people can best be fulfilled through their own enterprise and initiative, without government interference. The Administration follows two simple rules: first, the Federal Government should perform an essential task only when it cannot otherwise be adequately performed: and second, in performing that task, our Government must not impair the self-respect, the freedom and the incentive of the individual.... Government can fully meet its obligations without creating a dependent population or a domineering bureaucracy.

Moreover, in Chap. 12 we assert and demonstrate the weighty implications of the principle of subsidiarity for the efficient and effective operation of decentralised government. In this context we press on with our exposition of disciplinary perspectives on place and local government.

4.3.3 *Economics of Place*

The study of fiscal federalism experienced something of a golden age during the latter half of the 20th century. Olson’s (1969) “principle of fiscal equivalence”, Oates’s (1972) “decentralisation theorem”, Tiebout’s sorting model (first written in 1956 but not popularised until 1969) and Brennan and Buchanan’s (1980) work on restraining Leviathan created competing economic views for why decentralisation

might be desirable. For instance, under the Oates (1972) view of fiscal federalism, decentralisation offers potential gains in economic welfare arising from matching the provision of goods and services to the specific tastes and conditions of relatively homogenous communities. By way of contrast, Tiebout's (1956) model proposes that spatially mobile households could approximate a market solution to the efficient allocation of public goods by moving amongst different government jurisdictions. Yet another perspective is provided by Brennan and Buchanan (1980), who borrow from conventional theory of monopoly to emphasise the need for decentralisation to restrain a Leviathan-like government bent on maximising revenue surplus. The following material sketches an outline of each of these major contributions to the "economics of place" before briefly reviewing the disparate voices of the so-called "second generation" of fiscal federalism, which adopts a rather more sceptical view of decentralisation.

Fiscal Equivalence and the Decentralisation Theorem

The model of fiscal equivalence concludes that "there is a need for a separate government institution for every collective good with a unique boundary, so that there can be a match between those who receive the benefit of a collective good and those who pay for it" (Olson 1969, p. 483). This conclusion is based on the observation that: (i) where the collective good reaches beyond the local boundaries, there will be a tendency to produce at a less than optimal level, and (ii) where the collective good reaches only a subset of the population paying for the good, this results in inequity and the likelihood of sub-optimal production. It is important to note that this prescription for government institutions applies only to public goods; under Olson's (1969) model, private goods would be provided by the private sector.

Olson's (1969) seminal work raises two other oft-overlooked observations regarding the structure of government. First, Olson (1969, p. 484) specifically recognises the need to match boundaries to the "tastes" of cultural backgrounds "as a necessary condition for fiscal equivalence and economic efficiency". Second, Olson (1969) discusses the effect of economies *and* diseconomies of scale on the optimal size of government, noting that evidence of economies of scale should not be taken to indicate the need for larger boundaries (as this would violate the efficiency principles outlined in the fiscal equivalence model).

However, Olson (1969, p. 485) argues that evidence of diseconomies of scale does require intervention, specifically a need for smaller boundaries "of a size that minimize unit costs, [with] central government grants to these local governments that are just large enough to compensate the local government for the external benefits of its expenditures". This specific recognition of the effect of increased costs arising from diseconomies of scale stands in contrast to some later formulations of fiscal federalism.

Both economies of scale and "taste" also feature in Oates's (1972, p. 35) decentralisation theorem, which holds that for a public good "it will always be more efficient (or at least as efficient) for local governments to provide the

Pareto-efficient⁴ levels of output for their respective jurisdictions than for the central government to provide *any* specified and uniform level of output across all jurisdictions”. However, in contrast to Olson (1969), Oates (1972) perceives economies of scale to be a potentially limiting factor militating against smaller government boundaries, and does not specifically deal with the problem of over-sized government areas exhibiting diseconomies of scale. Where the two theorists do agree is on the need to match boundaries to the “tastes” of identifiable communities. For example, Oates (1972) extends the idea of differences in tastes beyond “racial and ethnic groups” to include any homogenous group, such as those identified by wealth. Moreover, in the decentralisation theorem “taste” is given a pre-eminence not found in Olson’s seminal paper. For Oates (2008, p. 317), differences in taste explain much of the economic “welfare gains [which] vary directly with the magnitude of this variation and inversely with the price elasticity of demand”.

The other major explanatory factor for the welfare gains associated with decentralisation is the differences in costs which might be faced should uniform provision be pursued. A simple example can explicate matters. Suppose that a central government were to stipulate a standard level of rubbish recycling for the entire nation which included the provision of weekly collections of green waste for every residence. Clearly such a uniform level of green waste collection would result in significant losses to economic welfare according to two mechanisms. In the first instance, it is clear that the “taste” for green waste collection might be very different in the inner-city CBD than, say, in the outer suburbs; individuals living in apartments are likely to produce very little (if any) green waste compared with residents mowing their lawns and tending gardens on the Australian quarter-acre block. Accordingly, imposing uniform weekly green waste collection would incur a loss of economic welfare for the inner-city apartment dwellers. Second, it is clear that the unit cost for weekly green waste collection would be very different in the CBD than in the suburbs owing to traffic congestion and distance to a processing plant. Thus, even if tastes were similar (perhaps because apartment dwellers suddenly discovered the joys of indoor hydroponics), the differing costs for collecting and processing the green waste would likely produce entirely different benefit-cost outcomes.

Oates’s (1972) decentralisation theorem depends on at least two contentious and implicit assumptions. First, the theorem assumes that central provision necessarily dictates uniform levels of services. Oates (2005) defends this assumption by arguing that information asymmetries (e.g., lack of knowledge by central planners of local tastes) and political constraints (e.g., legal or ethical factors, or potential voter resistance) militate against service levels tailored by central planners to local tastes. However, these arguments—at least in the Australian context—don’t seem particularly compelling, given that central planners do in fact produce public goods

⁴Pareto-efficient policy change is achieved when a given policy increases the welfare of at least one person without reducing the welfare of anyone else. Pareto efficiency exists when any given policy change cannot increase aggregate welfare without reducing the welfare of at least one person.

tailored to local conditions. For instance, education is often tailored to the needs of specific demographics by state planners. Second, the assumption that local representatives will seek to maximise the economic welfare of their constituents—rather than pursuing their own utility-maximising objectives—seems to imbue representatives with a degree of benevolent altruism which may be at odds with reality. This latter problem is the subject of the Brennan and Buchanan (1980) variant of Leviathan constraint.

Several additional observations are warranted. First, the theory as presented by Oates (1972) in *Fiscal Federalism* is preceded by a discussion of the “perfect correspondence principle” which sets forth the desirability of ensuring that “the jurisdiction that determines the provision of each public good includes precisely the set of individuals who consume the good” (Oates 1972, p. 34). It thus seems that Oates (1972) is both cognisant of and responsive to the arguments outlined by Olson (1969). Second, the decentralisation theorem sets out a case for the decentralisation of service provision but does *not*, in itself, set out a case for service provision by decentralised *levels of government* as is commonly supposed. In principle, the gains in economic welfare envisioned by Oates (1972) could also be achieved by a unitary system which uses regional district managers to tailor services to local conditions. Third, “the welfare gain from decentralized provision of a particular public good becomes greater as the diversity in individual demands within the country as a whole increases and as each geographical grouping of consumers becomes more homogenous in terms of their demands for the good” (Oates 1972, p. 37). Finally, and related to the preceding point, it should be noted that—contrary to the assertions of a number of scholarly contributors—the decentralisation theorem is merely enhanced and not dependent on Tiebout sorting, to which we now turn our attention.

Tiebout Sorting

It seems rather strange that a model which has reached the prominence of Tiebout’s (1956) seminal contribution received an initially unenthusiastic response from the scholarly community. For example, Fischel (2006, p. 4) notes that “neither Paul Samuelson nor Musgrave, whose work Tiebout (1956) specifically addressed, was especially impressed with it”. Indeed, Musgrave (1997, p. 67) notes that “the market in which jurisdictions play is decidedly imperfect, as is the analogy from jurisdictions to product markets”. Moreover, Oates (2006, p. 22), who arguably brought the Tiebout paper out of obscurity in 1969, notes that it “is seriously wanting as a theory of local public finance” and has decried on many occasions its exaggerated role in the theory of decentralisation (see, for instance, Oates 2008). However, there can be little doubt that Tiebout (1956) has had a significant impact on fiscal federalism.

Tiebout’s (1956) seminal work, *A Pure Theory of Local Expenditures*, seeks to explain the problem of how we might know the preferences of citizens for public goods in an environment of benefit principle taxation. Under these circumstances, “there is an incentive for the ‘rational’ consumer [to] understate his (*sic*) preferences

and hope to enjoy the goods while avoiding the tax” (Tiebout 1956, p. 417)—in essence, the free-rider problem. Tiebout (1956) argues that a solution exists for a subset of public goods—local public goods—whereby citizens express their preferences for public goods by their locational decisions in a competitive market represented by many local governments offering differing fixed baskets of public goods for which taxation represents a price proxy. Like all models, Tiebout sorting (also referred to as Tiebout competition) resorts to a series of restrictive assumptions in order to highlight important features. It is worthwhile to briefly consider the rather heroic assumptions listed by Tiebout (1956), since these assumptions may point to the major criticisms of his work:

1. Consumer-voters are fully mobile;
2. Consumer-voters have full knowledge of revenue and expenditure patterns;
3. There are a large number of communities from which to choose;
4. Restrictions due to employment opportunities are not considered;
5. Public services have no external economies or diseconomies between communities;
6. For every pattern of community services there is an optimal size;
7. Communities not at optimum size seek to attract or repel new residents.

Tiebout (1956, p. 418) assumes that all citizens receive dividend income, to avoid the serious limitation of the spatial distribution of jobs on citizen mobility, and dismisses non-economic variables in location decisions to “be of no concern”. However, it is clear that the opportunities for paid employment are a major determinant of resident location preference, as are family, cultural and religious ties. Given that Tiebout (p. 420) acknowledges that the “act of moving or failing to move is crucial” to his model, the failure of this first assumption to accord with reality would seem to undermine the arguments which follow. Moreover, Tiebout’s blithe assertion that the costs of moving are akin to the costs of travelling to a retail outlet to do one’s shopping seems to suggest that he is well aware of another important problem with his model. The thrust of the model is that if citizens are not happy with the basket and price of local public goods, then they will simply up and move to a jurisdiction which better approximates their preferences. However, the cost of moving is quite substantial (possibly running to tens of thousands of dollars in statutory stamp duties, agent fees and removalist costs), which suggests that citizens would be likely to move only in the event of extreme and somewhat implausible (in the context of the limited remit of Australian local government) disparities in the price of local public goods.

Less important problems raised by the restrictive set of assumptions underpinning Tiebout sorting are that residents are aware of the costs and benefits of local public goods. Comparative information is, in fact, made available by some state regulators of Australian local government, but it is a significant leap of faith to contend that citizens study the information as part of their location decision-making process. The third assumption listed by Tiebout (1956) suggests that there are a

large number of local governments offering fixed baskets of goods for a fixed price for all members of the community.

This poses a number of problems in the Australian context. Outside of major capital cities there simply are not anywhere near the requisite number of local authorities to approximate a competitive market. In addition, it is clear that local councils do not offer a fixed basket of goods; rather, the basket of goods alters over time according to the “voice” of the community. Moreover, the price of local public goods is not fixed at the same rate for every resident, but is determined by regressive land taxation. Thus, it is possible for a prospective resident to purchase a property of comparatively low value and reap the basket of public goods at a tax price below the benefits received. In so doing, a “rational” Tiebout consumer-voter can still become the free-rider problem which motivated the model in the first place (Oates 2006).

A final problem of note is that Tiebout sorting—if true—would result in obscene levels of inequity inconsistent with Australia’s egalitarian values. Communities would become homogenous ghettos of wealth, where the poor would be actively discouraged from settling and consuming superior levels of public goods. Having said this, though, one can hardly deny that some manner of “sorting” occurs and that this gives rise to a certain degree of homogeneity in communities. However, this homogeneity is less pronounced than what might be suggested under Tiebout sorting and happens over a long period of time in response to resource endowments, historical antecedents, waves of immigration and government policy. Despite the incongruity with reality—along with a singular focus on “exit”—Tiebout sorting continues to occupy a prominent position in fiscal federalism scholarship. In particular, the idea of competition amongst local authorities has captured the attention of prominent theorists and lead to interesting explanations for why decentralised government should be preferred.

Constraining Leviathan

Brennan and Buchanan’s (1980) work on constraining Leviathan relies, in part, on a more realistic concept of resident mobility leading to muted, but still important, competition between local authorities. In addition to Tiebout’s (1956) “exit”, these theorists acknowledge the importance (but not sufficiency) of “voice” through the electoral process, along with formalised constraints on taxation powers. In sum, Brennan and Buchanan see government as a monopoly intent on exploiting citizens through coercive taxation, every bit as dangerous as the embodiment of evil found in the Old Testament.

Buchanan (1975) has a pessimistic view of the people who occupy the leadership roles in government which stands in stark contrast to Oates’s benevolent resident welfare maximising leaders. For Buchanan (1975, pp. 198–200), political representatives tend to fall into one or more of three distinct categories: the ideologues who seek “their own preferred social objectives through collective or government means”, the seekers of public acclaim who enjoy “positions that make it necessary for other persons to seek them out and solicit their assistance”, and the

profiteers who seek personal benefit through “bribes, kickbacks or by-product deals”. Each of these categories of politicians will seek to maximise budgets, as will the “bureaucratic superstructure [which] distorts budgetary process due to the fact that government employees have full voting rights, and government salaries and working conditions are not settled in competitive markets” (Buchanan 1975, p. 202). Large budgets must in turn be funded by heavy taxation, for which Brennan and Buchanan (1980) propose a number of constraint mechanisms.

In *The Power to Tax*, Brennan and Buchanan (1980) propose “federalisation” as part of the solution to Leviathan. A large number of small decentralised governments are perceived to act as a constraint on the exploitation of citizens through the threat of “exit”. However, unlike Tiebout (1956), Brennan and Buchanan (1980, p. 180) are realistic about the limitations on mobility, exerted not only by economic factors (such as the need to secure employment and the costs of moving) but also by “subjective or psychological costs involved in shifts among locations along scales of preference”. Thus the theorists recognise that the constraint power of decentralisation is in large part proportional to the desirability (or “location rent”) of the specific local government area. As a result, Brennan and Buchanan (1980, p. 209) warn that “local governments should not be allowed unconstrained taxing powers”. The theorists also recognise the role of “voice” as the third component of constraint, notwithstanding their observation that in itself it is insufficient to curb the growth of Leviathan. Indeed, the decentralisation of government amplifies the power of “voice” and therefore acts to encourage political participation (Feld 2014).

Brennan and Buchanan (1980) propose that federalisation architects should be cognisant of four main elements when determining the size and number of local government areas. It is argued that the mobility of citizens is proportional to the number of competitive jurisdictions which operate within a certain geographical area, thus suggesting a high number of decentralised entities. The theorists also argue that the threat of collusion—which would diminish competitive pressure—varies inversely to the number of local governments and therefore also suggests a highly disaggregated structure. However, on the other hand, Brennan and Buchanan acknowledge that the demands of fiscal equivalence and economies of scale will act as a restraint on the number of decentralised governments. A brief nod is also given to the desirability of homogeneity.

In sum, all four perspectives—fiscal equivalence, the decentralisation theorem, Tiebout-sorting and recognising the Leviathan threat—argue for high levels of decentralisation. However, more recent work on fiscal federalism, the so-called “second-generation” theories, hold a decidedly pessimistic view of decentralisation.

Second-Generation Theories of Fiscal Federalism

Second-generation theories of fiscal federalism encompass a disparate group of approaches which are united in disputing the received wisdom of the first-generation theories. It would be beyond the scope of this chapter to comprehensively survey the second-generation literature. We simply wish to alert the

reader to the fact that dissenting voices have emerged on the question of decentralised levels of government.

The matter of soft budget constraints lies at the heart of what Oates (2008) identifies as the first strand of second-generation theories. Experience in South America has shown that the possibility of bailouts (whether through the assumption of debt or via changes to “elastic” intergovernmental grants) can pose a real threat to the financial viability of central governments. If local governments believe that central governments will ultimately not allow sub-national units to fail, then there is an implicit incentive to run up deficits and add to the stock of public debt. Moreover, this can set up games of brinkmanship which operate to the general detriment of the broader community. For instance, Drew and Campbell (2016) document the fiscal failure of Central Darling Shire in NSW, which could be interpreted as an act which exploited soft budget constraints. The first strand is therefore a response to deleterious experience, rather than an academic exercise in abstract theory. In Chap. 7 we canvass a number of remedies to this identified problem.

Other approaches within the second-generation movement “contrast the gains from improved coordination under centralization and the greater sensitivity of local outputs to local tastes (and costs) and perhaps increased accountability under decentralization” (Oates 2008, p. 322). In particular, the assumption that unitary governments must produce a uniform level of service has been shown to be incongruous with actual practice (Boadway and Shah 2009). For instance, in Australia education is provided through decentralised state and territory “districts” managed by professional bureaucrats. The second-generation argument that decentralised provision of services need not come from decentralised levels of government significantly weakens the power of first-generation theories in support of fiscal federalism. As we noted earlier, there is nothing in the decentralisation theorem which requires the services to be provided by decentralised *government* in order to achieve the postulated welfare gains. Nor is the “exit”, envisioned by Tiebout (1956) to achieve allocative efficiency, dependent on political representation at the decentralised unit. Only when we come to the matter of “voice” and political accountability does one find an imperative for decentralised *government*. If we value voice and political accountability sufficiently (notwithstanding that it may be insufficient for the purposes of, say, constraining Leviathan), then this suggests fiscal federalism—if not then mere decentralised provision of government services will suffice.

4.3.4 Political Theory of Local Government

In turning to examine the justifications for local government in political theory, it is essential to underscore that while it might be convenient for us to disaggregate explicitly political writing about local government from both moral theory and economic justifications for decentralised local government, all three types

necessarily contain components of the other. Arguably, this is *particularly* the case for political theory as it implies, more or less strongly, an account of both morality and economics. Having said this it is also necessary to emphasise that to attempt to canvass local government as an element of political theory *writ large* is a task well beyond any particular chapter. Further, if we were to choose one particular strand of political theory as being most relevant to Australia, we may reflexively be led to the work of John Stuart Mill, in particular his discussion of “Local Representative Bodies” in *Considerations on Representative Government* (Mill 1972, pp. 376–390) and the significant commentaries thereon, some of which echo Aulich’s (1999) “efficiency versus democracy” heuristic (see, in particular, Chandler 2008).

Moreover, it is also important to recognise that some work in the Australian context has focused upon political ideas, or what might be labelled *ideational forms* specific to local government. For instance, Halligan and Paris (1984b) discuss three ideologies that are specific to local government. First, “localism”, whereby the interests of local areas are set against any other interests. Halligan and Paris (1984b, p. 60) point out that this type of localism was engendered by the permissive systems for incorporation in several jurisdictions that we discussed in Chap. 2. Second, “ratepayer ideology”, where local government is perceived as the legitimate curator of the interests of ratepayers *and these interests only* (that is, to the disadvantage of others in the community). Third, “the opposition to politics in Australian local government”, wherein it is claimed that local governments are devoid of political considerations (in particular party-political considerations) when in fact decisions made at the local level always benefit some over others (see Halligan and Paris 1984b, pp. 62–63). In discussing political theory and local government it is conceivable that we could limit ourselves to this and related literature (see, for example, Halligan and Paris 1984a). Additionally, as we saw in Chap. 2, the optimal role of local government in Australia has been reflected on historically (Power et al. 1981, p. 96; see also Tucker et al. 1981, pp. 15–72⁵). However, in this context we think that it is more useful to cast the net somewhat more broadly through a consideration of the work of Wickwar (1970).

The Contribution of Wickwar (1970)

To the best knowledge of the authors, only one attempt has been made to tell the history of political theory *writ large* as the history of the political theory of local government, namely W. Hardy Wickwar’s (1970) *The Political Theory of Local Government*. The dust jacket of the book informs us that Wickwar was an Englishman who attended the University of London, graduating with an MA in 1926. He penned *The Political Theory of Local Government* while Professor of Political Science at University of South Carolina, but in the Preface to the book he

⁵For our purposes it is noteworthy that as precursor to their account of the development of local government in Queensland Tucker et al. (1981, pp. 15–72) set out what they refer to as “Liberty as a value in local government”, discussing in turn “the concept of liberty”, “the buffer theory”, “excessive centralisation and the need for diversity”, etc. The importance of many of these ideas is reflected in the discussion both here and in Chap. 5.

notes that his thinking for the book began in 1937 when he was lecturing at the London School of Economics at the invitation of one Harold Laski, whom we have already encountered in this chapter. The point here is that there are links between people and ideas—and, we suggest, policy—and, although we do not have time to delve into these in detail, the influence of *particular individuals* on *particular policies* is a recurrent tendency in the theory of local government, just as it is with the battles for “the commanding heights” of macroeconomic policy (see, for example, Yergin and Stanislaw 2008).

In an audacious text, Wickwar (1970) divides the political theory of local government into five “phases” that are both historical and ideational. The first of these sees boroughs or communes obtaining status as bodies corporate and as one of many types of “intermediary bodies” (including, for example, the church, nobility, cities) struggling against the (then) newly emergent absolute authority of the sovereign. The second sees local government as “the governmental subdivision” of utilitarianism, whereupon the formerly entrenched intermediary bodies are eroded at the hands of both revolution and science (“with revolutionary radicalism, they could be destroyed. With mathematical precision, they could be reorganised from top to bottom”; (Wickwar 1970, p. 12). Third, local government as “the self-governing community” in the romantic and idealist reactions against the Enlightenment, where “‘Man has no nature but only history,’ one of the neo-Hegelians is reputed to have said” (Wickwar 1970, p. 31). Here the concept of the self-governing community finds a comfortable residence in both the United States (with its suspicion of central authority) and in the municipal socialism of Britain and its dominions in the 19th and 20th centuries (Wickwar 1970, pp. 30–59). Fourth, local government is conceived as “a local service agency” of the post-WWII Western economies, wherein “[t]he essence of its theory [i.e., the theory of local government] is that it is best to *avoid* theory” (Wickwar 1970, p. 70; emphasis added). The fifth iteration of local government is as an “export article” of the Atlantic economies, transposed onto the indigenous systems of rule everywhere from the Subcontinent (by the British in the 19th century and beyond) to Interior Russia (by, first, the Tsars and then the Communist regimes) and in Sub-Sahara Africa and elsewhere as programs of “Community Development” (Wickwar 1970, pp. 84).

Of course, much work would need to be done to comprehensively substantiate all the claims made in such an audacious text, and at the very least Wickwar (1970, pp. 97–113) provides an intriguing reading list. However, drawing on the work of Grant and Ryan (2015), we think that it is possible to provide a tabular summation of Wickwar’s (1970) competing political theories of local government and align these theories with more readily recognisable political ideologies.

Examining Table 4.1, both the descriptive categories of local government (at left) and the broad political ideologies with which they are matched are disarmingly inclusive—although the types of ideologies are certainly defensible categories (see, for example, Berki 1975; O’Sullivan 1976; Said 1993; Sandel 1982) and notwithstanding the current furore concerning “neo-liberalism” (see, for example, Venugopal 2015). Nevertheless, the utility of Table 4.1 is that it demonstrates how

Table 4.1 Wickwar's (1970) "Phases" of political theory of local government and political ideologies

Wickwar (1970) "Phases" of political theory of local government	Political ideologies
An intermediary body	Conservatism
The governmental sub-division	Liberalism
The self-governing community	U.S. self-government/British municipal socialism
A local service agency	Pragmatism
An export article	Imperialism

Source Wickwar (1970); Grant and Ryan (2015)

the respective political ideologies view local government within their broad accounts of state, economy and society, *and* the relative importance of local government vis-à-vis other elements across the ideologies. Nor ought these types of considerations be thought of as principally historical. On the contrary; as we saw in Part I of this book that provided an account of local government in the constituent colonies in Australia and as an element to the Australia federation, and as we shall see in parts IV and V of this book examining various elements of public policy as it pertains to local government and the future of local government in Australia, the issue of, in essence, what local government ought to look like and how local government "fits" into a broad scheme for a particular polity is a topic of considerable interest to contemporary architects of public policy.

For example, within the broad doctrine of conservatism, local government is but one type of intermediary body between the state and the sovereign that upholds a series of historically embedded practices and ought to be valued for so doing. Nor is local government necessarily the most important type of intermediary body; other associations (church, family) can be more enduring and may have a greater importance to the constitution of a particular polity. Nevertheless, local government conceived principally as an intermediary body is for conservatism an important site guarding against the absolute authority of the state. The utility of Wickwar's (1970) work here is that *inter alia* he alerts us to the idea that "intermediary bodies" were *also* central to Bodin's concept of sovereignty ("Monarchies ... became corrupted when little by little the privileges of bodies *and cities* are taken away ... princes want to rule everything without an intermediary" (Bodin, cited in Wickwar 1970, pp. 7–8; emphasis added) and to Montesquieu's *Spirit of Laws* ("If in a monarchy, you abolish the privileges of the lords, the clergy, the gentry *and the cities*, you will soon have a Popular State or else Despotism" (Montesquieu, cited in Wickwar 1970, p. 8; emphasis added; see also Montesquieu 1952, p. 7). As such, local government is by no means championed by conservatism exclusively; rather, it is a matter of emphasis and a matter of what local government is *doing* in any particular ideal polity.

As we have already noted, for Wickwar (1970, pp. 12) the Enlightenment sees the erosion of intermediary bodies, where the state becomes "more and more an

aggregate of individuals” and local government becomes a necessary “governmental subdivision”. Thus:

In jurisprudence this involved a conception of the state as the formulator of general laws rather than as the grantor or upholder of special privileges. In social psychology it invited the state to act as the civic educator of the people. In economics it meant aversion to special interests that stood in the way of the wealth of nations. In political philosophy it might mean ultimately that government must emanate from the generality of the governed by way of election, instead of being the property of the hereditary privileged. In local administration it was to mean, among other reforms, the conscious creation of governmental subdivisions so organised as they might serve as links between the general interest of the state and the private interests of the property-owners and other inhabitants (Wickwar 1970, pp. 13–14).

This—decidedly—does not entail that later liberal political theory is devoid of profound defences of local government. For his part, Mill (1972, pp. 217–234) defends local government on a suite of grounds: local government as the chief civic educator; local government as the training ground for higher tiers of government as well as on the grounds that different places require different administrations (Mill 1972, pp. 376–390). However, it is the utilitarian view of the individual subject, upheld ultimately (but not solely) by the state, that is for Mill the real prize, and to which local government is subordinate and, to use Chandler’s (2008) term, ultimately “expedient”.⁶

Similarly, the tradition of the self-governing community in the context of the United States (see, for example Baylin 1967, pp. 160–175) may be by our standards unbearably conservative, stultifying individual liberty, and in particular the rights of minorities, treasured by the likes of J.S. Mill. However, these self-governing communities have always been fully equipped ideologically to defend their collective liberties against the tyranny (military, fiscal) of an absolute authority. As Wickwar (1970, p. 63) points out, in the 19th and 20th centuries (indeed beyond) this preparedness has manifested in a mistrust of the US federal government and the right of a local community to provide the level of services they want *to the people they want*. Arguably, the objection to the Civil Rights movement in many localities was an issue of *local autonomy*, in addition to the movement’s championing of the cause of African Americans (see also Dattel 2009). Similarly, the concept of the self-governing community can be seen as profoundly important to the tradition of municipal socialism in (for example) Britain. However, the extent to which the idea of municipal socialism is joined by a powerful defence of leadership *as a necessary element of those communities* (see, for example, Blair 1998) is the extent to which the core idea of socialism is compromised, if not sacrificed.

⁶Alongside the erudite discussion of Chandler (2008), Mill himself (1972) makes this primacy of the subject clear at several points when discussing the relationship between central government and “local representative bodies” and on quite utilitarian grounds. For instance: “If the local majority attempts to oppress the minority ... the State is bound to interpose” (Mill 1972, p. 389). Similarly, while “local functionaries” determine who is to receive charity, “the national Parliament is the proper authority to prescribe the principles themselves” (Mill 1972, p. 389).

Wickwar's (1970) fifth manifestation of local government, the concept of community as "Community Development" in the context of international development aid, is again anything but politically neutral. For instance, the requirements for compiling a "representative" community (including, for example, women) can fly in the face of local notions of hierarchy and political order.

Our point in this context is (decidedly) *not* the detail of each historical iteration of types of polities and the place that local government has within these that Wickwar (1970) identifies. Rather, it is to emphasise that identifiable ideational forms have intrinsic to them an account of local government *and* that the importance of local government within these forms reveals interesting relationships between the ideologies. Otherwise stated, the issue of the quantum of authority held at the local level is a constant one *and*, as we discuss in Chap. 12 of this book, it is just as relevant in the contemporary Australian context of reform as it was to any of the iterations discussed by Wickwar (1970).

On this account, local government is first and foremost a *political* institution, not one element of state administration. That it is cast mainly as the latter within our current milieu doesn't change the general point we derive from Wickwar (1970). Local government is both the subject of politics *and* a political subject in its own right. The issue of whether the "new localism" (discussed below) is conservative, social-democratic, liberal or a revitalised combination of all of these is, we think, an extremely interesting and important one. The fact that many contemporary discussions of political theory overlook this debate entirely (see, for example, Swift 2006) is unfortunate, and not just for consumers of these texts. On the contrary: the authors of these books are missing out on a truly great game of political theory. Having flagged these issues our efforts now concentrate upon contemporary political writings in local government studies.

Haus and Sweeting (2006): *Types of Democracy in Local Government*

Haus and Sweeting (2006) have performed a major service to local government studies in their positing of both a highly functional definition of democracy and what Dollery and Grant (2010, p. 10) label as a "quadrilateral typology" of "models of democracy in local government". For Haus and Sweeting (2006, p. 267):

We take democracy as the idea to promote a common good under circumstances where there is no strong pre-existing agreement on what the common good is, what it entails and how it can be promoted—with the significant qualification that this promotion is not imposed on society by force or manipulation, but is subject to public justification ... Democracy is thus intimately linked with the question of what is 'good' for the members of a political community, and considering that local democracy implies that local government, like governments at upper levels, has a process of collective self-determination as its normative core (Haus and Sweeting, cited in Dollery and Grant 2010, p. 9).

The key point with regard to *democracy* is that there is a "strong pre-existing agreement" on what we hasten to emphasise are the *broad* parameters on "what the common good is", the details of which are "subject to public justification". The key point with regard to *local government* is that it is "like government at other levels" in that the "process of collective self-determination [has] a normative core".

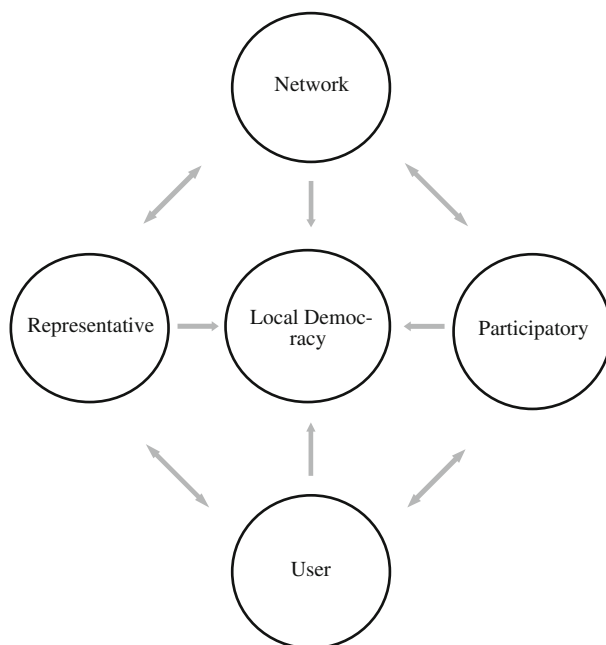


Fig. 4.2 Haus and Sweeting (2006): Types of democracy in local government. *Source* Adapted from Haus and Sweeting (2006) and Grant et al. (2014, pp. 7–8)

Haus and Sweeting (2006) then identify four types of democratic practice that we, following Grant et al. (2014), have chosen to represent in Fig. 4.2.

Examining Fig. 4.2, the constituent parts depict four types of democratic processes. “Representative” democracy is defined by some sort of electoral process to represent a constituency. While this is the basic defining feature, the concept of representation can be further refined. For their part, Haus and Sweeting (2006, pp. 271–272) *inter alia* note the varying institutional forms representation takes (parliaments, for example) and the influence of political parties on the stability (and, we might add, otherwise) of representative arrangements. They also note the shift away from the centrality of representative arrangements in democracies toward other types of democratic practices and the idea that the act of representation—and the claim to be representative—are problematic in contemporary settings. For their part, Dollery and Grant (2010, pp. 10–11) take their lead from Haus and Sweeting (2006), emphasising the philosophical debates concerned with representation, in particular Rorty’s (1991) rejection of the claim to objective representation. For our part, we can add that the concept of *political representation* has attracted some sustained reflection—if not attack—in recent writings (see, for example, Accetti et al. 2016; Muldoon 2016; Tanasescu 2014) as well as more traditional, searching inquiries (Pitkin 1967; see also Saward 2006). In this context we simply note these contributions rather than engage with them.

The second type represented in Fig. 4.2 and discussed by Haus and Sweeting (2006, pp. 275–278) is “user democracy”, which emphasises the distribution of preferences through the mechanism of the market, and which is grounded (at least in part) on public choice theory’s criticism of the state’s special qualities as a service provider. According to Haus and Sweeting (2006, p. 276), entrepreneurial behaviour by local governments is promoted by recognising the merit of market signals for the provision of public services. This entrepreneurial behaviour sees elected politicians consigned a strategic oversight role, wherein management (new, public) orchestrates the provision of services by an assortment of providers in the name of achieving maximum efficiency for constituents (the taxpayer-voter). For their part, Dollery and Grant (2010, p. 11) observe that Haus and Sweeting (2006, p. 277) recognise the limits of “user-democracy”, specifically in relation to leadership (in essence market signals do not provide for anything other than commodities that are easily traded; leadership is not one of these). Dollery and Grant (2010 p. 11) also emphasise that to argue that local government *ought* to be treated as a privately owned entity ignores the fact that it isn’t.

Haus and Sweeting’s (2006, pp. 278–280) third type is “participatory democracy”. Again *prima facie* this type seems self-explanatory (people participate in democratic procedures other than voting, for example). However, again Haus and Sweeting (p. 278) remind us that while “[t]he case for participatory democracy is based on the claim that the construction, articulation and promotion of the common good cannot be delegated, but must evolve from the communicative interactions of active citizens”, there are various sub-types (“common deliberation, common decision, common work”), and that the idea of “direct democracy” has two different forms: “procedures designed to give a decision on a particular issue” and “types of committees that take decisions”. Further, one of the defining characteristics of participatory democracy is that, at least to an extent, it is defined *against* the practices of representative politics (and, we would add, is seen as a superior form of democratic engagement; see also Dollery and Grant 2010, pp. 11–12). We have much more to say about both the theory (see, for example, Dryzek 1990) and the practice of participatory democracy as engagement in Chap. 6 of this book.

Haus and Sweeting’s (2006, p. 281) fourth type is “network democracy”, which “gives greater recognition [to] public-private partnerships, strategic coalitions and innovative networks, in order to cope with complex problems” over and above representative, participatory and user-pays mechanisms. In essence, it is recognised that neither governments nor markets can of themselves adequately address policy problems. Haus and Sweeting (2006) note several criticisms of network democracy—the tendency toward elitism being salient. Nevertheless, cross-sectoral, inter-governmental, highly mobile and (in particular) catalytic leadership styles are the hallmarks of this type of local democratic practice. For their part, Dollery and Grant (2010, p. 15) advance two principal criticisms of the network model, asserting that it “is too descriptively general: most of the activities of governance, indeed government, can be labelled a ‘networking’ exercise of one kind or another, so much so that the *democracy* loses all content” (emphasis added). Further:

[T]he core of the model is both ethical and empirical: we have to take the model's radical suggestions of first, a "hollowed out state" (Rhodes 1997) and second, accept the idea of "permanent government failure" (Stoker 2000) as necessary to a defensible theory of local government. These are claims of a foundational sort about the nature of the state and of politics generally; not arguments that can be tacked on to a more traditional defence of local government founded in representation and participation (Dollery and Grant 2010, p. 15).

Despite the objections of network democracy, our overall point in this context is that the work of Haus and Sweeting (2006) offers a useful four-part heuristic by which to understand the operation of local democracy. Nevertheless, we ought to clearly flag its limitations, in that overwhelmingly it offers us a political sociology of local government practice, as opposed to (for instance) competing normative claims for local government, discussed above in Sect. 4.3.2, or the way that differing political philosophies argue about the proper role for local government in the work covered by Wickwar (1970).

4.3.5 Local Government as Public Administration: From Government to Governance and Public Value Management

The fifth instalment of theory we consider in this context is what we denote as local government from the perspective of public administration, more specifically the transition from "government" to "governance" (Stoker 1998) and the differing "paradigms" of traditional public administration, new public management (NPM) and Public Value Management (PVM) (Stoker 2006). In Chap. 9 of this book we consider the latter in far more detail; nevertheless prior to our inquiry into particular elements of public policy and local government in Australia it is important that we give a rudimentary account of both, as part of the framework for our future considerations. First, we provide a brief account of the shift from "government" to "governance".

Notwithstanding the lineage of work that any discussion of this shift invokes (see, for instance, Rhodes 1997, 2007; Stoker 1998), the critical self-reflection concerning this theorising (Stoker 2011) and commentary thereon (Grant and Dollery 2011b), Stoker's (1998) account can be regarded as definitive. Stoker (1998, p. 17) describes "government" thus:

Anglo-American political theory uses the term "government" to refer to the formal institutions of the state and their monopoly of legitimate coercive power. Government is characterised by its ability to make decisions and its capacity to enforce them. In particular government is understood to refer to the formal and institutional processes which operate at the level of the nation state to maintain public order and facilitate collective action.

Table 4.2 Stoker (1998): Governance as five propositions and five critical issues

Five propositions	Dilemma/critical issue
1. Governance refers to a set of institutions and actors that are drawn from but also beyond government	1. There is a divorce between the complex reality of decision-making associated with governance and the normative codes used to explain and justify government
2. Governance identifies the blurring of boundaries and responsibilities for tackling social and economic issues	2. The blurring of responsibilities can lead to blame avoidance or scapegoating
3. Governance identifies power dependence involved in the relationships between institutions involved in collective action	3. Power dependence exacerbates the problem of unintended consequences for government
4. Governance is about autonomous self-governing networks of actors	4. The emergence of self-governing networks raises difficulties over accountability
5. Governance recognises the capacity to get things done which does not rest on the power of government to command or use its authority. It sees government as able to use new tools and techniques to steer and guide	5. Even where governments operate in a flexible way to steer collective action governance failure may occur

Source Adapted from Stoker (1998, pp. 18–19)

The principal point in this definition is that governments have “a monopoly of legitimate coercive power”; in essence they have the *authority* to exercise said authority. Stoker (1998, p. 17) characterises “governance” thus:

The traditional use of “governance” and its dictionary entry define it as a synonym for government. Yet in the growing work on governance there is a redirection in its use and import. Rather governance signifies a “change in the meaning of government, referring to a new process of governing; or a changed condition of ordered rule; or a new method by which society is governed (Rhodes 1996, pp. 652–653).

In the above quote Rhodes (1996) might be hinting at something more fundamental (“a new method by which society is governed”). However, Stoker (1998, p. 17) does not perceive the difference to be in terms of the “outputs”, or what might be called the end result. On the contrary, “It is rather a matter of a difference in processes” (Stoker 1998, p. 17). As such, Stoker (p. 17) brings to our attention three features of governance: first, “governing styles in which boundaries between and within the public and private sectors have become blurred”; second, a “focus on governing mechanisms which do not rest on recourse to the authority and sanctions of government”; and third, that governance “points to the creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other influencing actors”.

If all this sounds somewhat nebulous, after noting that the term “governance” has *inter alia* entered the lexicon of Western democracies and international institutions such as the World Bank, that it can rhetorically be associated with the marketisation of government services, *and* that it has roots in “Foucauldian-inspired theorists”, Stoker (1998, pp. 18–19) anchors his definition of governance in “five

propositions” that are in turn matched by “a certain dilemma or critical issue”. These propositions and the associated dilemmas/critical issues are represented in Table 4.2.

Examining Table 4.2, much could be said about the minutiae contained therein. However, it is also possible to generalise about the contents. In essence, the “five propositions” indicate that “governance” recognises the exercising of authority (our term) both within, but also (and in particular) beyond the institutions of government (“the private and voluntary sectors”; Stoker 1998, p. 19), and the interrelationships between these multifarious institutions grounded in networks of “self-governing ... actors” (see Table 4.2). Importantly also, governance is a *normative endorsement* of this state of affairs as well as a *sociological description* of how authority works.

Notwithstanding this normative endorsement, there are problems (“dilemmas/critical issues”) with governance as depicted at the left of Table 4.2. First, it lacks the language of legitimacy that government possesses; second, the dispersal of the site of decision-making can lead to “blame avoidance”; third, it produces unintended consequences for which (fourth) it may well be less accountable. Fifth, despite this flexibility, governance failure can occur. Stoker (1998, p. 26) is also clear about the *nature* of his theorising and issues an ultimatum (of sorts):

If the governance perspective is to be rejected it has to be on the basis that there is a better map or guide rather than on the basis that it fails to provide a comprehensive or definitive account. The governance perspective deliberately selects various trends and develops our attention. Its value is to be judged by how good or bad the selection has been.

Stoker (1998) here is warning us off perceiving governance as a “comprehensive theory”; rather it is a better (as opposed to worse) “map”. However, notably this warning is against objecting to “governance” on *empirical* grounds. It does not proscribe us from objecting to governance on normative grounds—for example, that governance is less democratically accountable than government; that it is less economically efficient than government; that it is less stable than government; that it undermines government. We return to this issue in Sect. 4.4 below. Our immediate point is that the “shift” from “government” to “governance” encompasses a theory (principally empirical, or sociological, but by no means exclusively so) about how government generally and local government in particular (see, for instance, Stoker 2004) works.

Within the literature, the shift from “government” to “governance” is often associated with the change—indeed it is an implied evolution—from “Public Administration” to “Public Value Management” depicted in Table 4.3.

Table 4.3 denotes three distinct “paradigms” (to use Stoker’s (2006) phrase) that are in fact overarching theories as to how public management ought to work. The change is in essence one from traditional public administration—denoted in our discussion immediately above by the idea of “government”—through to the corporatisation of government units under the general banner of New Public Management (NPM) through to Public Value Management (PVM), or management for public value creation. We have much more to say about this table in Chap. 9 of this book.

Table 4.3 Stoker (2006): Paradigms of management

	Traditional public administration	New public management	Public value management
Key objectives	Politically provided inputs; service monitored through bureaucratic oversight	Managing inputs and outputs in a way that ensures economy and responsiveness to consumers	Creating public value, which involves effectively tackling what the public most cares about, from service delivery to system maintenance
Role of managers	To ensure rules and procedures are followed	To help define and meet performance targets	To play an active role in steering networks of deliberation and delivery, and maintain overall capacity of the system
Definition of public interest	By politicians or experts; little in the way of public input	Aggregation of individual preferences, in practice captured by senior managers supported by evidence about the consumer	Individual and public preferences captured through a complex process of interaction that involves deliberative reflection over inputs and opportunity costs
Approach to public service ethos	Public sector has a monopoly on service ethos and all public bodies have it	Sceptical of public sector ethos; favours customer service	No one sector has a monopoly on public sector ethos; maintaining relationships through shared values is essential
Preferred system for service delivery	Hierarchical department or self-regulating profession	Private sector or tightly defined arms-length public agency	Menu of alternatives selected pragmatically and a reflexive approach to intervention mechanisms to achieve outputs
Contribution of the democratic process	Delivers accountability; competition between elected leaders provides an overarching accountability	Delivers objectives; limited to setting objectives and checking performance, leaving managers to determine the means	Delivers dialogue; integral to all that is undertaken, a rolling and continuous process of democratic exchange is essential

Source Adapted from Stoker (2006, p. 44)

However, in this context it is important to underscore the defining characteristics of this approach to public management and to local government (and Australian local government) in particular. First, set against the corporatisation of public

organisations, PVM entails a re-assertion of the unique value of public goods—everything from library books to major public institutions. Second, it is a normative endorsement of public employees acting in *entrepreneurial* ways to create public value—in essence, a value-adding process—for the owners of public goods. This endorsement implies the possibility of success and failure. Third is a recognition that public policy programs are what we will describe as “epistemically open”: they are best thought of as “rolling and continuous” (see Table 4.3) wherein those outside the traditional domains of authoritative decision-making have a far greater role to play, particularly in determining what is publicly valuable. It has been argued that this particular approach to management is especially suited to Australian local government (see, for example, Grant and Fisher 2011) and accurately reflects the way that local governments in Australia operate (Grant et al. 2014). As such, it is both a positive and a normative theory.

In sum, Sect. 4.3 has offered a range of discipline-specific reasons as to why local government is more, rather than less, important when it comes to thinking about politics. These reasons include an increased importance of the immediate environment, understood in both ontological and epistemological terms, from the philosophy of Malpas (1999); the moral justifications for local government in the dual understandings of subsidiarity; and the centrality of local government in political theory *writ large* (Wickwar 1970). This increased importance is reinforced when we consider the range of justifications for decentralisation offered in economic theory, with some important critical observations regarding the “rather heroic” assumptions in Tiebout’s (1956) theory and the insights of second-generation fiscal federalism. Nevertheless, this legitimacy of local government is further reinforced by what we will describe as the *complexity* of understandings of politics at the local level reflected in the work of Haus and Sweeting (2006), and by a consideration of the transition from “government” to “governance” (Stoker 1998), in that this endorses (at least implicitly) a decentralisation of authority, not merely away from central government but *outside* of government. We now move to an appreciation—and critique—of new localism.

4.4 New Localism and Its Discontents

4.4.1 *Recent Writing on New Localism in the Australian Context*

In providing a synoptic account of new localism we ought to recognise—and in fact much of our discussion below is critically engaged with—the predominance of what we, following others (see, for example, Burser 2013; Clarke and Cochrane 2013) will label “English localism” in the literature. When viewed in the context of our broader consideration of the political theory of local government generally and Australian local government in particular, “English localism” is historically situated and has

developed in a specific context (constitutional, political and policy directed—see, for example, Grant and Dollery 2011a; Pratchett 2004, pp. 368–373) and as such is by no means *directly* transferrable to the Australian context.

Nevertheless, in a recent Special Edition of the journal *Policy Studies* (Evans et al. 2013a) the issue of new localism was extensively explored in both the British and Australian contexts. In their Introduction to the first of the double Special Edition, Evans et al. (2013a, p. 401) note that “[o]f course, localism is a contested term”. Despite this, they “adopt and adapt Hildreth’s (2011) classification of the three *strategies* of localism at work in Westminster-style democracies” (emphasis added), namely managerial, representative and community, and define them as such:

- *Managerial localism* involves the conditional devolution of delegated decision-making or delivery functions from the centre to the locality, based on achieving agreed objectives. Policy is decided at the centre, but policy settings and delivery functions are devolved to the locality, under a strict regulatory framework. A successful policy is one which meets centrally derived performance targets;
- *Representative localism* [where] powers and responsibility for specific governance tasks are devolved directly to elected local government (e.g. rates, roads and rubbish). Here, success is evaluated on the basis of re-election. In the context of collaborative governance initiatives, augmented by either central, regional or state government, the role of local government would focus around its community leadership role and its ability to harness the resources of the community (including private and voluntary organisations), more than a traditional direct service provider role. [Further]: In practice, however, a top-down, managerial, tradition has tended to dominate in Westminster-style democracies in which devolution of functions occurs, but without devolution of power or resources.
- *Community localism* involves the devolution of rights and support directly to citizens in communities to allow them to engage in decisions and action. This is underpinned by a participatory view of democracy, which is based on the notion that there is more to democracy than voting every three, four or five years; it requires ongoing engagement with the citizenry and their inclusion within certain realms of decision-making.

Examining these definitions, *managerial localism*, involving “conditional devolution of delegated decision-making or delivery functions from the centre to the locality” and whereby success is measured against centrally defined criteria, is broadly similar to the idea of “regionalisation” as defined by Brown (2006, p. 13). It is also broadly similar to *decentralisation* of public policy as defined in an earlier iteration of public policy (for a concise discussion, see Marks and Hooghe 2004). Alternatively, *representative localism* specifies a role for “elected local government” focusing upon community leadership amongst other types of actors (business, voluntary organisations), set against “a traditional direct service provider role”

and where the mark of success is re-election. Evans et al. (2013a, p. 403) note that this role is hampered by what in the Australian context is labelled “cost-shifting” (see Hawker Report 2004; for an extended discussion, see Chap. 7 of this book). *Community localism*, involving “the devolution of rights ... to citizens in communities [notably, not communities themselves⁷] to allow them to engage in decisions and actions” beyond the local electoral cycle is akin to Brown’s (2006, p. 13) “regional-regionalism” discussed in Chap. 3, and also to *democratisation*, again as discussed in an earlier iteration of public administration theory, particularly in the developmental context (see, for example, Crook and Manor 1998; Wolman 1990 for concise discussions).

It is on the basis of these three types of localism that Evans et al. (2013b) reflect upon the diverse contributions to the double Special Edition of *Policy Studies*, which contains discussions of inter alia localism in contemporary British politics (Hickson 2013); community engagement (Ercan and Hendriks 2013; Felicetti 2013; Hendriks et al. 2013; Wilcock 2013); localism as an element to particular domains of public policy, from the Murray Darling Basin Plan (Evans and Pratchett 2013), the “Drought Support Network” and the “Tasmanian Forestry Agreement” in that state (Dare 2013); the problematic regionalisation of community councils in the Northern Territory (Sanders 2013); and localism as an element to heritage movements (Gentry 2013).

Notwithstanding that these contributions are of more or less interest depending upon one’s point of view, in their reflections on “localism within public policy research and practice” Evans et al. (2013b, p. 614) insist that “it’s the mix [of managerial, representative and community localism] that matters” in producing what they label “effective outcomes”; that community localism has to “be genuine, not merely cosmetic” (Evans et al. 2013b, p. 615); that “standard critiques” of localism (discussed below) must be addressed and that leadership must be taken seriously (Evans et al. 2013b, p. 616), and that “more work is needed, both conceptually and empirically, for localism to be considered more than a useful heuristic device”, pointing to “participatory governance” in this regard (Evans et al. 2013b, p. 617).

Reflecting upon this usage of the idea of localism and the tripartite definition thereof, several critical observations can be made. First, the idea is amorphous to the extent that its usefulness is, we suggest, undermined. For instance, *managerial localism*, where “policy is decided at the centre, but policy settings and delivery functions are devolved to the locality” could be applied to almost every conceivable type of public policy. Even in the conduct of war some “local” discretion is exercised. Second, this idea of localism generally engages with only one of the disciplinary theoretical perspectives on place discussed in Sect. 4.3. While, as noted by Evans et al. (2013b, p. 613), some of the contributions to the Special Edition

⁷This reflects the idea of “double dissolution” that formed an element of the rhetoric of local government reforms under the Blair and Brown Labour governments. For a critical discussion, see Davies (2008).

emphasise “place” more than “localism”, the actual definition of localism offered by Evans et al. (2013a, b) does not include a concept of identity or belonging (if it does it is weakly implied in “community localism”) nor of the economics of place as we have discussed them in Sect. 4.3. In short, localism is defined as merely a technique of public administration and public policy. Third, in this guise the role of local government per se is muted—in precisely the same way that it is in the shift from “government” to “governance” outlined above in Sect. 4.3.5. In fact, while local government is designated a role in “representative localism”, this role is principally in community leadership, including private and voluntary organisations, that is, beyond local government itself.

We also think that we are entitled to suggest that everyday understandings of localism do not accord with it being either as amorphous or as non-political as that depicted by Evans et al. (2013a, b). On the contrary, localism understood in an everyday sense suggests a prejudice, defensible or otherwise, in favour of one’s particular place set against other places. However, it could involve much more than this, including some of the theorising described above. While it ought not to focus *exclusively* on local government, we also think that new localism, properly understood, insists upon far greater emphasis on local *government* than is the case in the ensemble of “strategies” outlined by Evans et al. (2013a). Further, this theorising is well developed and lies at the heart of work around public policy-making and local government reform in England. As we shall see directly below, this by no means entails that it unproblematic; however, it is certainly extant, and it is to this body of work that we now turn.

4.4.2 Place-Shaping as a Theory of Local Government and Political Reform

Prima facie it may feel somewhat uncomfortable to suggest that a theory (as we have defined this term in this context) of local government developed in England can have both an appeal and a practical application to the Australian context. Our relationship with the English is at least ambivalent and it is not inaccurate to suggest that historically Australia has defined itself in relation to the English in both positive and negative ways. At the same time we have to recognise that the differences cannot be that extreme as both many of our political institutions (with the notable exception of federalism discussed extensively in Chap. 3) and, particularly for those of Anglo-Celtic ethnicity, our culture, derive from the English. Further, (and far more prosaically) local government in England and Wales has a far greater range of responsibilities (akin to many local government systems globally) than it does in the Australian jurisdictions, including (for instance) many education, health-service delivery and policing roles (see, for example, Dollery et al. 2008).

However, at the time of the commissioning of the Lyons Inquiry in 2005, local government in England faced a range of questions that have been more or less

perennial in Australian local government jurisdictions. While, as noted by Grant (2011, p. 4), the original remit of the Inquiry was “to consider the place for changes to the [then] system of local government funding in England and to make recommendations, including [to] the reform of council taxes”, as also noted by Grant (2011, p. 4) “what eventuated was something rather different”. Under the stewardship of Sir Michael Lyons, a person who was extremely well placed to undertake such an exercise, the Lyons Inquiry produced three substantive reports (Lyons 2005, 2006, 2007). Further, with the benefit of some hindsight the process of inquiry, recommendations over several years, and perhaps the disappointment concerning the eventual reforms all look very similar to that of the Independent Local Government Review undertaken in NSW (see for example, Drew et al. 2015; Grant et al. 2015), in particular its “root and branch” nature.

In this context we are, decidedly, not centrally concerned with the debates surrounding local government in England, the ensuing public policy and the way that local government was politicised in that context, although these debates are interesting stories (see, for example, Davies 2008; Taylor-Gooby and Stoker 2011). Moreover, it is important to note that the work of the Inquiry received bipartisan approval (see Cameron 2009; DCLG 2006). Rather, our central concern is with the way that Lyons extended his initial financially focused remit to include four foundational questions for local government: (i) the strategic role of local government; (ii) devolution and decentralisation; (iii) managing pressure on local services; and (iv) scope for new agreement between central and local government (Lyons 2005, pp. 7–10). In response to these questions Lyons (2005, p. 31) developed the “place-shaping” approach to local government underlain by eight principles:

1. building and shaping local identity;
2. representing the community, including in discussions and debates with organisations and parts of government at local, regional and national levels;
3. regulating harmful and disruptive behaviours;
4. maintaining the cohesiveness of the community and supporting debate within it, ensuring smaller voices are heard;
5. helping to resolve disagreements, such as over how to prioritise resources between services and areas, or where new housing and development should be located;
6. working to make the local economy more successful, to support the creation of new businesses and jobs in the area, including through making the area attractive to new investment and skilled workers, and helping to manage economic change;
7. understanding local needs and preferences and making sure that the right services are provided to local people through a variety of arrangements including collective purchasing, commissioning from suppliers in the public, private and voluntary sectors, contracts or partnerships and direct delivery;
8. working with other bodies to respond to complex challenges such as natural disasters and other emergencies’ (adapted from Lyons 2005, p. 31).

At first glance this list of principles may appear relatively innocuous. However, as noted by Dollery et al. (2008, p. 485), it is remarkable in that it perceives the optimal role of local government as including activities other than service provision. Only three of the functions listed—(3) (“regulating harmful and disruptive behaviours”), (7) (“understanding local needs and preferences and making sure the right services are provided to local people through a variety of arrangements...”), and (8) (“working with other bodies to respond to complex challenges such as natural disasters and other emergencies”)—are explicitly concerned with regulation and service provision. Point (5) (“helping to resolve disagreements, such as over how to prioritise resources between services and areas, or where new housing and development should be located”) designates a role in planning wholly in line with the functioning of local government in Australia’s jurisdictions. Point 6 (“working to make the local economy more successful, to support the creation of new businesses and jobs in the area, including through making the area attractive to new investment and skilled workers, and helping to manage economic change”) designates a very strong role for local government in economic development. Points (2) (“representing the community, including in discussions and debates with organisations and parts of government at local, regional and national level”) and (4) (“maintaining the cohesiveness of the community and supporting debate within it, ensuring smaller voices are heard”) designate the outward and inwardly directed political roles for local government respectively. Point (1) “building and shaping local identity” designates a clear ideational role for local government.

Dollery et al. (2008, p. 485) note that Lyons (2007) provides several examples of local governments successfully “place-shaping” in the English context: “in Gateshead, ‘council led the regeneration of the area through arts, culture and leisure’; Southampton ‘repositioned’ itself as the heart of culture, leisure and a hub for knowledge-based industries on the South Coast”. Again, however, it is not the detail of these examples with which we are principally concerned; in fact, we suggest in Chap. 6 of this book that examples of this type of role can be found in the Australian context (see, for example, Grant et al. 2012). Rather, our focus is on the *theory* of the optimal role for local government. Understood as such, local government is intricately involved in local service provision. It is also the principal steward of the community and makes representations on its behalf. In this sense it conforms to both sides of what we have argued is the dominant approach to theorising local government, represented by Aulich (1999). However, it is also intricately engaged in economic development and—distinctively—it is also engaged in local identity formation.

The essential point here is that localism, understood as “place-shaping”, goes well beyond localism understood as an administrative practice, whether this practice be administrative, representative or community localism, or indeed any mix of the three (Evans et al. 2013a). Further, while Lyons’s (2007) “place-shaping” clearly recognises the importance of differing types of networks, it is clearly centred on the activities of local government, as opposed to “networked governance”. In essence, it affords what Rhodes and Wanna (2007, p. 412) describe as “big ‘P’ politics” for what we describe as “little ‘g’ local government”. This is the crucial difference.

A reasonable account of politics, whether local or otherwise, has to accommodate this ideational dimension. As such, rather than “splitting the difference” between “minimalist” and “maximalist” positions as Dollery et al. (2008) do (arguing for what they refer to as the “optimalist” approach), a “maximalist” approach is preferred, as advocated by Grant et al. (2016) in their commentary on the recent “White Paper on Reforming the Federation”.

In their consideration of Lyons’s (2007) work *writ large*, and underscoring the emphasis that Lyons places on local leadership and identity formation, Grant and Dollery (2010, pp. 254–255) posit six “propositions” constituting what they term “the place-shaping mode of municipal reform”:

Proposition 1: For the place-shaping mode of municipal reform, structural reform in the guise of council amalgamation or the development of new, formal structures of service-delivery and/or participation is discredited as a generator of economic efficiency and/or financial sustainability and is viewed as interfering with the historically defined plurality between municipalities essential to identity, difference and therefore the operation of local economic development between locales with the effect of overall economic prosperity.

Proposition 2: For the place-shaping mode of municipal reform, devolution of responsibility for local government finances, in the form of (a) increasing municipal own source revenue and (b) decreasing the amount of central government monitoring, is a policy direction that ought to be pursued. This includes the methods by which the allocation of funds to particular projects is decided, such as by executive leadership or by direct democratic choice.

Proposition 3: For the place-shaping mode of municipal reform, municipalities have to assume an economically “maximalist” role as a general policy direction that moves beyond government intervention into the market or sponsorship of particular economic development programs. The distinctions between the public and private spheres, between political and administrative elements of government, and between service delivery and economic development as discrete modes of activity are significantly eroded.

Proposition 4: For the place-shaping mode of municipal reform, fundamental jurisdictional change in the form of constitutional amendment is not a guiding principle of policy direction, EXCEPT in situations where such change is required so that municipalities can carry out their place-shaping role, or significantly increase the capacity for place-shaping.

Proposition 5: For the place-shaping mode of municipal reform, changes to management and organisation ought to be directed by an emphasis on the development of leadership generally and executive leadership in particular.

Proposition 6: For the place-shaping mode of municipal reform, municipalities ought to move beyond both instrumental and “procedural-political” concerns to provide a conceptual account of the municipality which aligns with a trajectory of local economic development specifically and the development of sustainable civil society more generally.

Examining these six propositions, numbers 2–6 clearly stipulate a strong role for local government conceived as government, not as governance. This is particularly so for increased own-source funding and local “ideational” politics and for the prescribed optimal role in economic development—one that, as we noted above, formed an important element to thinking about the optimal role of local government in a former generation of scholarship in the Australian context (see Power et al. 1981, p. 96). Further, this model does not regard constitutional changes as desirable, except in instances where local governments are hamstrung from executing their place-shaping role due to constraints in the basic laws that govern them. However, the extent to which Proposition 1, namely that warning reformers off municipal amalgamation in the name of extant local communities, is compatible with the others, is questionable. If the argument for amalgamation is one of increased capacity *and* legitimacy for local government set in an intergovernmental federal context, larger local governments that are at least in part ideationally based may well have a role. We return to this question in Chap. 12 of this book.

4.4.3 Criticisms of New Localism

The endorsement of a particular encompassing view of localism as a theory of local government does not detract from the fact that “new localism” has been subject to sustained criticism over several years. For instance, in their account of “place-shaping” as economic, political and behavioural reform, Grant and Dollery (2011a, pp. 204–205) note what might be labelled an almost Messianic obsession with leadership as a panacea in the English context (see, in particular, Blair 1998⁸), citing a range of theorists who have pointed to problems in this regard (Goldsmith 1990; Laski 1967; Pocock 1975). Honing their argument to a concise point, Grant and Dollery (2011a, p. 204) argue that when the functions of government and private organisations blur, so too does the perception of interests. Thus:

It is a Machiavellian Virtue, in the sense that the civic does not always accord with personal morality, but it is a real and classical virtue nonetheless ... the passions now appear as the pursuits of private and particular goods ... virtue is the passion for pursuing the public good, with which the lesser passions may compete, *but into which they may equally be transformed* (Pocock 1975, p. 472, cited in Grant and Dollery 2011a, p. 204; emphasis added; see also Grant et al. 2014, p. 6).

The point here is that owners of private companies—indeed, major shareholders in corporations—can sensibly speak of their interests—particularly financial—being those of the company. However, it is *very* different for the leader (elected or

⁸We hasten to add that this faith in the ability of strengthened leadership arrangements in English local government is not universal. See, in particular, Orr (2004).

appointed) of a public organisation to do so.⁹ We return to the issue of leadership at some length in Chap. 8 of this book. In this context we stress that in political theory what we might politely refer to as “rent seeking”, but which is classically labelled “corruption”, is identified as a *systemic problem* (see Grant and Dollery 2011a).

The second problem identified by Grant and Dollery (2011a, p. 205) is that of the capturing of local agendas by local elites. Simply stated, not everyone has the resources to be equally engaged in “place-shaping” local governments, and the extent to which reforms move further along the continuum from “government” to “governance” is the extent to which the likelihood for capture increases. This idea of capture must be qualitatively distinguished from “rent-seeking” or “corruption”. Both latter acts are, to a greater or lesser extent, morally illicit. Capture is a far more subtle process wherein particular interests dominate.

The third and associated problem with “new localism” is that it is frequently presumed that devolution—of, for example, fiscal authority or indeed any arena of public policy—is *intrinsically democratising*. The problems with this assumption are forcefully pointed out by Pratchett (2004) and we spend some time in Chap. 5 examining his work. It now forms a standard criticism of new localism (see, for example, Grant and Dollery 2011a; Ercan and Hendriks 2013). Arguably, a broad recognition of both these latter problems is one of the reasons why forms of participatory democracy and participatory governance are seen as vital elements to contemporary local governance (see, for example, Aulich 2009; Evans et al. 2013b), although rarely is the correlation made between the problem of local elites on the one hand and an increased requirement for engagement and participatory governance on the other. Rather, it is assumed that forms of participatory governance are worthy as an adjunct to representative arrangements.

However, by far the most palpable criticism of “new localism” derived from the English context is that it has been deployed as an ideology of central government abrogating itself of responsibilities for service provision to local communities. In their discussion, Grant and Dollery (2011a, p. 206) point to the work of local government academics scrambling to defend their subject matter in the face of the wholesale assault on it under the Thatcher and Major governments (see, in particular, Jones and Stewart 1983; Stoker 2004). According to Young (1986, p. 11), in a context where increasing demands are placed upon central government, for instance, in relation to the equitable provision of services *or* for the possibility of democratic expression (and whether this is in a federal context or otherwise is immaterial), this demand can only be met by either government increasing its activity to meet these expectations, or by government ensuring that these expectations are lowered, or by a combination of both these elements. In this regard, Young (p. 11) states: “Local government has an important part to play in this particular school of statecraft by helping to maintain a sense of the possible and by

⁹We are thinking here of when public servants—and it is usually higher-ranked public servants—claim that they have paid for something (i.e.: in the grammatical form: “I paid for it”) when in fact the organisation they work for has dispensed monies for goods or services.

ensuring that government's own reach does not outrun its grasp too far ... Pluralism is good for governments too".

While Young and his colleagues may have been critically reflecting upon the fate of local government at the hands of previous Conservative governments, some two decades later it is clear that the general moral and public policy support afforded to local government under a succession of British Labour governments (indeed, of devolution generally) as an element of "Third Way" rhetoric and policy (see, in particular, Blair 1998), and "localism" rhetoric in particular, fitted exceedingly well with the Conservative agenda prior to the election of the Conservative Cameron Government in 2010. Witness, for instance, the almost juvenile glee with which the newly elected Cameron-led Conservative Government then embraced "localism":

"Localism, localism, localism"

The Government is overseeing a fundamental shift of power away from Westminster to councils, communities and homes across the nation. A radical localist vision is turning Whitehall on its head by decentralizing central government and giving power to the people (Communities and Local Government 2010; cited in Grant and Dollery 2011a, p. 206).

In essence, the policy that accompanied the rhetoric of "The Big Society" incorporated smaller government, and what had initially been devised as a liberal democratic revitalisation of English localism *a la* John Stuart Mill (1972) emptied itself of much of the utilitarian responsibilities for equity based upon the idea of equality to become a thoroughly conservative doctrine.

It is difficult to imagine a situation in Australia where the rhetoric cited above would be politically tolerated. As well, we underline that Australia's tax and transfer system, which we discuss extensively in Chap. 7, is mediated by the considerable presence of fiscal federalism and the varying fortunes of each state and territory at any one time. Nevertheless, in his summation of the UK Coalition Government's macro-economic policy following the Global Financial Crisis, long-time observer of welfare states Peter Taylor-Gooby, with Stoker, (2011, p. 4) observed, first, that the size of the reductions in government spending were "very large, precipitate and intended to set the United Kingdom on a different spending trajectory". Second, that several factors contributed to the ballooning of the public sector deficit: bank bailouts and quantitative easing; the decline in tax receipts and a reluctance to increase taxes; all of which were offered as reasons for the reduction in public spending. Third, that the program of austerity "involves a restructuring of welfare benefits and public services that takes the country in a new direction, rolling back the state to a level of intervention below that of the United States—something which is unprecedented" (Taylor-Gooby and Stoker 2011, p. 14). Most significantly for our purposes, Taylor-Gooby and Stoker (p. 11) linked this restructuring to a specific role being designated for local government:

Coalition policies include strong themes of decentralisation and localism. Local government and to some extent health services, schooling and such provision as welfare to work programmes are to be provided by a web of semi-independent providers—mainly private companies, but also social entrepreneurs, user groups, volunteers and nongovernmental

organisations (NGOs). *This approach endorses the high Tory romanticism of a more organic social order in which individuals contribute to a common good through their own direct efforts*, as Willetts puts it: '[A] trust in the community with its appeals to deference, to convention and to authority.' Equally, it reflects the strong Liberal Democrat traditions of localism and community politics (emphasis added).

Our point in this context is not to suggest unequivocally that new localism, including "networked community governance", was the handmaiden of austerity in the UK—although this is certainly one interpretation that suggests itself. Certainly, however, what can be said is that new localism is a many-sided beast politically; its combination of traditional ideologies, as suggested by Wickwar (1970), make it worthy of profound reflection in any public-policy context. Certainly in the way that it is described by Taylor-Gooby and Stoker (2011), it does not present an appealing model for the Australian context. Further, the question of why new localism is being portrayed as merely a series of options with regard to administrative procedures (Evans et al. 2013a, b), albeit with the accompanied prescription for community engagement/deliberative democracy/participatory governance, is questionable.

Perhaps unsurprisingly, Stoker himself (2011, p. 27) has progressed to argue against his own idea of "local governance" on three grounds. First, it fails to recognise the value of Nye's (1990) "hard power" ("the power of command and incentives ... associated with economic development and welfare provision") when set against Nye's (1990) "soft" power ("the power to get other people to share your ideas and vision", wherein "local government that bases itself on expressing a sense of identity... appeals to the souls of citizens"). Second, "soft power" appeals to "academics discovering a new paradigm" but is far less appealing to citizens who are more likely to value the "hard power" elements of local *government* (Stoker 2011, p. 28; our emphasis). Third, following Grant and Dollery (2011b, p. 20), we cite at length:

Offering to be a place shaper or community governor places local government on a slippery slope to the sidelines of governing arrangements. The United Kingdom, and most particularly England, could be seen as an exemplar of this trend (Stoker 2004). There is an increasingly desperate rhetoric about a community governance role but limited substantive functional capacity in relation to welfare provision and economic development limits elected local government in England. Moreover there is little scope for identity politics because multiple reorganizations have created a local government system of a scale and coverage that has in large parts of the country little to do with citizens' felt sense of community' (Stoker 2011, p. 28).

Examining the extended quote above, the key point is that Stoker is here suggesting that "hard power" ought to win out over "soft power" in local government—or at least that it is a prerequisite for effective local *government* (again, our phrase) that soft power be accompanied by hard power. Also, however, offering local government as a "place-shaper" is not enough. But, as noted by Grant and Dollery (2011b, p. 27), this surely is a misinterpretation of Lyons's (2007) theory of local governments as "place-shapers". As we have seen in this discussion, according to Lyons (2007), local governments might be characterised by networks

and strong leaders, yet they also have a “maximalist” role in economic development *and* planning for economic development. As also emphasised by Grant and Dollery, an emphasis on “hard power” ought not to mean that we dispense with “soft power”; in fact, the two are likely to go together and that to *not* recognise this leads us straight back—in theoretical *and* in public policy terms—to Aulich’s (1999) “efficiency versus democracy” heuristic, which we have argued often characterises understanding of Australian local government. We reflect on this in Sect. 5.5 of Chap. 5.

4.5 Observations and Implications for Public Policy

To briefly recapitulate: this chapter has asserted that, despite its *prima facie* simplicity, the dominant approaches to theorising local government in Australia are reflected in Aulich’s (1999) “efficiency versus democracy” heuristic, and that this way of understanding local government in Australia also reflects how policy is conceived and applied to local government as an element of Australia’s federation. We then considered five disciplinary perspectives on place and local government. We argued that, within their own nomenclature, all emphasise what we will describe as the legitimacy of place generally and local government in particular. First, Malpas’s (1999) account of experience, being necessarily grounded in place, not only asserts the primacy of place *in* experience but also provides us with an account of ontology and epistemology that suggests that place has been devalued and that this ought not to be so. While we conceded that we were drawing a long bow between this philosophy on the one hand and an account of local government on the other, Malpas’s (1999) theory does provide us with an account of understanding—perhaps a universal one—which privileges the local.

Second, we examined both the deontological (i.e., duty-based) and consequentialist concepts of subsidiarity. We noted that both understandings endorse multi-level government: the former on the basis that there is a proper role for each institution in society, including central government, and the latter grounded in the idea that a government closer to its constituency will be more likely to achieve economic welfare-maximising outcomes. While the deontological account of subsidiarity emphasises what we will describe as a desired “intimacy” of aid; the consequentialist interpretation emphasises a balancing of familiar demands such as efficiency and equity.

Third, we examined what we described as “the economics of place”, observing that the importance of sub-national government is emphasised by several economists on economic grounds that can also be interpreted normatively. These include Olson’s (1969) “principle of fiscal equivalence”, which emphasises that allocative efficiencies will accrue where a benefit region matches its political constituency; Oates’s (1972) decentralisation theorem, specifying that economic welfare will be maximised (or at least not lost) in local service provision; Tiebout’s (1956) sorting model, encouraging competition, allocative efficiency and innovation; and Brennan

and Buchanan's (1980) desire to constrain a self-interested central government. We noted that several of these theories can be questioned—suggesting, for instance, that the assumption by Tiebout (1956) that populations are mobile is heroic. Further, we outlined several of the criticisms of local government pointed to by second-generation theories on fiscal federalism, including soft budget constraints (Oates 2008) and that efficiency can be increased by decentralised service provision, not necessarily decentralised government. Nevertheless, we argued that if we value voice and political accountability the economic arguments for decentralised government are robust.

Fourth, in our examination of the political theory of local government derived principally from Wickwar (1970), we asserted that both historically and contemporaneously all major political theories (conservatism, liberalism, socialism, for example) provide a defence of local government—as an “intermediary body”, as “the governmental sub-division”, as the “self-governing community”, as “a local service agency”, and (we ought not to forget) as “an export article”. Further, we argued that we ought to be cognisant of roles that local government plays within these broad political theories, how these roles intersect (at times conflicting, at others coalescing), and how the competing conceptions of local government inform our understanding of these political theories. In essence, while we might be led to think of local government as merely “a local service agency”, in political theory local government is conceived and defended as more than this, although on the basis of competing reasons that reside in perceptions of what is the good society. We also suggested that these reasons are an element of contemporary theory *and* practice in the form of public policy. Further, in our examination of Haus and Sweeting's (2006) “map” of leadership in local democracy, we argued that competing ideas of what constitutes good democratic practice generally reflect broader approaches to democracy. Otherwise stated, local democracy is not any less simple than any other type of democracy on account of it being local.

Fifth, we examined contemporary theorising in public administration as it pertains to local government, providing an account of the shift from “government” to governance” and the distinctions between the different paradigms of traditional public administration, NPM and Public Value Management (Stoker 2006). While admittedly our account of the latter was somewhat cursory in this context (we take up public value in more detail in Chap. 9), we characterised the shift from “government” to “governance” as one that is not merely empirical but normative and that has been endorsed as such by a range of theorists (Stoker 2004, 2006).

Section 4.4 examined new localism, focusing initially on recent writing in the Australian context. We argued that the definition offered by Evans et al. (2013a) is problematic on two grounds. First, notwithstanding an emphasis on engagement as a necessary ingredient to successful policymaking, administrative localism in this guise is so broad that it encompasses almost any policy domain *and* any level of local involvement. Second, we argued that, in concert with the normative endorsement of the shift from “government” to governance”, it locates localism in many sites *other than* local government. We suggested that, while this might be empirically accurate, the extent to which localism is decoupled from local

government is the extent to which the theoretical defences for local government examined in Sect. 4.3 no longer apply. Further, we suggested that, in the English context at least, localism as governance has facilitated (but not, we hastened to add, caused) an abrogation of the basic responsibilities for service provision. Instead, we endorsed an extended version of the “place-shaping” model offered by Lyons and, following Grant and Dollery (2011b, p. 24), noted how this model emphasises what they termed the “integrity” of local government, emphasising the positive role that local governments ought to play in local ideational politics.

Our argument here is one for “the local state” within Australia’s federalism set against the “governance” model. It is only in this guise that local government is afforded the capacity—fiscal, yes, but as a legitimate site of political and moral authority—to be a good “local service agency” and can accrue the other benefits identified in certain types of theory, particularly economic theory. Further, the distinction between “hard power” and “soft power”, again, while analytically useful, is at least partially misleading. When we advocate ideational politics at the local level we are not, decidedly, advocating parochialism. On the contrary, as suggested by Malpas’s (1999) account of experience and Brown’s (2006) account of “regional-regionalism”, all we are advocating is a little bit of history for our local areas. This does not mean that it will not be the site of political contestation; in fact, it ought to be. Part III of this book is dedicated to examining these issues across a range of public policy domains, including economics and finance, community engagement, leadership and integrity. It is to these subjects we now turn.

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Part III

Public Policy

Chapter 5

Autonomy and Local Governments in Australia

Abstract Across Australia's individual local government jurisdictions, state-local government relations are vexatious arenas of public policy debate and reform. Academic work concerned with these matters is typically drawn to the headline topics of first, forced or compulsory programs of amalgamation aimed at achieving increased financial sustainability for local government and second, shifting the costs of service provision to the third tier of Australia's democracy. By way of contrast, and conforming to the institutional approach adopted in Part IV of this book generally, we examine the issue of state-local relations utilising the concept of autonomy. The discussion proceeds from a theoretical account of autonomy, distinguishing between autonomy and democracy and delineating between autonomy as 'immunity' on the one hand and 'initiative' on the other hand. We insist that autonomy is best understood as denoting the relation between state and local government. We then examine the legislative basis for the operation of immunity and initiative across Australia's local government jurisdictions. The concept of home rule as a form of autonomy as it has developed in the United States is discussed by way of comparison. We argue that understanding home rule as a set of normative principles sheds some light on the nature of local government in Australia and highlights the constitutional, albeit variable, barriers that have to be overcome in pursuing fundamental reforms.

Keywords Amalgamation • Autonomy • Community • Cost-shifting • Dillon's rule • Home rule • State-local relations • Unfunded mandates

5.1 Introduction

The application of any abstract or theoretical ideas to the public policy concerns of Australian local government systems may appear for some to be an unworthy distraction from the day-in, day-out battles for some crumbs from the table of Australia's fiscal federalism and the pressing concern of delivering vital services to

local communities. Indeed, such is the insistence upon being “practitioner-driven” (see, for example, ACELG 2009) that to claim to have an academic interest in local government generally, and local government in Australia in particular, is viewed as an indulgence that local government cannot afford. Further, it is certainly arguable that the most pervasive public policy concern of Australian local government systems is structural reform, particularly amalgamation. Moreover, the issue of cost-shifting, or what scholars in the United States label “unfunded mandates” (see, for example, Foltin 1999; Gormley 2006; Shaffer 1995) is a perennial issue at both federal and state levels (see, for example, Dollery et al. 2006; Hawker Report 2003; LG NSW 2015). Arguably, according to the practitioner view of local government in Australia, it is these issues that ought to form the central concerns of any rigorous inquiry.

However, while it might be unusual, we think that it is useful to view the central issues of local government public policy, such as amalgamation and cost-shifting, through the prism of the political concept of autonomy. According to this line of reasoning, it is a *lack* of autonomy for local government from both state and federal governments that confines the third tier of Australia’s federation to its “Cinderella” (Aulich 2005) status. Equally, it is local governments reconfigured as more autonomous political, administrative and fiscal units that would witness the possibilities of local government flourish.

This chapter is divided into five main parts. Section 5.2 examines the idea of autonomy as it is discussed in political theory, examining the distinction between autonomy and democracy as discussed by Pratchett (2004), and arguing that the distinction between “immunity” and “initiative” is a useful way to further refine our understanding of autonomy as a concept denoting the *relational arrangements* between local and higher tiers of government. Section 5.3 examines the provisions for both “immunity” and “initiative” of local government across Australian jurisdictions in the form of its constitutional status in the jurisdictions and the enabling powers provided to it in the various local government acts. By way of comparative example, Sect. 5.4 examines home rule and Dillon’s rule in the United States, paying particular attention to Briffault’s (2004) account of home rule as normative theory and, following Grant and Dollery (2012), exploring the possibilities of applying such a principle in Australia. In line with Grant and Dollery, we conclude that it is not in the nature of local government in Australia that a principle mediating between state and local government, such as home rule, would be introduced. Nevertheless, a consideration of such a principle in the Australian context allows us to reflect more precisely upon the nature of local government in Australia and the mismatch between the rhetoric of local government on the one hand and the legal realities and cultural constraints it faces on the other. Section 5.5 explores the implications of this for policy and research, emphasising the desirability of fostering comparative research focusing upon Australia and other federal systems of government.

5.2 Autonomy

The language of political theory is by nature replete with value-laden and contested terms: democracy, liberty and freedom; some readers may even remember the ideas of equality and fraternity, if only nostalgically and fleetingly. In this context, the utility of deploying the concept of *autonomy* resides precisely in it *not* being one of these terms. As such, arguably it can do more rather than less analytic work as opposed to being continuously bound up in questions of definition. Nevertheless, it is to questions of definition that we initially turn, considering first the seminal article by Pratchett (2004), “Local autonomy, local democracy and the ‘new localism’” published in *Political Studies*.

5.2.1 Autonomy and Democracy

Pratchett (2004, pp. 358–359) argues that key to understanding local government generally is to draw a distinction between autonomy on the one hand and local democracy on the other. *Prima facie* this may feel counterintuitive: aren’t autonomy and democracy more or less the same thing? Can’t we have a bit of both? However, Pratchett insists on drawing a clear analytical distinction between the concepts and excavating both. In his discussion of democracy, Pratchett (pp. 359–360) reminds us that there are a multitude of profound reasons to defend *local* democracy, many of which we discussed in detail in Chap. 4 when examining the theory of local government: it provides for the diffusion of authority within society; it supports diversity and difference; it is intrinsically more responsive to citizens’ needs than higher tiers of government. Further, participation in local representative structures encourages participation in the broader (state, national) democratic polity and in so doing local government is “an instrument of social inclusion” (Pratchett 2004, p. 360). Notably, this justification relies not merely upon citizens’ engagement with representative processes and the bearing of offices, but also the participatory decision-making processes that form much of the day-to-day work on local government. Again, however, this participation is not an end in itself. Rather, for Pratchett (p. 361) local democracy fosters democratic citizenship, “provid[ing] the foundation for strong democratic institutions and practices”. Thus:

The role of local democracy, therefore, is more than simply that of local self-government. Local democracy, in both its representative and participatory forms, is also an essential feature of a broader democratic polity.

Additionally:

It is at the local level that the relationship between representative democracy and wide-spread citizen participation makes most sense. Seeing local democracy as a fundamental component of a broader participatory democracy has *important consequences* for the understanding and application of local autonomy (Pratchett 2004, p. 361; emphasis added).

The above quotation makes it clear that local democracy on the one hand and local autonomy on the other ought to be conceived as conceptually distinct. For while local democracy is “fundamentally, about local self-government”, local autonomy describes the relationship between local government and other tiers of government: “Local autonomy, therefore, is an issue of *sovereignty*—if not sovereignty over everything within a territory, then at least sovereignty over certain *spheres of activity*” (Pratchett 2004, p. 362; emphasis added).

Otherwise stated, autonomy does not describe a fixed property of a particular entity: one is not “autonomous” or otherwise. Rather, it describes a relationship between a higher tier of government and the local. Despite the normative defensibility of local government that Pratchett (2004) so concisely advances, national governments do have their own normative defensibility, for guaranteeing jurisdictional integrity, for ensuring economic stability, in pursuing social equity, for example (see, for example, Musgrave 1959). Thus, autonomy describes the relationship between the two (or indeed the many) tiers of government: it is *both* a granting *and* a negotiation of authority.

5.2.2 Immunity and Initiative

Examining this dual nature of autonomy in more detail, Pratchett (2004) draws on the work of Gordon L. Clark. Clark (1984, p. 195) who distinguishes between “immunity” and “initiative”, where “the former refers ... to the power of localities to function free from the oversight of higher tiers of the state”, while the latter describes “the power of localities to legislate and regulate the behaviour of residents”.¹ Again, Pratchett (2004) does some valuable work in fleshing out this rather stark dichotomy in the context of local government, and we will spend some time examining this before moving to consider the immunity and initiative of local governments in the Australian context.

According to Pratchett (2004, p. 363), “[f]reedom from’ approaches are based upon constitutional and legal understandings of central-local relations”, representing “the classic political science perspective on the topic [defining] local autonomy as the degree of discretion that local authorities have from central government”. On this account, immunity:

[i]s essentially the power of localities to act *without fear* of the oversight authority of higher tiers of the state. In this sense immunity allows local governments to act *however they wish* within the limits imposed by their initiative powers (Clark, in Pratchett 2004, p. 364; emphasis added).

¹Pratchett (2004) does not examine the links between the dichotomous account of autonomy and other dichotomous accounts of freedom, in particular Isaiah Berlin’s (1981) account of positive and negative liberty or Fromm’s (1965) account of “freedom to” and “freedom from”. Clark (1984) engages in such a discussion.

Understood in this way, “[f]reedom from” implies what we will describe as a very strong presumption of an absence of oversight, and in the above quote it is interesting to see an anthropomorphic metaphor (“without fear”) used to describe this condition of local government.

Pratchett (2004, pp. 364–365) makes several other observations about the concept of immunity. First, a corpus of empirical scholarly work has been undertaken examining the operation of immunity in local government (see, for example, Blair 1991; Jones and Stewart 1983). Second, neo-Marxist scholars have considered the relative autonomy of the local state from “broader capitalist forces”. In this regard, Pratchett (2004) cites the work of Cockburn (1977) and Gurr and King (1987); for a recent example in the Australian context, see Walsh (2015). Third, much of this work has focused upon the *functional responsibilities* of respective tiers of government. Fourth, Pratchett (p. 364) emphasises that “financial regime [s]” have gained increased prominence in considerations of the diminished oversight enjoyed by local government. Writing in the British context, Pratchett (p. 364) mentions the work of the Layfield Committee (1976) and Jones and Stewart (1983), to which we must also now add Lyons (2007). Of this prominence, Pratchett (p. 364) observes:

In short, the argument of [the importance of] financial autonomy rests on the notion that legal, political and organizational autonomy *is meaningless* without the resources to realise the benefits of such autonomy (emphasis added).

Indeed, over the past decade, the primacy of financial autonomy must surely be recognised, particularly in the Australian context. For example, as we saw in Chap. 3 and as is discussed further in Chap. 12, in 2014 the Australian Government initiated a “White Paper” process on reforming the federation (Australian Government, n.d.). Yet the amount of energy expended in considering reforms to legal and constitutional arrangements is relatively minimal compared with the quantum of work dedicated to considering optimal tax arrangements alongside the functional responsibilities of the respective tiers of government (for a discussion, see Grant et al. 2016).

Set against autonomy conceived as “immunity” is the concept of autonomy as “initiative”. Scholars of Australian local government will at once recall that, *prima facie* at least, the capacity for local governments across the state and territory jurisdictions to “initiate” has been significantly broadened with the introduction of general powers of competence, beyond the precise specifications of *ultra vires*, in the new local government acts of the modern period (see, for example, Wensing 1997, p. 96). This increased scope accords with the way that Clark (1984) discusses the idea of initiative (see, in particular, Clark 1984, p. 198). However—and notwithstanding the sophistication of Clark’s (1984, p. 199) discussion—again Pratchett (2004, pp. 365–366) makes several observations about initiative that have a bearing on our ensuing discussion.

First, Pratchett (2004, p. 365) suggests that it ought *not* to be assumed that the idea of initiative as an element to local autonomy *necessarily* includes a broad suite of powers. While this *may* be the case, Pratchett reminds us that autonomy is both

designated and negotiated and, as such, the resultant scope for initiative can be minimal. Second, Pratchett again steers our understanding of autonomy away from that implied in the idea of sovereign spheres of power currently in vogue in Australia (see, for example, PM 2014) by drawing upon Wolman and Goldsmith's (1990, p. 3) conceptualisation:

[W]e must ask a much different and to our minds, more fundamental question: Do local governments in urban areas have autonomy in the sense that their presence and activities have independent impacts on anything important? Does urban politics matter? (Wolman and Goldsmith, in Pratchett 2004, p. 365).

Arguably, understanding local government in this way moves our consideration of the concept of initiative away from an ideal conceptualisation to one that is far more engaged in the *realpolitik* of state-local relations. Third, Pratchett (2004, p. 366) implies (although he does not assert the point as such) that it is unhelpful to conceive initiative as “enabling powers”, in the way that they are often discussed in the Australian context. Rather, again following Wolman and Goldsmith (1990), Pratchett (p. 366) suggests that “[b]y treating local autonomy as a residual phenomenon ... as the scope left to local government after the ‘primary determinants’ ... have been taken into account ... [we] discover that local autonomy is heavily circumscribed by central governments and other broad socio-economic factors”. This comprises recognition of the mendicant status of Australian local governments, which is reiterated in the academic literature but, we suggest, is implicitly denied by the phrase “enabling powers”.

Finally, and we think most revealingly, Pratchett (2004, p. 366) suggests that if we recognise the constraints upon local government, yet at the same time hold some credence in the normative principle of initiative, this ought to extend to *the capacity of local government to influence central governments*. In other words, while exponents of initiative might seek to preserve for local government the autonomy for self-design (see, for example, Briffault (2004)), what Pratchett suggests is that local government ought to seek to influence the “rules of the game” as determined by higher tiers of government. Arguably, this understanding can be interpreted as a radical shift from the idea of Australian local government as an individual tier of Australian federalism, and we move to discuss the implication of this in Sect. 6.5. In the immediate context we examine the legal frameworks for “immunity” and “initiative” afforded to local government systems across Australia’s federation.

5.3 Immunity and Initiative in Australian Local Government

As we have discussed throughout this book, local governments in Australia are commonly and accurately described as “creatures of statute”. This unflattering, yet entirely appropriate depiction denotes that they are a legal creation of state law.

Further, as we saw in Chap. 3 in our examination of the work of Professor Brown (2002, 2008), the long-running battle for constitutional recognition of local government at the federal level at present remains at a stalemate (and, we reason, is likely to remain that way in the short- to medium-term). Nevertheless, the national push for some level of recognition for local government through what with hindsight have been comprehensive processes of inquiry (see, for example, Brown 2002) over and above the evolution of state statute was eventually brought to a resolution of sorts by the recognition of local government in the constitutions of the respective sovereign states and legislatively in the Northern Territory. If local government in Australia is afforded any degree of immunity, it resides most fundamentally at this level and, as such, it is to an examination of this recognition that we now turn.

5.3.1 Immunity for Local Government in Australia

Table 5.1 sets out the legal recognition of local government in the constitutions of the sovereign states. Several points are noteworthy. First, there is an element of variability across the jurisdictions in several respects. Despite the provisions for local government making up a relatively minor element of each constitution,² the provisions nevertheless vary considerably in the level of detail. The provisions for both NSW and South Australia are extremely concise, comprising one section of the respective constitutions. Similarly, those for Western Australia and Tasmania, while comprising two and three sections, respectively, again lack detail. Alternatively, provisions for local government in the constitutions of Victoria and Queensland are lengthier, with the former specifying in great detail the internal operations of councils that can be legislated for by the state parliament under §74B “Local government laws”. In Queensland, Part 2 of Chap. 7 of the Constitution specifies in some detail the procedure limiting the dissolution of local government and the interim arrangements that must be put in place. As is also shown in Table 5.1, the *Northern Territory (Self-Government) Act 1978* (Australian Government 1978) does not mention local government. Rather, provisions for local government are

²Thus, under the *Constitution Act 1902 (NSW)* (NSW Government 1902), local government is dealt with in §51, making up four parts of a nine-part document comprising 56 Sections. Despite being somewhat more lengthy, the *Constitution Act 1975 (Victoria)* (Government of Victoria 1975) nevertheless addresses local government in Part IIA §74A Local Government and §74b Local government laws. The *Constitution of Queensland 2001* (Queensland Government 2001) discusses local government in three parts (10 of 95 sections), the largest element of which (Part 2 Procedure limiting dissolution of local government and interim arrangement, §§72–76 inclusive) specifies how councils can be legally extinguished. The *Constitution Act 1889 (Western Australia)* (Western Australian Government 1889), the *Constitution Act 1934 (South Australia)* (Government of South Australia 1934) and the *Constitution Act 1934 (Tasmania)* (Tasmanian Government 1934) address local government in two of 27, one of 88 and three of 46 Sections, respectively (see Table 5.1).

contained in the *Local Government Act 2008 (Northern Territory)* (Northern Territory Government 2008). The result is that local government in the Northern Territory is not afforded the immunity provided by the varying constitutional status of local government in the other jurisdictions.

Second, all the constitutions affirm the existence of local government within the jurisdictions, although again the extent of this affirmation is highly variable. Victoria has the most strident form of recognition, specifying local government as “a distinct and essential tier of government consisting of democratically elected councils”. However, from this point the strength of the affirmation of local government falls away across the various constitutions. For instance, only in Western Australia, South Australia and Tasmania is it a requirement that local governments be elected (note also that election does not ensure democratic election). In the case of NSW, local governments can be “duly appointed”, while in the case of Queensland the stipulations are that [i] there must be a system of local government in Queensland and [ii] the system consists of a number of local governments.

However, of more importance in this context is that the constitutional recognition of local government in all instances is contradicted by the ensuing sections of the constitutions. Thus, §51(2) of the *Constitution Act 1902 (NSW)* (NSW Government 1902) states: “The manner in which local government bodies are constituted and the nature and extent of their powers, authorities, duties and functions shall be as determined by or in accordance with laws of the Legislature”; §74B of the *Constitution Act 1975 (Victoria)* (Government of Victoria 1975) states: “Parliament may make any laws it considers necessary for or with respect to—(a) the constitution of Councils; and (b) the objectives, functions, powers, duties and responsibilities of Councils; and (c) entitlement to vote and enrolment for elections of Councils ... and (i) any other act, matter or thing relating to local government administration”. Similar provisions are a part of all the other constitutions (see Table 5.1). Thus, the third general observation that ought to be emphasised is that, despite the variability amongst the constitutions, local governments overwhelmingly serve at the pleasure of the state legislatures and consequently are not afforded immunity from them in any absolute sense. It is only if we understand autonomy in the sense suggested by Pratchett (2004)—that is, as the range of authority that is both designated and negotiated, *inclusive of* the political capacity of local government to affect decisions by higher tiers of government—that the concept of autonomy is still very much relevant to our understanding of the local government systems of Australia. Before exploring this in more detail, we turn to specify how local governments in Australia are afforded initiative in a legal sense.

5.3.2 Initiative for Local Government in Australia

As noted in our introduction directly above, a defining feature of the modern era of Australian local government systems is that across all jurisdictions they have been granted enabling powers. Whereas we sought the location of immunity for

Table 5.1 Constitutional recognition of local government in Australian sovereign states and Northern Territory

Jurisdiction	Recognition
NSW <i>Constitution Act 1902</i> Part 8 §51 Local government	(1) There shall continue to be a system of local government for the State under which duly elected or duly appointed local government bodies are constituted with responsibilities for acting for the better government of those parts of the State that are from time to time subject to that system of local government (2) The manner in which local government bodies are constituted and the nature and extent of their powers, authorities, duties and functions shall be as determined by or in accordance with laws of the Legislature (3) The reference in subsection (2) to laws of the Legislature shall be read as a reference to laws that have been enacted by the Legislature, whether before or after the commencement of this section, and that are for the time being in force (4) For the purposes of this section, the Western Lands Commissioner, the Lord Howe Island Board, and an administrator with all or any of the functions of a local government body, shall be deemed to be local government bodies
Victoria <i>Constitution Act 1975</i> Part IIA §74A Local government	(1) Local government is a distinct and essential tier of government consisting of democratically elected Councils having the functions and powers that the Parliament considers are necessary to ensure the peace, order and good government of each municipal district (1A) Subject to section 74B, each Council—(a) is responsible for the governance of the area designated by its municipal boundaries; and (b) is constituted by democratically elected Councillors as the governing body which is—(i) accountable for its decisions and actions; and (ii) responsible for ensuring good governance; and (c) includes an administration which—(i) implements the decisions of the Council; and (ii) facilitates the performance of the duties and functions of the Council (2) An elected Council does not have to be constituted in respect of any area in Victoria—(a) which is not significantly and permanently populated; or (b) in which the functions of local government are carried out by or under arrangements made by a public statutory body which is carrying on large-scale operations in the area

(continued)

Table 5.1 (continued)

Jurisdiction	Recognition
§74B Local government laws	(1) Parliament may make any laws it considers necessary for or with respect to—(a) the constitution of Councils; and (b) the objectives, functions, powers, duties and responsibilities of Councils; and (c) entitlement to vote and enrolment for elections of Councils; and (d) the conduct of and voting at elections of Councils; and (e) the counting of votes at elections of Councils; and (f) the qualifications to be a Councillor; and (g) the disqualification of a person from being or continuing to be a Councillor; and (h) the powers, duties and responsibilities of Councillors and Council staff; and (i) any other act, matter or thing relating to local government administration (2) A Council cannot be dismissed except by an Act of Parliament relating to the Council (3) Parliament may make laws for or with respect to—(a) the suspension of a Council; and (b) the administration of a Council during a period in which the Council is suspended or dismissed; and (c) the re-instatement of a Council which has been suspended; and (d) the election of a Council if a suspended Council is not re-instated; and (e) the election of a Council where a Council has been dismissed
Queensland <i>Constitution of Queensland 2001</i> Chapter 7 Local government Part 1 System of local government	70 System of local government (1) There must be a system of local government in Queensland. (2) The system consists of a number of local governments 71 Requirements for a local government (1) A local government is an elected body that is charged with the good rule and local government of a part of Queensland allocated to the body. (2) Another Act, whenever made, may provide for the way in which a local government is constituted and the nature and extent of its functions and powers. (3) Despite subsection (1), another Act, whenever made, may provide for the appointment of 1 or more bodies or persons to perform all or any of a local government's functions and to exercise all or any of a local government's powers and to be taken to be a local government—(a) during a suspension of a local government's councillors under section 74; or (b) if a local government is dissolved or unable to be properly elected—until a local government has been properly elected
Part 2 Procedure limiting dissolution of local government and interim arrangement	72 Definition for [part] 2: In this part—Minister means the Minister who administers the provision under which the local government may be dissolved 73 Dissolution of local government must be tabled. The Minister must, within 14 days after an instrument purporting to dissolve a local government is made, table a copy of the instrument in the Legislative Assembly

(continued)

Table 5.1 (continued)

Jurisdiction	Recognition
	74 Suspension until dissolution ratified. From the time an instrument purporting to dissolve a local government is made until it is ratified under section 75 or its effect ends under section 76, it has the effect only of suspending the local government's councillors from office (Note—Section 71 permits another Act to provide for the appointment of 1 or more bodies or persons to perform all or any functions and exercise all or any powers of the local government and to be taken to be the local government during the suspension) 75 Ratification of dissolution (1) The Legislative Assembly, on the Minister's motion, may ratify the dissolution of the local government within 14 sitting days after a copy of the instrument purporting to dissolve the local government is tabled. (2) If the Legislative Assembly ratifies the dissolution, the local government is dissolved in accordance with the instrument from the time of ratification 76 No tabling or ratification of dissolution (1) This section applies if—(a) a copy of the instrument purporting to dissolve the local government is not tabled under section 73; or (b) the Legislative Assembly refuses to ratify the dissolution of a local government moved by the Minister; or (c) at the end of 14 sitting days after a copy of the instrument purporting to dissolve the local government is tabled—(i) the Minister has not moved that the dissolution be ratified; or (ii) the Legislative Assembly has not ratified the dissolution, even though the Minister has moved that it be ratified. (2) The effect of the instrument purporting to dissolve the local government ends. (3) The suspension from office of the local government's councillors ends and they are reinstated in their respective offices. (4) The appointment of a body or person appointed to perform all or any functions and exercise all or any powers of the local government because of its purported dissolution ends
Part 3 Special procedures for particular local government Bills	77 Procedure for Bill affecting a local government (1) This section applies for a Bill for an Act that would—(a) be administered by a Minister who administers a provision of the Local Government Act 2009; and (b) affect local governments generally or any of them. (2) The member of the Legislative Assembly who proposes to introduce the Bill in the Legislative Assembly must, if the member considers it practicable, arrange for a summary of the Bill to be given to a body representing local governments in the State a reasonable time before the Bill is introduced in the Legislative Assembly

(continued)

Table 5.1 (continued)

Jurisdiction	Recognition
	78 Procedure for Bill ending system of local government (1) This section applies for a Bill for an Act ending the system of local government in Queensland. (2) The Bill may be presented for assent only if a proposal that the system of local government should end has been approved by a majority vote of the electors voting on the proposal. (3) The Bill has no effect as an Act if assented to after presentation in contravention of subsection (2). (4) The vote about the proposal must be taken on a day that is more than 1 month but less than 6 months before the Bill is introduced in the Legislative Assembly. (5) The vote must be taken in the way prescribed by an Act. (6) An elector may bring a proceeding in the Supreme Court for a declaration, injunction or other remedy to enforce this section either before or after the Bill is presented for assent (7) In this section—elector means a person entitled to vote at a general election for members of the Legislative Assembly
WA <i>Constitution Act 1889</i> Part IIIB—Local government §52 Elected local governing bodies	(1) The Legislature shall maintain a system of local governing bodies elected and constituted in such manner as the Legislature may from time to time provide (2) Each elected local governing body shall have such powers as the Legislature may from time to time provide being such powers as the Legislature considers necessary for the better government of the area in respect of which the body is constituted [Section 52 inserted by No. 88 of 1979s. 3]
§53 Certain laws not effected	Section 52 does not affect the operation of any law—(a) prescribing circumstances in which the offices of members of a local governing body shall become and remain vacant; or (b) providing for the administration of any area of the State—(i) to which the system maintained under that section does not for the time being extend; or (ii) when the offices of all the members of the local governing body for that area are vacant; or (c) limiting or otherwise affecting the operation of a law relating to local government; or (d) conferring any power relating to local government on a person other than a duly constituted local governing body
SA <i>Constitution Act 1934</i> Part 2A—Local government Section 64A Constitutional guarantee of continuance of local government in this State	(1) There shall continue to be a system of local government in this State under which elected local governing bodies are constituted with such powers as the Parliament considers necessary for the better government of those areas of the State that are from time to time subject to that system of local government (2) The manner in which local governing bodies are constituted, and the nature and extent of their powers, functions, duties and responsibilities shall be determined by or under Acts of the Parliament from time to time in force

(continued)

Table 5.1 (continued)

Jurisdiction	Recognition
Tasmania <i>Constitution Act 1934</i> Part IVA—Local government §45A Elected municipal councils	(3) No Bill by virtue of which this State would cease to have a system of local government that conforms with subsection (1) of this section shall be presented to the Governor for assent unless the Bill has been passed by an absolute majority of the members of each House of Parliament (1) There shall be in Tasmania a system of local government with municipal councils elected in such manner as Parliament may from time to time provide (2) Each municipality shall have such powers as Parliament may from time to time provide, being such powers as Parliament considers necessary for the welfare and good government of the area in respect of which the municipality is constituted §45A does not affect the operation of any law—(a) prescribing circumstances in which the offices of members of a municipal council shall become and remain vacant; (b) providing for the administration of any area of the State—(i) to which the system referred to in that section does not for the time being extend; or (ii) when the offices of all the members of the municipal council for that area are vacant; or (c) conferring any power relating to local government on a person other than a municipal council Any division of Tasmania into municipal areas is not to be altered without the recommendation of the Local Government Board established under the <i>Local Government Act 1993</i>
§45C Municipal areas	(N/A—the Northern Territory is governed by the <i>Northern Territory (Self-Government) Act 1978</i> (Australian Government 1978) which does not mention local government. Provisions for local government are contained in the <i>Local Government Act 2008</i> (Northern Territory))
NT	Sources NSW Government (1902); Government of Victoria (1975); Queensland Government (2001); Western Australian Government (1889); Government of South Australia (1934); Tasmanian Government (1934)

Australian local governments in the constitutions of the respective states, initiative resides in the individual local government acts of the jurisdictions. Expanding upon Grant and Dollery (2012, pp. 401–402), Table 5.2 specifies the legislative form of initiative in the individual jurisdictions.

Examining Table 5.2, again several points are noteworthy. First, there are both similarities and variations in the ways that individual jurisdictions have chosen to describe a power of general competence. Thus, both the NSW and Victorian acts contain a “Council Charter”, with the former specifying what this entails under the “Note” to Chapter 3: “The charter contained in this chapter comprises a *set of principles* that are to guide a council in the carrying out of its functions”, and “A council may add other principles not inconsistent with those in the Charter” (NSW Government 1993). Further, under §8 of the *Local Government Act 1993 (NSW)* the specified content of the Charter is expansive, listing 14 individual responsibilities (“to exercise community leadership”; “to be a responsible employer”, for example) to which others “not inconsistent with those in the Charter” can be added. On the contrary, the Victorian Act (Victorian Government 1989) does not contain a definition of a Charter, nor does it include an expansive list of responsibilities therein. Rather, under PART 1A §3F (“What are the powers of councils?”) it states:

Subject to any limitations or restrictions imposed by or under this Act or any other Act, a Council has the power to do all things necessary or convenient to be done in connection with the achievement of its objectives and the performance of its functions (Victorian Government 1989).

Otherwise stated, what the Victorian Government gives, it does so with a heavy qualification.

Second, the jurisdictions besides NSW and Victoria assign powers of general competence in what might be termed the less handsome sections of their respective acts, usually under the section dealing with the “principal role of councils” (see Column 1 of Table 5.2). Nevertheless, like the provisions in §8 of the *Local Government Act 1993 (NSW)* (NSW Government 1993), some are expansive. The *Local Government Act 1999 (South Australia)* (Government of South Australia 1999) and the *Local Government Act 2008 (Northern Territory)* (Northern Territory Government 2008) detail five and six functions, respectively, under “principal role of council” in their acts. Third, even those that are concise—Queensland, Western Australia and Tasmania are generous in the broad grants of authority assigned to their local governments—under §3.1(3) the *Local Government Act 1995 (Western Australia)* (Western Australian Government 1995) states: “A liberal approach is to be taken to the construction of the scope of the general function of a local government”, while the Tasmanian legislation (Tasmanian Government 2005) states under §20(3): “A council may do anything necessary or convenient to perform its functions either within or outside its municipal area” (see Column 2, Table 5.2).

However—and this is our fourth and crucial point—as in the case in Victoria (above), all the jurisdictions heavily circumscribe what we are denoting as the granting of “initiative”. This is done in one of two ways. First, the granting of broad powers of competence is directly curtailed in the *same section* of the act

Table 5.2 Legislative forms of initiative afforded to Australian local governments

Jurisdiction and legislation	Form of enablement
NSW <i>Local Government Act 1993</i> Chapter 3—What is a council's Charter? §8 'The council's charter'	Inter alia: (1) 'to provide directly or on behalf of other levels of government, after due consultation, adequate, equitable, and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively; to exercise community leadership', etc. (14 points, to which others 'not inconsistent with those in the Chapter' may be by a council)
Victoria <i>Local Government Act 1989 (Victoria)</i> Part 1A—Local government Charter §3F 'What are the powers of councils?'	(1) 'Subject to any limitations or restrictions imposed by or under this Act or any other Act, a Council has the power to do all things necessary or convenient to be done in connection with the achievement of its objectives and the performance of its functions' (2) 'The generality of this section is not limited by the conferring of specific powers by or under this or any other Act'
Queensland <i>Local Government Act 2009 (Queensland)</i> Part 1 (9) 'Powers of local governments generally'	(1) 'A local government has the power to do anything that is necessary or convenient for the good rule and local government of its local government area' (2) 'However, a local government can only do something that the State can validly do'
WA <i>Local Government Act 1995</i> §3.1 General function	(3) 'A liberal approach is to be taken to the construction of the scope of the general function of a local government'
SA <i>Local Government Act 1999</i> §6 'Principal role of a council'	Inter alia 'A council is, under the system of local government established by this Act, established to provide for the government and management of its area at the local level and, in particular... (a) to (e) 'to exercise, perform and discharge the powers, functions and <i>duties</i> of local government under this and other Acts in relation to the area for which it is constituted' (emphasis added)
Tasmania <i>Local Government Act 1993 (Tasmania)</i> [as at May 2005] §20 'Functions and powers of councils'	1(c) 'to provide for the peace, order and good government of the municipal area' (3) 'A council may do anything necessary or convenient to perform its functions either within or outside its municipal area'
NT <i>Local Government Act 2008 (Northern Territory)</i> § 11 'Principal role of council'	11(d) 'to encourage and develop initiatives for improving quality of life' 11(f) 'to exercise and perform the powers and functions of local government <i>assigned to the council</i> under this and other acts' (emphasis added)

Sources NSW Government (1993); Victorian Government (1989); Queensland Government (2009); Western Australian Government (1995); Government of South Australia (1999); Tasmanian Government (2005); Northern Territory Government (2008)

granting these powers. Thus, the *Local Government Act 2009 (Queensland)* (Queensland Government 2009) Chapter 9(2) states: “However, a local government can only do something that the State can validly do”. Similarly in §11(f) the *Local Government Act 2008 (Northern Territory)* (Northern Territory Government 2008) reminds us that a “principal role of council” is “to exercise and perform the powers and functions of local government assigned to the council under this Act and other Acts”, while under §6(c) the *Local Government Act 1999 (South Australia)* (Government of South Australia 1999) speaks of “discharg[ing] the powers, functions and duties of local government under this and other Acts in relation to the area for which it is constituted”.

Alternatively, the granting of powers of general competence is contradicted by another element of the Act. This is so in the *Local Government Act 1993 (NSW)* (NSW Government 1993), where the note to §8 “The council’s charter” reiterates the specification of the role of local government in the NSW Constitution, including §51(2) that: “[t]he manner in which local government bodies are constituted and the nature and extent of their powers, authorities, duties and functions shall be as determined by or in accordance with laws of the Legislature”.

Finally, Grant and Dollery (2012, pp. 401–402) alert us to how specific laws limit the operation of powers of general competence and provide two examples. First, they note that the direction by the *Local Government Act 1995 (Western Australia)*—that a “liberal approach” be adopted in the construction of the scope of the general function of local government (Western Australian Government 1995; see Column 2 of Table 5.2)—is curtailed by the “State Local Government Agreement”, wherein it is recognised that state local relations are underpinned by a delegation of powers rather than a sharing of powers. Second, Grant and Dollery (2012, p. 402) note that the limits to local government are manifestly demonstrated by even the most casual glance at the regulatory frameworks for the operation of local governments issued by the state government departments of local government. In this regard they point to the “17 major pieces of legislation” listed by the Local Government Association of Tasmania that have a direct bearing on local government operations (Grant and Dollery 2012, p. 402).

Following from our discussion of autonomy, immunity and initiative in Sect. 5.2, this section has examined the legislative frameworks for both immunity and initiative afforded to local governments in Australian jurisdictions. Having examined these frameworks, including the constitutional, or “basic law”, provisions for local government in the states, in accordance with Pratchett (2004) we can surmise that the concept of autonomy understood in an ontologically fixed (or “sovereign spheres”) way is misleading. This remains the case even if it does form one part of a typology of local government oversight (see, for example, Dollery et al. 2009). Rather, following Pratchett, autonomy is best conceived as denoting a relationship characterised by both immunity and initiative *and* importantly, as the means by which local government can influence the construction of possibilities for these.

By way of comparison, Sect. 5.4 describes the operation of home rule in the United States before we explore the implications of this for our understanding of local governments in Australia and the implications for policy and research in Sect. 5.5.

5.4 Local Government in the United States: Home Rule and Dillon's Rule

Thus far in this chapter we have suggested that local governments in Australia are—to use a wonderfully bucolic metaphor—“half-pregnant”. On the one hand, much of the *rhetoric* and in fact *ideology of local government* provides a ready-made suite of reasons for those seeking to defend the legitimacy of local government as a political institution in its own right. On the other hand, the necessarily inferior status of local governments deems that any authority they enjoy is an indulgence by higher tiers of government, and as such this authority can be withdrawn. Further, as we saw in Sect. 5.3, the very institution of local government is more or less constitutionally precarious in the Australian context, as is the existence of individual local governments. This is most palpably reinforced when they are subject to a diminution in number through programs of forced amalgamation (see, in particular, Chap. 10 of this book).

One place where diminution by amalgamation has *not* been characteristic of local government generally is in the United States. Indeed, commenting on this and reforms more generally, Svvara and Hoene (2008, p. 155) state:

If the United States had followed the example of other Anglo-American countries, a number of changes might have occurred since 1990:

- National or state-level monitoring of local government performance
- Mandated outsourcing of services
- Amalgamation of local governments nationally or at the state level
- *Large-scale change in local government structure*
- Universal application of contracting for top administrators
- Creation or expansion of regional governments or authorities
- Mandated uniform ethics standards

None of these happened (emphasis added).

Examining the list provided by Svvara and Hoene (2008, p. 155) in its entirety, from an Australian perspective the fact that U.S. local governments have not undergone fundamental reforms in these areas—in the lexicon of this chapter, they have enjoyed relative immunity—is surprising to say the least. Svvara and Hoene (p. 136) also state that “[t]here has been no substantial change to the ‘municipal system’, and one has difficulty using the term ‘system’ in the American context. The very absence of proposals for change indicates that large-scale local government reorganization in the USA is *not on the agenda of state governments*” (emphasis added). These same authors underline—albeit implicitly—the similarity in state-local relationships in the federations of Australia and United States:

Constitutionally, the state retains all powers over local government within its boundaries except as it chooses to share them or limit itself in the exercise of its powers. Cities, counties, and other local governments are the creations of the state, and through legal, regulatory, and fiscal controls the state maintains superiority. *While there has been a general trend toward expanded 'home rule', an arrangement whereby local governments enjoy considerable self-governance, authority and responsibility*, state locus of constitutional and practical power has never been in doubt. The degree of local control over public affairs is constrained by the weakness of local governments vis-à-vis the state (Svara and Hoene 2008, p. 134; emphasis added).

The above extended quote from Svara and Hoene (2008) indicates that, despite the similarity of the legal (constitutional, statutory) status of local governments in both federations, local governments in the United States have continued to “enjoy considerable self-governance, authority and responsibility”. This begs the question of what, precisely, the difference is. Without wishing to suggest a priori that there exists any kind of causal relationship between home rule on the one hand and this increased level of autonomy on the other, asking this question begs a consideration of home rule. It is this question that we now examine in some detail.

5.4.1 *Definition and Synoptic History of Home Rule*

In this context it would be impossible to provide a fulsome account of home rule and its place in the operation of federalism in the United States: the development of jurisprudence and the operation of state-local relations are, as suggested by Svara and Hoene (2008), matters of considerable history and complexity. Nevertheless, in the Introduction to the edited volume *Home Rule in America: A Fifty State Handbook*, Krane et al. (2001) provide a concise summary of the theory and history of home rule with a level of detail similar to our accounts of the development of local government in the individual jurisdictions in Australia and as an element of the Australian federation (see Chaps. 2 and 3 of this book). As such, it provides a useful point of comparison in this specific context. What we find is that, generally speaking, the development of local government in the United States stands in stark contrast to the development of local government in Australia. We by no means claim to be the first contemporary scholars of Australian local government to recognise or indeed emphasise this (see, in particular, Brown 2008, p. 438). However, as we are interested in the concept of autonomy as it pertains to Australian local government, in this context we offer some detail of the experience in the United States.

Commenting on US federalism generally, Krane et al. (2001, p. 6) note that two of the system’s “key features” are, first, “the placement of the state governments on a *coordinate plane* with the national government” and, second, “the hierarchical and unitary relationship between state and local governments”, noting also that the U.S. Constitution is silent “on the position and powers of local government relative

to state government”.³ Nevertheless, Krane et al. (pp. 6–7) make it clear that, despite its lowly status, local government has always been seen as key to U.S. politics, and that this status does not alter if one chooses to adopt the approach of the traditional academic disciplines of history and law or, alternatively, the public choice theory developed and advocated, by amongst others, Osborne and Gaebler (1992).

Further, Krane et al. assert what, from an Australian perspective at least, is a remarkable claim about the historical importance of local government and the concepts and practices of democracy and popular sovereignty:

In the earliest settlements, which would become the thirteen original states, individual freedom was intimately tied to being a legal inhabitant who could participate in the town meeting. *Today, at the beginning of the twenty-first century, the same view remains a key value by which the quality of contemporary democracy is judged* (Krane et al. 2001, p. 7; emphasis added).

Nor is their discussion one of dispassionate observation. On the contrary, for Krane et al. (2001, p. 7) the idea of ‘local control’ is crucial:

A municipal government that is not under the control of its local population renders extensive civic discourse *futile*. One can encourage ‘maximum feasible participation’ by citizens, but unless the government has the authority to act, the discourse between citizens, elected officials and public servants *is in vain* (emphasis added).

Otherwise stated, local control is absolutely crucial for the idea of local government; from that point, everything else cascades into place. Without it, local government is stillborn.

Krane et al. (2001, p. 7) then offer this definition of home rule:

In brief, then, home rule, or the range of discretionary authority and action available to local government officials, is a matter of vital importance to any discussion of government and democracy in the United States. All of the prescriptions for reforming the public sector – returning to ‘local control’, fostering ‘self-sufficiency’, encouraging and rewarding ‘experimentation’ and ‘innovation’, and empowering citizens – require that the ideas encapsulated in the venerable concept of home rule be dusted off and put into practice. Since local government *autonomy* and *capacity* are critical elements of these reform proposals, the legal theory of local government as a ‘creature of the state’ cannot continue as a feature of the intergovernmental framework, especially when state governments themselves are making changes in what local governments may or may not do.

To anyone even vaguely familiar with the history of local government reform in the Australian states and territories, as well as the legal status of Australian local governments, this is powerful rhetoric indeed.

³Interestingly for our purposes, Krane et al. (2001, p. 6) also state: “It is conceivable that a state could confer to its cities the power over their own affairs in much the same way as the power over state affairs is reserved to the states in the U.S. Constitution”. This has interesting ramifications for the extent to which home rule could be applied with an eye to the granting of immunity by state government to local governments.

The question that begs itself is how the U.S. arrived at such a vibrant and important living concept of local autonomy as is encapsulated in the idea of home rule, and its relevance—despite the differences—to the Australian situation. While some have provided a cursory account (see, for example, Grant and Dollery 2012), in this context we can offer somewhat more detail, again derived from Krane et al. (2001). Krane et al. (pp. 7–14) divide the history of home rule into six historical periods: [i] the colonial and constitutional eras; [ii] the pre-Civil War era; [iii] the development of Dillon’s rule; [iv] the inception and growth of the home rule movement; [v] the first half of the 20th century; and [vi] the last half of the 20th century; and a seventh period, home rule in the year 2000. We provide a synoptic account of their observations.

With regard to the colonial and constitutional eras Krane et al. (2001, pp. 7–8) make six observations. First, they note that the original English colonists were in the business of transporting English local government to North America, a key feature of which was the *Carta Civibus Londomarum*, or the municipal charter of the City of London dating from 1100, which “serves as the basic pattern for the grant of rights and liberties to the residents of a municipality”. Crucial to this was the granting of the status of a corporation to boroughs, which in turn “granted various commercial privileges, established the right to select local officials, and provided immunity from certain royal taxes”.

Second, townships were established as early as the mid-1630s and some adopted what Krane et al. (2001, p. 8) label “settlement laws” that inter alia allowed residents to choose who could live in the area and giving them voting rights in town meetings. Third, Krane et al. (p. 8) note that many of the cities and towns did *not* adopt corporate charters, instead choosing to see themselves as “bodies politic” within which individuals had a duty to serve and could be fined for not doing so. Fourth, Krane et al. (p. 8) assert that “the 150-year colonial period” was of such duration that the idea of self-government was a custom by the time of Independence, which in turn (fifth) became an important ideological component of the War of Independence. Sixth, Krane et al. (p. 8) note that this idea (let’s call it localism) “did not enter the U.S. Constitution”, the design of which was principally concerned with state-federal relations, with “the existing state-local relations ... left in place”, and that this history was later to be re-told in reverse, whereby local communities were portrayed as derivative from the states. Thus the idea of local autonomy, while historically tangible and ideationally powerful, ended this era in the oxymoronic position of being re-inscribed as occupying a place subservient to the states.

Of the pre-Civil War era, Krane et al. (2001, pp. 8–9) make three observations as to how home rule and, more broadly, how arguments for and against the legal validity of local government developed. From our perspective, the most significant of these arguments was the conflict over public corporations’ legal right to control capital—and, needless to say, in the context of the United States it played out not in favour of local government. According to Krane et al. (p. 8) the problem arose because “English medieval law and early American law made no distinction between various types of corporate associations, whether they be a church,

a business enterprise or a municipal corporation". This became problematic because, with the spread of the franchise to include more and more (non-elite, property-owning) citizens, municipalities sought, and gained, access to capital to build infrastructure for services designed for the expanded range of their citizenry. In other words, municipalities holding corporate charters were "crowding out" (our phrase) individuals and private corporations from access to capital in which they needed to invest and from which they could construct revenue streams. Further, issuing corporate charters by state legislatures in many instances came under suspicion of favouritism and rent-seeking. And if that wasn't bad enough, in the words of Krane et al. (p. 8):

Some individuals began to argue that such authority was a threat to private property because local governments could use the power of taxation to raise capital to compete against private capital.

In the Lockean world of 19th century United States, it was natural enough (if one will excuse the pun) that the courts stepped in. In 1819 in the U.S. Supreme Court *Trustees of Dartmouth College v. Woodward* the court ruled, based on §1 of the U.S. Constitution, that "no state shall impair the obligation of a contract" (Krane et al. 2001, p. 8). According to Krane et al. (p. 8) the Supreme Court also "addressed the distinction between private and public corporations by defining public corporations as ones that exist for 'public political purposes only'", and that "a municipal charter was not a contract between the state and the city; rather, it was an ordinary act of [state] legislation".

Thus we can surmise that in the one ruling of the U.S. Supreme Court (and remembering that its authority is significantly greater than that of the supreme courts of the individual states) local governments were both limited in their access to capital, while at the same time they were eviscerated of the possibility of taking civil action (on the basis of a breach of contract) against a state government in any instances of grievance. Further, according to Krane et al. (pp. 8–9) any ambiguity about the independence of property held by local governments—and, as such, their ability to dispose of said property without interference from the state—was swept away in 1836 with the publication of James Kent's *Commentaries on American Law*, wherein the Good Professor and state legislator argued "that public corporations, encompassing all forms of government, are 'subject to the control of the legislature of the state'", which in turn "was precursor to the legal theory of local government known as the 'creatures of the state' theory" (Krane et al. 2001, p. 9). As such, what we now assume as the natural order of things—local government's subordination to the state—was in fact a legal battle in the pre-Civil War era, that "ignored nearly 200 years of local government preeminence, *most especially the fact that state legislators were representatives chosen from their localities*" (Krane et al. 2001, p. 9; emphasis added).

The second—and not unrelated—major development in the pre-Civil War era documented by Krane et al. (2001, pp. 8–9) we choose to describe as state-city conflict in the face of the popular franchise. In essence, because of the extension of the franchise and increases in population, cities themselves were becoming not just

socially diverse but politically heavily influenced by these demographic changes. Many of the governorships went to the newer citizens with newer capital, with the state legislatures reacting in a knee-jerk way: “[m]alapportioned state legislature dominated by rural interests sought to constrain the evils they perceived as associated with city life”, thereby encouraging the perception that local governments ought to be further under the control of the state legislatures (p. 9).

The third systemic influence in the pre-Civil War era described by Krane et al. (2001, p. 9) again saw the questioning of the fiscal capacity of local government, yet it came about in an unusual way. In their response to the general economic and geographical expansion of the U.S. between the War of 1812 and the commencement of the Civil War in 1861, and under pressure from their constituents to improve infrastructure and to “attract new residents and commercial activities”, state governments borrowed heavily. In 1837 the boom burst and widespread corruption in large state contracts was revealed, with many state legislatures imposing debt ceilings on fiscally weakened state governments. In searching for alternative investments, both investors and state governments found a ready supply in municipal corporations, to the extent that, according to Krane et al. (p. 9) “[s]ome state governments began to use local governments as surrogates for state economic development projects”, which in turn shifted financial activity—and the associated corruption—to local government. It is worth citing Krane et al. (p. 9) again at length:

The ill-defined legal status of municipal corporations contributed significantly to the financial machinations that characterised the pre-Civil War era. Ambitious officials in many localities borrowed large sums of money to foster local economic growth. These borrowed funds were spent not only to build local infrastructure, but often to attract manufacturing plants or to lure railroads. When these investments failed, some municipalities repudiated their debt by terminating the city charter, that is, literally voting the city out of existence!

According to Krane et al. (2001, p. 9) the net effect of this—despite the bad behaviour of the states in precisely the same regard—“prompted a debate among state judges as to the proper types of municipal economic activities”, again questioning the use of public funds for the provision of infrastructure, from which a rent could be sought by private enterprise.

The third “developmental phase” identified by Krane et al. (2001, pp. 10–11) is that wherein Dillon’s rule was developed. This commenced with the legal resolution of the issue of municipal bonds by the state and federal courts in the post-Civil War era. In 1868 the Iowa Supreme Court Case *City of Clinton v. Cedar Rapids and Missouri Railroad Company* was presided over by Judge John F. Dillon, who, disturbed by the potential for further financial misconduct of municipalities in that state (one is tempted to label it as the possibility of “contagion”), ruled in favour of the state. In this decision we have the genesis of Dillon’s rule and, arguably, an apt description of the legislative frameworks governing local governments in Australia:

The true view is this: Municipal corporations owe their origin to, and derive their powers and rights wholly from the legislature. It breathes into them the breath of life, without which they cannot exist. As it creates, so it may destroy. If it may destroy, it may abridge

and control. Unless there is some constitutional limitation on the right, the legislature may by a single act, *if we can suppose it capable of so great a folly and so great a wrong, sweep from existence all of the municipal corporations in the state, and the corporations could not prevent it* ... They are, so to phrase it, mere tenants at will of the legislature (Dillon, in Krane et al. 2001, p. 10; emphasis added).

Further:

It is a general and undisputed proposition of law that a municipal corporation possesses and can exercise the following powers and no others: First, those granted in express words; second, those necessary or fairly implied in or incident to the powers expressly granted; third, those essential to the declared objects and purposes of the corporation – not simply convenient but indispensable. Any fair, reasonable doubt concerning the existence of the power is resolved by the courts against the corporation and the power is denied (Dillon, in Krane et al. 2001, p. 10).

This is the logic of Dillon's rule. Krane et al. (2001, p. 10) note that it "followed in the footsteps of Kent's 'creatures of state' theory" established in 1836 by James Kent and the doctrine of *ultra vires*, "which holds that political subdivisions possess only those powers expressly conferred by charter or law and no powers" (Zimmerman 1995, cited in Krane et al. 2001, p. 10).

Yet, despite its air of supremacy, and the fact that the U.S. Supreme Court upheld this logic twice *and* that, according to Krane et al. (2001, p. 10), Judge Dillon based his ruling upon "the view that the state legislature was the embodiment of popular sovereignty and exercised supreme authority within state governments" (and, as such, Dillon's rule can be read as a reassertion of the principle of sovereignty), Krane et al. (p. 10) insist that it "was only one side of what was a short-lived but important debate over the appropriate extent of local government authority in the United States".

This other side of the debate has continued to exist in the form of home rule, and it is the genesis of this that forms the fourth "developmental phase" of home rule, "the home rule movement", about which Krane et al. (2001, pp. 10–11) make three main points. First, the initial victory came, again, from an unlikely (if very U.S.) source. According to Krane et al. the problems with municipal debt arrangements (specifically bonds) accompanied by the decree of Judge Dillon in 1868 emboldened the state legislatures to enact "local privilege" laws designed to erode graft at the local level. Yet these laws proved problematic because members of the state legislatures—and in some instances delegations from the state legislature to local government, in many instances cities—would fashion and enact laws to manipulate municipal activity for their own benefit. In essence, the graft that local government was accused of was transferred to the state legislatures, while also leading to the complication of local laws, wherein the legislation produced "two, often warring, political masters: the city council and the local state legislative delegation" (Krane et al. 2001, p. 11).

In some instances these injunctions by state legislative delegations became honed into what were then labelled "ripper laws", whereby specific functions of municipal governments were transferred to the control of officials appointed by the state. Krane et al. (p. 11) cite the example in 1857 of "the New York legislature

initiat[ing] a series of statutes” to create their own authorities over and above those of the city, the first of which (conveniently, it would seem) was the Metropolitan Police District. The result of both the legislative confusion and, we would suspect, pressure in the state legislatures themselves to do something about the “ripper laws” was that “reformers sought state constitutional grants that would permit cities to write and amend their own charters”, with the reform strategy being termed the “home rule movement” (Krane et al. 2001, p. 11).

Second, “because the state courts generally refused to provide any protection to municipalities either under the contract clause or the guarantees of due process” reformers were in effect forced to seek constitutional provisions (Krane et al. 2001, p. 11). Post-Civil War, when many states were re-drafting their constitutions, several states introduced provisions for cities to draft their own charters, the first being Missouri in 1875, closely followed by 13 other states. Of these constitutional provisions, Krane et al. (p. 11) note: “The constitutional language in these thirteen states shared the common feature of establishing home rule through the use of a locally drafted charter which was to be ratified by local voters (or in one case, the city council)”.

Nor did these charters rest idly in the constitutions of the respective states. The third point Krane et al. (p. 11) emphasise is that anti-centrist political groups, namely the Populists (rural folk) and the Progressives (urban dwellers), both of whom were nevertheless interested in “breaking the alliance between big business and party officials”, latched on to the provisions for home rule, the former seeking political reforms (secret ballots, direct election of senators, referendum) the latter achieving the adoption of, for instance, city-manager forms of government (the subject of some of our attention in Chap. 8). Thus we can conclude that from 1875 to the turn of the century were years of traction for home rule.

Krane et al. labelled their fifth phase “the first half of the twentieth century”, which witnessed three stages of development for home rule. The first was marked by the prosecution of the case for home rule by both the Progressive movement and the National Municipal League in the post-WWI period, including the drafting and adoption of a Model City Charter alongside the council-manager form of government. However, the second stage was characterised by setback, with the Supreme Court upholding Dillon’s rule for the second time in 1923, such that by 1937 only 21 states had a constitutional home rule provision. The third stage was a revived interest in the idea of the home rule movement itself which, according to Krane et al. (p. 12) “broached the crucial question: What powers should be granted to local jurisdictions?” Otherwise stated, if the purposes of a home rule charter were essentially three—to prevent interference from the state, to adopt the form of government a locality chose, and to provide local governments with sufficient powers to meet the service requirements of changing local areas—“then the fundamental question in home rule becomes where the line between ‘local affairs’ and ‘state government interests’ ought to be drawn”.

While the National Municipal League at the time supported the broad principle of *Imperium in Imperio* (“a state within a state”, or broadly speaking, a ‘sovereign spheres’ argument) Krane et al. (2001) emphasise that “[o]nce the list of state

versus local powers becomes part of the state constitution, it is very difficult to amend".

The breakthrough came in 1952, marking the sixth "developmental phase" of home rule (Krane et al. 2001, pp. 12–13), "the last half of the twentieth century". The American Municipal Association commissioned Jefferson B. Fordham, author of *Local Government Law: Text, Cases and Materials* to undertake what in Australia we would label a "root and branch" review. Krane et al. (p. 12) describe the recommendation as a "European 'devolution of powers' plan, in which the state legislature would grant local discretionary authority via the adoption of a municipal charter", or what Krane et al. (p. 12) also describe as "a reversal of Dillon's rule"; in essence, "[i]nstead of exercising only those powers explicitly granted to them, municipalities under Fordham's plan could act unless explicitly prohibited by state law". This type of home rule, which Krane et al. (p. 12) note is also labelled "legislative home rule" was adopted by a further 12 states.

This is particularly significant in the Australian context because, as we have seen, this precise form of enablement has been adopted by one state, Western Australia, and arguably is implied in the other enabling sections of the local government acts. Of the Illinois Constitution, Krane et al. comment: "The language on preemption is instructive" and they cite the U.S. Advisory Commission on Intergovernmental Relations by way of emphasis:

... Home rule units [i.e., local governments] *may exercise and perform concurrently with the State* any power or function of a home rule unit to the extent that the General Assembly by law does not specifically limit the concurrent exercise or declare the state's exercise to be exclusive (*U.S. Advisory Commission on Intergovernmental Relations*, in Krane et al. 2001, p. 14; emphasis added).

Further, Krane et al. (2001, p. 14) emphasise that "[i]f the state does not declare a function the exclusive domain of the state, the state constitution requires a three-fifths vote in the legislature to prohibit a home rule unit's use of its local powers", and that "Illinois has served as an example for other states who copied the 'liberal construction' language in recent revisions of their constitutions". This linking of home rule to an increased majority in the state legislature is, we think, an interesting example from an Australian perspective.

For Krane et al. (2001, pp. 12–13), the second half of the 20th century contained two other notable developments. First was the spread of home rule to the counties. By 1996, 37 of the 47 states that include counties had introduced provisions for county home rule, although very few counties themselves (129 of a total of 3043 nationally) had chosen to adopt it. Second, despite the advancement of home rule generally, "a narrow interpretation of Dillon's Rule prevail[ed]" in many states (Krane et al. 2001, p. 13). This alerts us to the both the diversity and complexity of state-local relations in the U.S.

Summarising the home rule state of play in 2000, Krane et al. (2001, p. 14) draw on the work of Professor Timothy Mead to make four overall observations, summarised as follows:

1. Dillon's Rule is the essential legal doctrine of state-local relations;
2. For all home rule types, powers are *granted*, not inherited;
3. Home rule is in practice in 45 states, with *imperium in Imperio* in place in 19 states and legislative home rule in 26 states;
4. Despite this, local government remains *legally powerless in the face of judgments by other levels of government* (emphasis added).

Finally, Krane et al. (p. 14) agree with the federalism scholar Daniel Elazar that home rule had enjoyed increased popularity as part of the “devolution revolution”, but assert that its relevance could be traced along specific issues of public policy, in particular “debates over economic growth, metropolitan sprawl, fiscal and quality of life inequities, and globalisation”. We examine some of these issues in Sect. 5.4.2.

5.4.2 Home Rule as Normative Theory

Thus far in this chapter we have emphasised that the concept of autonomy ought to be understood as describing state-local government relations rather than being viewed as a normative principle denoting the absolute integrity of local government from state government. We have also seen that this is the way autonomy developed in the United States. Thus, while it might be possible to draw up a list of the functions of state and local governments and assign these functions to different spheres—in the way that *Imperium in Imperio* home rule does in 19 states (see, for example, Krane et al. 2001, p. 13; Zimmerman 1995)—or indeed conduct a forensic study of particular examples of state-local relations, the former does not address the question of intergovernmental relations as such, and the latter is an impractically large empirical exercise in this context. Yet if we commence with the recognition that autonomy, like democracy, has normative components, it is possible to be more specific about its application in the context of state-local relations. To achieve this specificity we turn to one of the modern champions of home rule, Briffault (2004).

In their account of Briffault (2004), Grant and Dollery (2012, pp. 404–405) note that he strongly defends home rule for what in this context are familiar reasons: that local democracy requires some form of local autonomy; that it promotes diversity and that this diversity is valuable based on the virtue of individual choice; that it accommodates differences across different areas and that it encourages innovation through competition. Further, Grant and Dollery (2012, p. 404) emphasise that Briffault “*equated* home rule with ‘local autonomy’, which is necessary for local democracy” (emphasis added). In this sense, Briffault’s justification of autonomy is akin to that of Pratchett (2004).

Yet beyond this normative positioning Briffault (2004, p. 260) does some significant work for us when he emphasises that the principal assumption of home rule, that is, “that the consequences of home rule decision-making are borne largely within local boundaries”, is stymied by two realities. The first of these he labels “externalities”, noting that externalities are both horizontal (cross-border) and

vertical (intergovernmental). The second is the issue of fiscal capacity. At both these points we are on very familiar territory in Australia. Recognising that both these issues are profound, Briffault (p. 263) nevertheless sets himself the task of “re-designing home rule for the twenty-first century” based upon “four elements”:

1. Maximise the opportunity for local self-determination so long as the consequences of local action are largely borne within local boundaries;
2. Limit local powers that have extra-local effects;
3. Require the state to play a greater role in managing inter-local conflicts or supra-local issues, and
4. Require the state to build up local fiscal capacities in order to make home rule meaningfully available to all communities.

Examining these points, what is most striking is the roles assigned to the state, especially in managing inter-local conflict and in building up local fiscal capacity. Otherwise stated, the quest for local autonomy is, decidedly, *not* about pulling up the drawbridge on the part of local government. Rather, for Briffault (2004) autonomy as a normative principle ought to be prosecuted as an element of inter-governmental relations.

To explore this agenda, Briffault (2004, p. 263) advances seven “proposals”. Grant and Dollery (2012, p. 405) label these “axioms” and, to be sure, they sit a fair way back from issues of institutional design. However, Briffault operationalises them enough so as to render them applicable in the U.S. context and, we think, of interest in the Australian setting.

The first of these is a *presumption of local power*. Briffault (2004, p. 264) asserts that this presumption translates into “a broad presumption of local power to act on matters that affect the locality or the people within it”. In the Australian context this might sound somewhat trite. However, in the litigious arenas of state-local relations in the U.S., it means something more specific. Briffault (p. 264) observes that such a general presumption is present in the U.S., nevertheless:

Courts will sometimes decline to find home rule authority [i.e.: autonomy] if the matter is not distinctly related to one locality, but rather crops up in localities all over the state. In those cases, a court may conclude that the matter is not a municipal or local affair, but one of state-wide significance.

Yet Briffault (2004, p. 264) is fervently against this tendency to normalise across local jurisdictions:

This seems entirely mistaken ... Local action should be rejected if the regulation has cross-border consequences, burdens inter-local activity, or interferes with state policies that must apply state-wide. *But local action should not be rejected simply because the action addresses an issue that could arise in multiple localities* (emphasis added).

Otherwise stated, the presumption here is one of difference rather than equality. If we think this through it amounts to an argument that challenges precedence from one local area to another and, as such, it is a radical proposition.

Briffault's (2004, p. 264) second "proposal" is *limiting state preemption*, by which he means that "[s]tate displacement of local action should be limited to cases of clear conflict or clearly stated pre-emption"; further: "[I]n order for state legislation to preempt a local ordinance, preemptive intent should be clearly stated in the law, and not implied by a court". Again, the ball is clearly with local government first—as (arguably) it was historically in the U.S., rather than being in the hands of the state—which again from an Australian setting requires a shift in thinking. Further, while it might be tempting to think: "So local councils want to take their garbage out differently—big deal", the situation becomes more controversial when local government action moves from "services to property" to "services to people". Notably, Briffault (p. 405) does not proscribe the co-existence of state and local laws, yet this seems at odds with the presumption in the first place.

Third, Briffault (2004, p. 405) states: "We should give some thought as to where local laws should supersede state statutes even if there is an outright conflict or an express state declaration of pre-emption". In the Australian context this is a genuinely heretical proposition—local law overruling state law—but Briffault (p. 266) presses his case, in particular for "the structure of governance" (local elections, etc.) and, more controversially, "local control of the municipal employment relationship". For Briffault (p. 266), "[t]hese matters go to the heart of the local capacity for democracy and self-governance; they reflect local preferences; they permit local innovation; and they have little or no effects on other localities or on the states as a whole". Apply this to (for example) local decision-making processes and campaign funding for local elections and one can begin to envisage the level of differences that might emerge, but also—most importantly—where the state would not be welcomed.

Fourth is how home rule would apply to unfunded mandates or what we have already noted in the Australian context is labelled cost-shifting (Hawker Report 2003; LG NSW 2015). Of these, Briffault (2004, p. 268) states:

Unfunded mandates can be a major infringement on local fiscal autonomy, as they commandeer local governments to state ends and divert local resources from local control to state-determined programs. Unfunded mandates impair government accountability in general, since the state legislature is free to impose costs on local taxpayers without paying any political penalty, while local officials are held accountable for costs over which they have no control.

This description explains the emotive disquiet behind the issue in the Australian context, although we would note that state government legislation to affect local government authority on a range of issues—rate-capping and, not least, amalgamation, for example—has ramifications for state legislatures (see, for example, Ryan et al. 2015, pp. 3–5). Somewhat surprisingly perhaps, Briffault (p. 269) is not ideologically opposed to mandates from state to local government, in particular on the basis of externalities, which have to be addressed at a state level precisely because of their nature. Nonetheless, mandates ought to be funded; a money trail has to come from the state government with them.

Fifth, as noted by Grant and Dollery (2012, p. 406), for Briffault (2004) “the concept of *fiscal home rule* is of great importance”. Here we note that Briffault’s (p. 269) account of state-local fiscal relations echoes very strongly with the Australian setting described generally in Chap. 7 of this book, with heavily regulated property tax being the principal instrument of revenue collection for local governments. Briffault is unquestionably in favour of greater taxing powers for local government and relies on citizens exercising the option of exiting to mitigate unjustly high taxes.

Sixth—and importantly in this context—Briffault (2004, p. 270) aligns fiscal home rule on the one hand with local fiscal capacity on the other, arguing that state governments have a responsibility for providing “some state fiscal support”. Seventh, Briffault (p. 271) broaches the difficult issue of land use and land use regulation. Here the “separate spheres” metaphor of home rule (equated with local autonomy) is rendered redundant and, in line with his task of refashioning home rule for the 21st century, Briffault argues that while on the one hand “[i]t would be undesirable to take away local land use authority”, on the other hand “[t]he state needs to take a greater role in spelling out ... forms of land use regulation, and in deciding what types of land use controls are appropriate for particular areas”. As well: “Localities need to be required to *keep regional concerns in mind* when they make land use decisions that have regional implications” (p. 271; emphasis added). We return to these points in the next section.

5.5 Home Rule and Australian Local Government: Out of the Mendicant Maze?

Understood in Briffault’s (2004) sense, that is, as normative theory rather than as the rich jumble of practices that exist in the constitutions, statutes and courts of U.S. federalism, Grant and Dollery (2012) set about applying Briffault’s (2004) seven axioms of home rule to the context of Australian local government reform. We hasten to add that in so doing Grant and Dollery are engaging in a strictly theoretical (or “academic”) exercise for, as we have seen, home rule—whether it is set against Dillon’s rule or otherwise—is historically embedded in the jurisprudence and “forced prescriptions of behaviour” (Lowndes and Leach 2004) of U.S. state-local relations. Nevertheless, we concur with Grant and Dollery that this particular game is worth the candle when we take into consideration the extent to which Australian federalism emulated U.S. federalism; as such, the exercise might reveal something about Australian local government systems, if not a way out of what might uncharitably be labelled the “mendicant maze”.

First, reflecting upon Briffault’s (2004) “presumption of local power”, wherein the judiciary avoids a narrow interpretation of local authority, Grant and Dollery (2012, p. 407), following Briffault, note the litigious nature of state-local relations in many U.S. jurisdictions, and comment: “[t]his is surely the most unappealing

feature of the operation of home rule”. However, Grant and Dollery (p. 407) also emphasise what we have derived from our account of home rule drawn from Krane et al. (2001), namely that, in essence, home rule is more than merely the rule of law; it captures the spirit of the law and so could form a feature of the path-dependent political culture of particular jurisdictions. In the words of Frayda F. Bluestein (2006, p. 17): “[T]he usefulness of home rule may be more influenced by the political, economic, historical, and other social factors present in a particular state than by the governing legal structures”. Grant and Dollery (p. 407) also note that, in the context of Australia’s Westminster system of parliamentary democracy, the importance of convention as an element of democratic government was well established. As such, conceptually at least, a presumption of local power conforms not only to the granting of powers of general competence in all state and territory local government acts but is also not outside the bounds of comprehensibility in Australian jurisdictions.

Second, reflecting upon Briffault’s (2004) assertion that a normative understanding of home rule ought to limit the pre-emptive power of the state legislatures, Grant and Dollery (2012, p. 407) are *incorrect* in asserting that “this amounts to a reassertion of the powers of general competence introduced with the reforms to all Australian local government acts since 1989”. In fact, as we have noted above and following from our discussion of the legislation understood in terms of “initiative” and “immunity”, enabling powers or powers of general competence are best understood in Briffault’s (2004) sense as a presumption of local power, or in Pratchett’s (2004) sense as residual powers. It is quite another matter, in the Australian context at least, to talk of limiting the pre-emptive power of the states; such a proposition can only be described as radically heterodox. One only need reflect upon the programs of forced, or coerced, amalgamation, wherein the number of local governments has been reduced, and in some instances radically so, both systemically over time and radically in more recent years (see, for example, Ryan et al. 2015; and Chap. 10 of this book). Further, we ought to recognise that the concept of limiting the pre-emptive authority of the states would apply across the whole range of local government responsibilities.

Nevertheless, it is perhaps here that successful court action by local government against state government could form a precedent that would erode the whip hand of the states. At least one such precedent does exist. In 1998 three Tasmanian councils (Devonport, Central Highlands and Southern Midlands) “successfully challenged the validity” of a regulation to amalgamate them in the Supreme Court of Tasmania (Sanderson and Wardlaw 2015, p. 11). Further, in the current acrimonious and distended program of amalgamations in NSW intense interest has been displayed in the possibility of successfully challenging the program of compulsory amalgamation in that state (see, for example, Davies 2016). Our tentative conclusion is that any limit to the pre-emptive power of the state would have to be established in law, yet it would not be very likely, and it could be very expensive to test these particular legal waters. The same could be said of Briffault’s (2004) third axiom, namely where a local law ought to prevail over state laws.

From an Australian perspective, the situation becomes more interesting when looking to apply Briffault's (2004) fourth normative axiom for home rule, namely that designed to address unfunded mandates or cost-shifting. In the Australian context, as in the United States, unfunded mandates/cost-shifting is both a federal-state issue and a state-local issue. In Australia it gained prominence with the publication of the Commonwealth House of Representatives Hawker Report (2003, p. 28), which cited the Australian Local Government Association's (ALGA's) estimate that cost-shifting amounted to \$1.1 billion at that time. According to Grant and Dollery (2012, p. 408) the major causes of cost-shifting identified in the Hawker Report were [i] "withdrawal of financial support for a program after it commenced"; [ii] "the transfer of assets without any financial support"; and [iii] "the granting of concessions to rate-payers without any accompanying compensation". To this list Grant and Dollery (p. 408) add "a general expansion of local government functions to include 'services to people'", and cite Dollery et al. (2006) to this effect (see also Chap. 7 for a discussion of the varied forms of cost-shifting as well as potential remedies).

Nor is cost-shifting of mere historical interest in the Australian context. For instance, following the federal Coalition Government's 2014 budget, the ALGA pointed to the cessation of the indexation of Financial Assistance Grants (FAGs) to local government, estimated to cost \$925 million by 2017–18" (ALGA 2014). Further, in NSW, the peak industry body for local government in that state, Local Government NSW (2015) has released bi-annual reports based upon "cost-shifting surveys" that estimate that the practice cost local government \$670 million in the financial year 2013–2014.

In effect, Briffault's (2004) fourth axiom states that the devolution of responsibility to local government is defensible—as in fact the theory of local government and devolution would have us believe (see, for example, Chap. 4 of this book). Nevertheless, the act of devolution ought to be funded *and* it need not be *ex ante*. In this regard, Grant and Dollery note that this "pro-active" stance concerning service provision accords with the stance of the Australian local government sector, and cite former President of the ALGA, Geoff Lake, to this effect:

We don't look to simply put a fence around what local government does today and say 'no more cost shifting'. If we did this we would be closing our minds to future possibilities. That's not local government at all. Local government is fluid, it's responsive to communities and it will always be different five years from now from what it is today (Lake, cited in Grant and Dollery 2012, p. 408).

Again, however, we would note the divide between sentiments on the one hand and action on the other—the precise form that home rule would take—is a legal issue, not one of normative theory.

Grant and Dollery (2012, p. 408) comment that "Briffault (2004) is at his most strident about his fifth principle, fiscal home rule, and it is here that the implementation of home rule would have the most impact in an Australian jurisdiction". We have seen in Sect. 5.2 that for Pratchett (2004) as well, fiscal autonomy

operates as a trump card within the discourse concerning local autonomy. Further, Grant and Dollery (2012, p. 408) comment:

Fiscal home rule would open up the possibility of broader local income gathering, such as more frequent property revaluations and the introduction of local taxes, while maintaining (and even increasing) the existing system of intergovernmental transfers. *In theory*, there is nothing to suggest that Briffault's (2004, 270) faith in local 'voice' would be significantly undermined in the Australian context (emphasis added).

At the time, Grant and Dollery (2012, p. 408) expressed several reservations about the possibility of what might be labelled fiscally "maximalist" councils (see Grant et al. (2016)), noting that in the survey for support of federal constitutional recognition conducted by the Expert Panel (EPCRLG 2011), Victoria and Western Australia expressed reservations about the prospect of financial recognition of local government, with other jurisdictions registering ambivalence.

However, we think that there is a real sense in which the national debate about financial robustness of local government has now moved on to what is at least a tacit endorsement of stronger own-source revenue, alongside sources of revenue being made available for local government (see Chaps. 7 and 12 for a discussion of the principles which should inform local government taxation, fees and charges, and intergovernmental grants). In the first instance, at least in the short-to medium term, any concern from the states that they face the prospect of watching local governments in their respective jurisdictions receiving streams of direct funding from the Commonwealth (thereby missing out themselves) has been somewhat quietened with the High Court's judgement in *Pape v the Commissioner of Taxation* (High Court 2009), *Williams v Commonwealth* (High Court 2012) and subsequent actions (see, for example, Dollery et al. 2013, pp. 202–204; Grant and Dollery 2010).⁴ Second, there has been the slow realisation that in the face of both declining commodity prices over the short to medium term (at least—see Garnaut 2013), and the impacts of a radically ageing population (see, for example, Australian Government 'Intergenerational Report' 2010), Australia's tax basis will have to be fundamentally revisited. This has been evidenced in the most recent federal inquiry into government revenue and spending (Henry Review 2009). Third, scholarly work has increasingly probed options at a sub-national and, in particular, a local, level (see Chap. 7).

These remarks are equally applicable to Briffault's (2004, p. 271) sixth axiom, local fiscal capacity. Nevertheless, his insistence upon a degree of equalisation may serve to focus attention on the "complex and difficult undertaking" of revisiting the distribution of FAGs, such that the allocation of funds is more equitable and defensible. With respect to Briffault's (2004) seventh axiom, namely highlighting

⁴Although we do note that the Commonwealth continues to fund local government directly through the Roads to Recovery program. In so doing, the Commonwealth appears to be relying on 'nationhood power' (see, Twomey 2012). This 'would appear to be vulnerable to constitutional challenge if anyone had the standing and motivation to take such an action' (Twomey 2012, p. 161). However, it should be noted that that such action by a State government would involve significant risk.

the importance of intergovernmental regulations in relation to land use designations, Grant and Dollery (2012, p. 409) emphasise that for Briffault this element of home rule for the 21st century is more than recommending cooperation over zoning. Rather, “new institutions” ought to be fostered, from above *and* below. Grant and Dollery (p. 409) underline the fact that Australia is replete with examples of these, many of which are precisely concerned with the regionalisation of public policy issues around natural resource management, discussed in Chap. 3. We can recall from our discussion in Chap. 2 that all of the capital cities of the Australian states have struggled, less rather than more successfully, with the issue of metropolitan governance, the most salient, recent example of which is the Greater Sydney Commission (see Grant et al. 2015 and Chap. 11 of this book). Again, the issue of autonomy as home rule rubs up closely with contemporary practice in the Australian context in terms of institutional design. However, it is in relation to political culture, or “the spirit of the laws” to use Montesquieu’s (1952) phrase, that the fundamental difference resides. We reflect upon this in the discussion below.

5.6 Observations and Implications for Policy and Research

To briefly recapitulate our discussion in this chapter: we commenced our consideration of the concept of autonomy and Australian local government by underlining the practitioner-driven, and as such the anti-theoretical, imperative that informs much (but not all) local government scholarship in this country. Against this backdrop, Sect. 5.2 examined the concepts of autonomy and democracy and, following Pratchett (2004), we argued that it is imperative not only that the two be understood as distinct concepts but that autonomy ought to be understood fundamentally as an issue of sovereignty (although it by no means equates to it). Further, and again following Pratchett (2004), we argued that autonomy ought to be understood as denoting the relationship between local government and higher tiers of authority. We also delineated between autonomy understood as immunity on the one hand and as initiative on the other hand.

Section 5.2 examined the fundamental legislative frameworks that can be seen to inscribe these two ideas in the contexts of local governments in Australia, namely the comparative place of local governments in the state constitutions for immunity and their place in the local government acts for initiative. We argued that local government is heavily constrained within the constitutions and the acts and in a range of other legislation, but this does not proscribe us from examining the idea of autonomy as it pertains to local government in the Australian, or indeed any other, setting.

In concert with the purposes of Grant and Dollery (2012), Sect. 5.3 introduced the concept of home rule in the U.S. as a means of understanding, by way of comparative analysis, the idea of autonomy as it pertains to local governments in the Australian context. Alongside providing a definition of home rule and its relationship to the concept of autonomy, we took some time to provide a synoptic

account of the history of home rule and Dillon's rule in the U.S., drawn exclusively from Krane et al. (2001). Aside from the intrinsic interest of such an account, we indulged in this review in the context of this book precisely because it can be juxtaposed with our own account of the historical development of local government across Australia's jurisdictions presented in Chap. 2. To be sure, the two accounts are not mirror images of one another methodologically: Chap. 2 provided an historical narrative while our account of home rule and Dillon's rule highlighted the development in law of the two ideas in the U.S. Nevertheless, we contend that the comparison is useful, particularly when we consider the way that the U.S. experience informed the design of Australian federalism generally and the comparative place of local government in the historical development of each of the nation-states. Section 5.3 also examined in some detail Briffault's (2004) account of home rule defined as normative theory, and described the seven axioms posited and explored by him. In Sect. 5.4, also following Grant and Dollery (2012), we then applied these axioms to local government in the Australian context.

It is with the broad application of Briffault's (2004) axioms to Australian local government that the strategic implications for public policy reside, and we will not reiterate them here. Nevertheless, further observations ought to be made in this context. One possible objection to our discussion *writ large* is that, in commencing with a critique of the concept of autonomy as denoting an absolute or integral idea, we set up a "straw-person" to easily malign. According to this view, everyone knows that autonomy is not the same thing as democracy and that it is fundamentally a relational concept usefully discussed in terms of immunity and initiative. On this account, also, discussions such as ours are largely irrelevant and what needs to be done, precisely, is to get down to negotiating the relationship between local government and the higher tiers of authority, of which the federal tier, responsible as it is for the dispersal of significant monies in the form of FAGs, is also important in the Australian context. On this account also (perhaps most pointedly) academics are wasting everyone's time and they should be more gainfully employed in (for example) waiting tables or tending goats.

We think that these objections can be robustly countered in two ways. First, within the academic literature examining local government in Australia, the idea of autonomy in an absolute sense is used and, we would argue, normatively prized. The most explicit example of this tendency is in the discussion by Dollery et al. (2009), wherein autonomy is juxtaposed with other ideal state-local government relations ("control", "prevention", "rescue") and clearly favoured. As we have seen in Chap. 4 and in our discussion of home rule above, the reasons for valuing autonomy are profound; without it, none of the theoretical benefits of local government are accrued. Nevertheless, it is a fundamental error to understand it as denoting integrity. As Pratchett (2004) argues, autonomy is *about* sovereignty, it does not *denote* sovereignty. Local governments are not sovereign governments. The stance here is fundamentally different.

Second, this academic argument pales into relative insignificance when compared with the way that the concept of autonomy, understood as *non*-relational, cashes out in what we have depicted as the *ideology*, or the rhetoric of local

government in a public policy sense in the Australian context. These public policy debates are, in essence, about “us” (good local government, seeking autonomy) versus “them” (bad state government, seeking control). The view that this characterisation of local-state relations is a gross oversimplification is, surprisingly and disturbingly, easily countered. To take just one example, recently the mild-mannered former Minister for Local Government in NSW, Don Page, commented (Page 2015, p. 117) that when he took office in 2011 in that jurisdiction, “the relationship between state and local government had deteriorated to a point where it could accurately be described as toxic”. To argue that the relationship has subsequently improved through the course of what can only be described as a vexatious reform process from 2011 onwards is, surely, fanciful. On the contrary: it is possible to argue that state-local government relations in NSW have reached heightened levels of toxicity (see, in particular, Drew et al. 2016 and Chap. 10 of this book). While this is admittedly a very low point in state-local relations in Australia, the oppositional, if not toxic, nature of this relationship is not unusual. Of course, to find the reason for these relationships being as they are in the idea that everyone is carrying around the wrong idea of autonomy in their heads is wrong. However, the shape and tenor of local government reform debates in Australia is very different from that which might be seen in pursuing the normative principle of autonomy—by both state and local governments—in the sense expounded by Briffault (2004). The shift is subtle, yet as we have seen in our application of Briffault’s seven axioms for home rule in the 21st century, the policy implications are profound.

The nature of this difference is reinforced when we reflect upon home rule in the United States, and compare it with local governments across the Australian federation. Local governments in Australia all operate with the enabling powers that characterise legislative home rule that was adopted in 19 states in the U.S. in the post-WWII era, following the review conducted by Jefferson B. Fordham on behalf of the American Municipal Association (see Sect. 5.4.1 above). Legislative home rule is in place in 26 U.S. states (Krane et al. 2001, p. 14). However, to argue that local governments in Australia operate under legislative home rule is clearly false. The difference is a constitutional one. This is, decidedly, *not* in the sense of changes being introduced into the written constitutions of states for home rule. On the contrary, the constitution that allows the operation of home rule in the U.S. is of the unwritten kind: that which is embodied in the historical development of the laws of the particular states, of which we took some time to provide an account.

In their discussion of home rule and its applicability to the Australian context, Grant and Dollery (2012, p. 407) include as a footnote an observation by one of the drafters of the *Local Government Act 1993 (NSW)* that we highlight here and which we think reinforces the differences between the two national contexts. Commenting on the (then) new act, John Mant stated:

All we did was get rid of the legislative junk from the 19th century and provide a framework in which modernisation and reform could take place.... Unfortunately although the stage was set for reform, only a very few of the players appeared ready. Major reform has not been forthcoming. Nobody really wanted it – not the unions or the Ministers, nor, at least,

until recently, the Local Government Associations and the Department of Local Government. With a couple of exceptions, most councils took the same [view] and operate essentially in the same way as they did 100 years ago (Mant, in Grant and Dollery 2012, p. 407).

By no means do we mean to infer that Mant, alongside his co-reformers, had in mind to introduce home rule in the U.S. sense to NSW. However, clearly he is discussing the introduction of *inter alia* enabling powers. It is also clear that he is making a claim about political culture and local government in the Australian context, specifically in NSW. We can see here that it is not culture understood in a trivial or “superstructural” sense; rather, it is in the unwritten or constitutional sense discussed above. As such, we have informed the understanding of the *nature* of local government in Australia generally with the comparative perspective offered in this chapter. The message to policy-makers is clear: any attempt to reform local government in Australia’s jurisdictions ought to be aware of the work that has to be done in order to alter the essentially oppositional nature of politics between state and local government. Yes, there are important differences between the jurisdictions that have evolved and will continue to do so in the future. However, this does not alter our central point.

A significant research agenda can be envisioned from our considerations in this chapter. Any examination of the relationship between local government and higher tiers in all systems of government in a comparative perspective is to be applauded, and we freely admit that we have only touched on the literature here. However, our discussion suggests that there is a lot to be learned from further sustained research into state-local relations, particularly in federal systems. Most obviously our attention is directed toward the U.S. in this regard. However, this by no means precludes concentrating upon this issue in other federal contexts. For local government scholars this may seem a relatively obvious point. Yet it ought to be recognised that, as a central node in any multi-tiered system of government, these relationships—understood legally, administratively, politically and culturally—are crucial and have far broader implications than for the study of local government itself. We ought to be aware as well of the significant positive externalities from undertaking comparative international research into sub-national government. To undertake sustained programs of bilateral research would not merely be a boon for scholarly understanding but ought to be placed in the context of the “soft power” of international relations as well.

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Chapter 6

Community and Community Engagement in Australian Local Government

Abstract The concept of community is one that is intrinsically associated with local government. However, the concept is also central to political writing and has been defined—and profoundly so—in a variety of ways. This chapter argues that we should acknowledge these views when we approach the topic of community in local government, particularly where the putative shift from “government” to “governance” is heralded as an intrinsically good thing. We examine the theory and practice of community engagement, both generally and in the specific context of local government in Australia, before outlining the legislative frameworks and adjacent mechanisms for community engagement as an element to local government practice across Australia’s jurisdictions. We then present a case study of community engagement in the City of Greater Geraldton from 2011, an example of successful, locally-led regionalism against a backdrop of economic change and threatened structural reform to local government. Despite its growing importance as an element of the work that local government does, we argue that the normative tensions surrounding engagement ought to be recognised.

Keywords City of Greater Geraldton • Community • Community engagement • Consulting • Governance • Government

6.1 Introduction

In several respects the concept of community feels similar to the idea of local government: both can invoke ideas of closeness and belonging. Further, as we saw in Chap. 4, theoretically we can defend local government as a community in the sense that local governments are one of many types of “intermediary bodies” that a range of theorists from a variety of disciplines have argued ought to reside—and thrive—between the absolute authority of the state, or sovereign, and the private sphere, in particular the idea of the (liberal) self (see, for example, Chandler 2008; Dollery and Robotti 2009; Tiebout 1956; Wickwar 1970). In this sense, namely as an entity between the state and the private sphere, the idea of community has

similarities with the idea of “civil society” discussed in political theory, although civil society is conceived as entailing many different types of communities (for an overview, see Hyden 1997).

However, we should recognise that community is broader than just local government. When we examine the idea of community in political studies *writ large* it is evident that a lot of ink has been spilled in attempting to define what communities are. For example, Gellner (1983, 1994) consistently argues that the basis of national communities is ethnicity. Alternatively, in his study of Indonesian nationalism, Anderson (1991) argues that the formation of nationalism in that setting was anything but endemic; rather, it was a political project designed by a post-colonial elite. Adding to this complexity, more recently Esposito (2010) has forcefully asserted that the has its origins in the language of the Catholic Church. As we saw in Chap. 3, community can also be defined geographically, in the way that Brown (2006, pp. 13–14) discusses “region-regionalism” set against “state-regionalism” in Australia.

Our point is that, while some might be tempted to consign these types of discussions—in essence discussions of nationalism and political theory—to what Rhodes and Wanna (2007, p. 410) describe as “big ‘P’ politics”, it is important to bear in mind that the political, or contestable nature of community is just as applicable to local government as it is to any other type of politics. Yes, in most contexts when we speak of community and community engagement in local government we are speaking about “the little people”, those who do not control the commanding heights of either the state or the economy. However, at the same time the series of essential political questions—who the community is and by implication who it is not; what ties these people together, etc.—can be asked of the communities of local government in just the same way as we ask them of more readily identifiable entities such as nation-states. Arguably, these questions become particularly pertinent in episodes of amalgamation, which is examined in some depth in Chaps. 7 and 10 of this book.

Despite the political nature of community, contemporary administrative systems require good empirical accounts of the people in their jurisdictions and, again, this requirement is just as applicable to local government as it is to any other type of administration. In Australia (for instance) Lavarack and Ohlin (2013) provide an overview of how demographic data, including various types of ABS Census artefacts, are used by state and local governments for planning purposes. The Australian Centre of Excellence for Local Government (ACELG) has produced an admirable quantum of work aimed at assisting local government administrations with what is, in essence, the task of constructing a sociology of their communities and with fostering community engagement and capacity building, as discussed in this chapter (see, for example, ACELG 2011; McKinlay et al. 2012; Morris 2012).

However, there is a fundamental tension between knowing this information and encouraging community engagement generally on the one hand, and the desire to remain relatively free from the administrations of government on the other hand. It is important to underscore this tension because, when we examine the literature of community planning and community engagement in local government systems in

Australia, it often seems that one can “never have enough” community engagement. Further, this central tension is not resolved with the endorsement—tacit or otherwise—of a so-called “shift” from “government”, where administration is seen as a series of practices to be applied to a population (albeit when the government is derives its legitimacy through a system of representative democracy), to “governance” and “community governance” in particular, which, according to Aulich (2009, p. 45) seeks to have communities more actively involved in public policy-making. It is important, in a liberal society at least, that we reserve the right not to be too deeply engaged in government—local or otherwise.

This chapter again adopts an “institutional approach” derived from political studies, wherein legislative frameworks form the basis of the inquiry. This approach recognises that, while “political institutions do not determine the behaviour of political actors”, they “shape political behaviour by providing a relatively systematic and stable set of opportunities and constraints” or “enforced prescriptions” guiding behaviour (Lowndes and Leach 2004, p. 560). Section 6.2 moves from the broad discussion of community canvassed in this introduction to examine community engagement generally and in local government in particular. We provide a broad definition of community engagement, consider types of community engagement and explore the reasons why it has assumed an increased level of importance. Section 6.3 provides a comparative overview of the legislative frameworks for community engagement across Australian local government systems. As with other elements of local government systems, jurisdictions share notable similarities and differences. Section 6.4 moves to discuss the case study of the City of Greater Geraldton, Western Australia from 2011 to the present, examining in turn the detailed legislative and regulatory frameworks for community engagement in Western Australia, structural reform as an impetus for community engagement and the extensive process of community engagement undertaken in that LGA. We then reflect upon the implications for public policy in Sect. 6.5.

6.2 Community Engagement and Community Engagement in Australian Local Government

6.2.1 Defining Community Engagement

Despite flagging the contestable nature of the concept of community in our Introduction, community engagement as an element of contemporary local government practices in Australia attracts the overwhelming quantum of our attention in this context. Community engagement is usually defined as being more broadly applicable than merely to local government and it is important that these general understandings of engagement inform those more directly concerned with local government settings.

For their part, in their book *Rethinking Governance: The Centrality of the State in Modern Society*, Bell and Hindmoor (2008, pp. 137–138) define community engagement as “a wide range of governance engagements or partnerships between governments, citizens and communities”. This definition recognises, and to a certain extent endorses, the methodological perspective flagged above, whereby communities and citizens are structurally delineated from “the state” and the administrative mechanisms thereof. In his discussion, Head (2007, p. 442) makes explicit the idea that terms “community engagement” or “citizen engagement” do not include “the private business sector”, conceived as corporate citizens or, indeed, in another way.¹ The private sector is thus structurally delineated from “the community” broadly understood because, according to Head (2007, p. 442), “their power base is quite different from the social interests represented by the third sector”. As we suggested in our Introduction, a more colloquial way of stating the same point is that when we speak of community engagement what we’re really talking about is governments engaging with “the little people” and (importantly) those organisations that purport to represent them. In this sense, discussions of community engagement can be seen to tacitly endorse a tripartite division of society between government, business and civil society that comprises a central organising idea in business studies (see, for example, Crane and Matten 2010).

Grant et al. (2011, p. 2) remind us of the Rudd Government’s enthusiasm for community engagement at the national level, including the 2020 Summit. State governments similarly engage with communities at the strategic planning level (see, for example, Bishop 2002). In fact, when we reflect upon any public policy process it is difficult to think of instances wherein engagement with “the community” isn’t a requirement, albeit a tacit one, of public policy processes. Perhaps the defining element of community engagement is that it is conducted over and above (or beneath and below) the arrangements for preference allocation that are embodied in the processes of representative government or, indeed, the conduct of business for, as we shall see, private organisations also conduct engagement activities.

6.2.2 *Why Community Engagement?*

Several authors assert that there has been a general increase in what Bell and Hindmoor (2008, p. 138) refer to as “the scale and scope” of community engagement, and furnish us with a broad sweep of reasons as to why this increase has occurred. The first of these reasons is essentially normative. Thus, Bell and Hindmoor (2008, p. 138) observe that “democratic theorists have successfully argued the case for forms of participation and deliberation as an adjunct to representative arrangements”, and that “the value of an active citizenry has formed an

¹This is notable because traditionally the idea of “civil society” did include private enterprise (see, for example, Hegel 1952).

increasing element to policy in key western polities”. Similarly, Head (2007, p. 442) asserts that “formal processes of institutionalized democracy [are] no longer regarded as sufficient by wide groups of citizens and leaders of NGOs”. Further, if we reflect upon the theoretical arguments supporting local government, the idea canvassed in Chap. 4, the idea of a more authentic representation of community preferences has strong support, particularly in economic theories of local government that assert that difference between subnational units promotes competition, innovation and, as such, efficiency (for an overview, see Shah and Shah 2006). The implication here is that if this can be achieved by community engagement, so be it.

The second reason commonly advanced for increased community engagement is essentially instrumental—that is, that finding out what the community wants results in better policy, not only in the sense that governments have more possibility of providing communities with what they want if they successfully solicit their options, but also that they will discover other policy options that wouldn’t occur to them (Head 2007, p. 443; see, in particular, Dryzek 1990). To this reason we can add that governments might be more likely to avoid costly errors in public policy—by providing goods and services that people don’t actually want, for example—if they engage effectively.

The third reason is that community engagement increases the legitimacy of governments and, to the extent that private organisations choose to engage, those organisations as well. For governments, this legitimacy can be correlated with levels of electoral success and popular support more generally, particularly in Western democracies. It is also important to point out that, in contexts where there is widespread mistrust or, indeed, loathing and fear of tyrannical and/or corrupt governments, engagement in decision-making by “the little people” is an important component of making collective decisions (see, for example, Baiocchi and Ganuza 2014; Goldfrank 2012). Fourth, Bell and Hindmoor (2008, p. 138) make the point that advances in information and communications technology have greatly assisted the scope for soliciting the opinions of citizens directly. This point was explored by Scott (2006) in his ingeniously titled article “‘E’ the people: Do U.S. municipal government websites support public involvement?”, published in *Public Administration Review*.

Drilling down from these general reasons for community engagement, Head (2007, pp. 447–448) also examines “sectoral [i.e., government, community and business] motives and purposes” for community engagement. Head notes that, for many government agencies, community engagement is required but that nevertheless several other motivations can be identified:

1. Broadening the base of responsibility for outcomes may allow a partial displacement of blame from the shoulders of government, thus sharing more widely the responsibilities for success and failure;
2. Broadening community-level responsibility in this way is consistent with the managerialist doctrine that government should ‘steer’ rather than ‘row’ the ship of state; and

3. Creating a broader sense of civic involvement may assist in restoring a higher level of ‘trust’ in political institutions and less support for alternative protest movements (Head 2007, p. 447).

Examining these three points we think it is fair to surmise that not all of these motivations are entirely virtuous. Thus, while the “positive externality” of engendering a greater sense of community trust *may* occur, shifting blame for any negative outcomes can also result when attempting to achieve the more neutral goal of government “steering not rowing”.

Turning to the motives and purposes of community groups themselves, Head provides the following four points:

1. The prospect of greater voice and influence for the interests they represent;
2. Seeking to fulfil the equity principle that people should be involved in issues affecting them;
3. The hope for better outcomes for ordinary citizens and disadvantaged groups; and
4. Opportunities for NGOs to obtain revenue growth from provision of outsourced services (albeit, NGOs are very aware of the potential risk of compromising their value-based mission by providing contracted services designed and monitored by government) (Head 2007, p. 448).

While the first three are virtuous in the sense that all serve the community, the fourth represents the possibility of self-interested behaviour—ranging from that which is entirely legitimate to what might amount to “gouging” the process.

At this point Head asserts that: “Business groups choose to become part of the broad multi-sectoral engagement process because:

1. Where new forums are established, there are strong incentives for business interests to participate in order to maintain their positional influence (e.g. to take a proactive role in shaping policy debates or to exercise veto power);
2. In particular, business may wish to propose material incentives and voluntary industry codes (rather than enforceable regulatory standards) as the primary means to facilitate any necessary changed behaviours;
3. For some business interests there is value in demonstrating their belief in corporate social responsibility through involvement with other social interests in finding agreed solutions (Head 2007, p. 448).

Similarly, while points 1 and 2 represent defensible self-interest on the part of private organisations maintaining their “positional influence” and, for instance, attempting to ensure that regulation is conducted by itself rather than government, at the same time corporate social responsibility (CSR) can be deployed to present a veneer of concern.

These types of community engagement, the reasons for them being conducted and the motivations for undertaking them will be more or less applicable in local government depending upon the particular examples. Further, it can be seen that the work of Head (2007) could form a valuable checklist, or methodological tool, for

beginning to evaluate any one program of engagement. Nevertheless, beyond these general features of engagement, one element of the engagement picture applies particularly to local government, namely the so-called “shift” from “government” to “governance”. This is concisely captured by Aulich (2009, p. 44) who, after noting the “almost universal acceptance of the principle of citizen participation in democratic societies”, defines the shift thus:

Citizen participation in *government* has traditionally centred on measures to facilitate greater public access to information about government, enhance the rights of citizens to be ‘consulted’ on matters which directly affect them, and ensure that all voices can be heard equally through fair systems of representative democracy. Such measures typically include standardised rules, protocols, and enabling legislation and regulation ... However, there is a growing appreciation that participation in *governance*, or participatory governance, involves different principles and methods for engagement (Aulich 2009, p. 45).

Further:

The shift from government to governance involves the provision of means to engage individuals and organisations outside government through ‘structures and arrangements which support effective relationships across the public, private and community sectors as they collaborate in decision-making’ Citizen participation in governance also aims to devolve power and resources away from central control and towards frontline managers, local democratic structures, and local consumers and communities in what Stoker terms ‘new localism’ (Stoker 2004). *This has implications for traditional ideas of representative government with communities moving away from vicarious engagement in democracy towards more direct involvement in decision-making processes* (Aulich 2009, p. 45; emphasis added).

While it may appear slavish on our behalf to cite Aulich (2009) at such length, we should recognise that this extended citation is the most concise exposition of the shift from government to governance in Australia, and it draws upon a range of international literature, although it does not include advocates of this shift’s own self-criticisms (see, for example, Stoker 2011) and pointed criticisms thereof (Grant and Dollery 2011).

Nevertheless, there is both an empirical inaccuracy *and* a political ambivalence therein that—as we suggested in our Introduction to this chapter—needs to be flagged. The empirical inaccuracy is to claim that community governance, in particular in the form of community engagement discussed above, is occurring *outside* government. On the contrary, it would appear that it occurs precisely at the point of engagement with government (of varying tiers) and what we have denoted as “the little people” in our discussion thus far. As we see in Sect. 6.3, this appears to be the case when we examine the institutional arrangements for local government and community engagement. Second, we think it is worth asking ourselves the critical question of whether, and to what extent, exercising governance outside government is desirable. Again, as we suggested in our Introduction to this chapter, this is a profound question for a liberal society, and very different from (for example) gathering the opinions of people in order to better inform public policy or inviting a group of “the little people” to participate in a participatory budgeting process.

6.2.3 *Types of Community Engagement*

Turning to *types* of community engagement, Head (2007, p. 443) notes that “many different techniques and processes are potentially available” (surveys, consultation with key players, the establishment of forums and advisory boards; we discuss more specific examples in the case study presented in Sect. 6.4 below). Nevertheless, Head (2007, pp. 443–444) draws a fundamental distinction between community engagement initiated by government and that initiated by citizens, noting moreover that a further, qualitative distinction can be drawn between “strong” or robust processes of engagement set against weak or “tokenistic” examples, and that engagement will be heavily influenced by the *capacity* of individuals and groups to be involved. The concept of *capacity* in this sense is perhaps better thought of as *ability*: whether individuals and organisations have the ability to engage, i.e.: the finances, time and indeed the skills of communication in order to undertake these processes effectively.

Head (2007, p. 447) also makes the point that, alongside thinking of engagement as an element of the individual layers of government (national, state, local, for example) as well as by sector (government, business), we can also think of community engagement conceived as “domains of involvement” that cut across the more traditional sites of decision-making. These “domains of involvement” include “various spatial scales”—regionalism in Australia is particularly salient; in local government we also talk of scales smaller than official Local Government Areas (LGAs), such as precincts. Head (2007, p. 447) also identifies “problem issues and policy arenas” around which community engagement can coalesce. This reinforces Aulich’s (2009) distinction between “government” and “governance”.

Of particular relevance, Head (2007, p. 445) provides the International Association for Public Participation’s (IAP2) Spectrum for levels of public participation, represented in Table 6.1. The table is self-explanatory, with types of community engagement progressing from “informing”, through to “consulting”, “involving”, “collaborating” and “empowering”. Particular *techniques* of engagement are associated with particular stages of engagement: “Informing” can be undertaken by providing factsheets, websites and open houses; “Consulting” can include surveys, public meetings and focus groups; “Involving”, workshops and deliberative polling; “Collaboration”, citizens’ advisory committees and participatory decision-making; and “Empowering”, citizens’ juries and delegated decision-making. It is important to note that the contents of Table 6.1 are *normatively ordered*—at least implicitly—from left to right, with the proviso that some *better* forms of engagement will not be possible in particular situations.

With this background in mind we now drill down to examine the legislative frameworks for community engagement in Australia’s local government systems.

Table 6.1 Levels of public participation and empowerment

Inform	Consult	Involve	Collaborate	Empower
<i>Public participation goal</i> To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions	<i>Public participation goal</i> To obtain public feedback on analysis, alternatives and/or decisions	<i>Public participation goal</i> To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered	<i>Public participation goal</i> To partner with the public in each aspect of the decision, including the development of alternatives and the identification of the preferred solution	<i>Public participation goal</i> To place final decision-making in the hands of the public
<i>Promise to the public</i> We will keep you informed	<i>Promise to the public</i> We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision	<i>Promise to the public</i> We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision	<i>Promise to the public</i> We will look to you for direct advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible	<i>Promise to the public</i> We will implement what you decide
<i>Example techniques to consider</i> Fact sheets Websites Open houses	<i>Example techniques to consider</i> Public comment Focus groups Surveys Public meetings	<i>Example techniques to consider</i> Workshops Deliberative polling	<i>Example techniques to consider</i> Citizen advisory committees Consensus-building Participatory decision-making	<i>Example techniques to consider</i> Citizens' juries Ballots Delegated decisions

Source Adapted from Head (2007, p. 445)

6.3 Outline of Legislative and Regulatory Frameworks for Community Engagement in Australian Local Government Systems

As noted by Grant et al. (2011, p. 4), a complete account of all community engagement practices in Australian local government systems is a task well beyond the scope of any particular book chapter. Rather, we augment studies of particular jurisdictions (see, for example, Grant et al. 2012; Prior and Herriman 2010; Wiseman 2006) and those more general overviews of the Australian experience of community engagement (Aulich 2009; Grant et al. 2011) to provide an overview and characterisation of the contemporary legislative and regulatory frameworks.

6.3.1 New South Wales

In NSW the *Local Government Act 1993 (NSW)* (NSW Government 1993) underwent significant reform to require community engagement as an element of council planning, with the introduction of the *Local Government Amendment (Planning and Reporting) Act 2009* (NSW Government 2009). This introduced a schedule of changes to various sections of the *Local Government Act 1993 (NSW)*, including *inter alia* §8 (“The Council’s Charter”), Chap. 4 (“How can the community influence what a council does?”), alongside detailing how the position of General Manager was to change with the introduction of the plans (see NSW Government 1993). Nevertheless, the greater weight of the amendments to the *Local Government Act 1993 (NSW)* were to “Part 2 Strategic Planning”. This included insertions under §402 “Community strategic plan”, §403 “Resourcing strategy”, §404 “Delivery program”, §405 “Operational Plan” and 406 “Integrated planning and reporting guidelines” (NSW Government 1993). The relationships between these elements are specified on the Office of Local Government (OLG) website, which also provides a link to both the “Integrated Planning and Reporting Manual” and “good practice examples” (OLG [NSW] n.d.a).

Drilling down from these amendments to examine the detail, §402 “Community strategic plan” states:

402 Community strategic plan [CSP]

- (1) Each local government area must have a community strategic plan that has been developed and endorsed by the council. A community strategic plan is a plan that identifies the main priorities and aspirations for the future of the local government area covering a period of at least 10 years from when the plan is endorsed.
- (2) A community strategic plan is to establish strategic objectives together with strategies for achieving those objectives.

- (3) The council must ensure that the community strategic plan:
- a. addresses civic leadership, social, environmental and economic issues in an integrated manner, and
 - b. is based on social justice principles of equity, access, participation and rights, and
 - c. is adequately informed by relevant information relating to civic leadership, social, environmental and economic issues, and
 - d. is developed having due regard to the State government’s State Plan and other relevant State and regional plans of the State government (NSW Government 1993).

Alongside these requirements, §402 also includes requirements for a community engagement strategy, including dates for drafting, public consultation and endorsement of the CSP by the council. The CSP must then be forwarded to both the Director General of the OLG and the Minister. Under §402 councils are also required to provide a URL on their websites to the CSP (NSW Government 1993). Figure 6.1 illustrates how CSPs are ideally meant to sit in relation to other planning requirements.

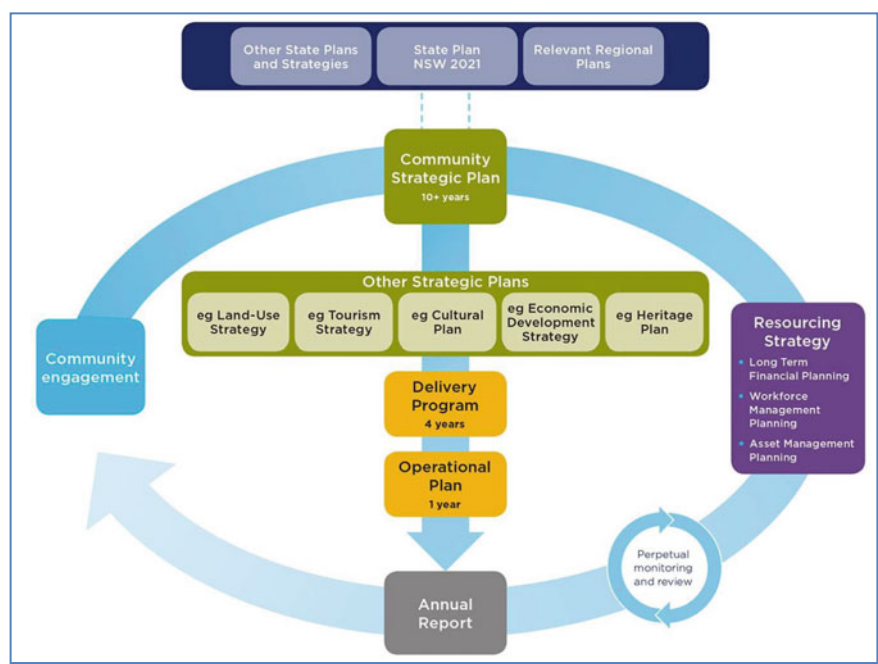


Fig. 6.1 NSW: Integrated planning and reporting framework (IP&R). *Source* OLG [NSW] (n.d.b)

Figure 6.1 depicts community engagement (at the far left) as one element of the formulation of the CSP, accompanied by the three-part “Resourcing Strategy” (far right). Second, it demonstrates that, at least theoretically, the CSP is superior to the clutch of “Other Strategic Plans” at the council level (note also that the plans represented along the middle of Fig. 6.1 are listed as examples, rather than mandatory requirements). Third, it shows the theoretical relationship of the CSP to the “NSW State Plan” and “Other State Plans and Strategies” (at top). The point here is that if we were to rely solely on the amendments to the *Local Government Act NSW 1993* required by the 2009 legislation, one might be left with the impression that local governments in NSW have been required to transform themselves into ideal, Fabian socialist municipal corporations grounded in community engagement. Figure 6.1 demonstrates that this impression is decidedly inaccurate. It also alerts us to the fact that the required engagement is but a small element of what is a very much larger strategic planning framework. Importantly, this framework takes into account other elements of the state’s planning system, including the activities of the newly introduced metropolitan-wide statutory corporation, the Greater Sydney Commission, discussed at some length in Chap. 12 of this book (see, for example, DP&E [NSW] n.d.).

In their summation of community engagement in NSW Grant et al. (2011, pp. 6–7) made two observations that still hold: “the framework clearly specifies a long term (10+ years) CSPs”, and “the reporting requirements for both community engagement and CSPs ... can be described as intricate, if not complex”. Further, as emphasised by Head (2007, p. 245) and Prior and Herriman (2010, pp. 60–61), we should note the realities of uneven capacity across very diverse LGAs in NSW. Despite these reservations, the requirement for community engagement as an element to planning in NSW is firmly and mandatorily in place.

6.3.2 Victoria

In Victoria, as they were both originally enacted, both the *Planning and Environment Act 1987 (Victoria)* (Victorian Government 1987) and the *Local Government Act 1989 (Victoria)* (Victorian Government 1989) took a less stringent line than in NSW in making community engagement an integral part of planning processes. Under the former Act, §4(2f) stipulates that one of the “objectives” is “to establish a clear procedure for amending planning schemes, with appropriate public participation in decision making”. A similar general requirement was introduced to the latter Act with the introduction of the “Local Government (Best Value Principles) Bill 1999”. This Act stipulated in §208B that “a council must develop a program of regular consultation with its community in relation to the services it provides” (Victorian Government 1999).

However, Grant et al. (2011, p. 7) noted that these arrangements were significantly altered with the introduction of the *Local Government (Democratic Reform) Bill 2003* (Victorian Government 2003), which “included the mandatory

preparation of three plans for all councils: A ‘Council Plan’, a ‘Municipal Strategic Statement (MSS)’ and a ‘Municipal Public Health Plan (MPHP)’”. Grant et al. also insisted that “in contrast to the changes in NSW, community engagement is implied rather than explicit in the specifications for all three plans” (p. 7). Citing the work of LG Pro (2008), the Local Government Professionals Corporate Planner’s Network, they conclude that the three-year MPHPs demonstrated the strongest requirement for engagement with the community. These plans were legislated for under the *Public Health and Wellbeing Act 2008* (Victorian Government 2008), which, under §26 requires a “Public health and wellbeing plan” and specifies under §26(2(a)) that plans “must ... provide for the involvement of people in the local community in the development, implementation and evaluation of the public health and wellbeing plan” (see also Department of Health [Victoria] 2013). This emphasis on engagement as an element to local health plans has recently been emphasised with the release of the *Victorian public health and wellbeing plan 2015–2019* (State of Victoria 2015).

The emphasis on community engagement around health planning (which itself is a path-dependent feature of local government in Victoria; see Chap. 2 of this book) began to be broadened in 2005–2006 with the release of two policy documents. The first was *A Fairer Victoria: Creating Opportunity and Addressing Disadvantage* (Victorian Government 2005), a “document [that] included 14 strategies, three of which—“Building Stronger Communities”, “Changing the Way we Work with Communities” and “Developing Better Ways of Working Together at a Regional and Local Level”—emphasised community engagement functions (Grant et al. 2011, p. 8; see also Wiseman 2006). As such, community engagement in *A Fairer Victoria: Creating Opportunity and Addressing Disadvantage* (Victorian Government 2005) is principally directed toward addressing disadvantage, not soliciting opinions for the purposes of planning.

The second document further evidences that community engagement has been moving to centre stage of the political agenda at that time. *Strong Communities: Ways Forward*, authored by the Ministerial Advisory Committee for Victorian Communities (MACVC 2006, p. 35), notes “More than half the state’s local councils are now committed to community planning”. While community planning is not the same as community engagement, overall this document encourages engagement and can be described as sophisticated in its community-centred rhetoric, with the emphasis very much on helping communities. The approach is fleshed out in nine recommendations (one of which is “Place-Based Community Renewal”; see MACVC 2006, p. 127). Grant et al. (2011, p. 9) also noted that *Strong Communities: Ways Forward* “contained a specific commitment to what it termed ‘Measurement and Evaluation’ of community engagement” and that this was continued in the Victorian Community Indicators Project (VCIP), which they describe as “a multi-institutional partnership project that ran alongside the ‘Strong Communities: Ways Forward’ project” (see VCIP 2006). This commitment to and resourcing of community indicators in Victoria is still strongly in evidence (see Community Indicators Victoria 2016).

This may appear as if the Victorian state government is not keeping an “eagle eye” on engagement. Arguably, however, it achieves this oversight through its performance-reporting framework. Local Government Victoria’s *Better Practice Guide 2014–15: Performance Reporting Framework Indicator Workbook* (LGV 2015, p. 5) includes as part of its schedule under “6. Governance and management checklist” items for both “Community engagement policy” and “Community engagement guidelines” and these are not optional (although reporting on some indicators is, including “Economic development”, “Immunisation”, “Sports grounds” and “Street sweeping” (LGV 2015, pp. 5–6, 99). Thus community engagement has to be reported on and the comparative results are publicly available. This website incorporates a tool for comparing councils on various elements of “Governance”, including community engagement, on which councils are obliged to report (Victorian Government, 1996–2015).

Presently community engagement as an element of local government practice in Victoria continues to be subject to pressure for reform. In September 2015 the Labor Government led by Daniel Andrews announced a review of the 1989 Act, releasing a Discussion Paper and calling for submissions. The Discussion Paper (Victorian Government 2015, p. 15) cites “frustration about levels of consultation and engagement with communities by councils about key decisions”, noting that approaches to consultation are not consistent and that councils may be exposed to legal action if communities are not engaged adequately (Victorian Government 2015, p. 52).

In sum, community engagement as an element of local government practice in Victoria generally has been influenced by local government being historically engaged in the delivery of services to people, and health services more specifically. While it is not legislatively required, reporting processes have driven the increased take-up of engagement from 2010. We hasten to add that this overview does not detail the extensive engagement undertaken by *particular councils*. For instance, the City of Melbourne has engaged in participatory budgeting as an element of its recent financial plans (see, for example, City of Melbourne 2015; Christensen and Grant 2016). Nevertheless, the general requirements and character can be described as path dependent. It might be that the review of the 1989 Act will evidence more stringent requirements for engagement as an element to council planning.

6.3.3 *Queensland*

In their survey of legislative frameworks for community engagement conducted in 2011, Grant et al. (2011, p. 10) noted that “in common with NSW, and distinct from Victoria, community engagement as the basis of community planning in Queensland derives its importance as an element to planning policy centred on economic development”. While this remains the tone of the requirements overall, from 2012 onwards there have been some marked shifts in these frameworks, based at least in part on changing party-political policy agendas.

The two pieces of legislation that prescribe community engagement as an element to planning generally and local government operations in particular were both introduced in 2009, namely the *Sustainable Planning Act 2009 (Queensland)* (Queensland Government 2009a) and the *Local Government Act 2009 (Queensland)* (Queensland Government 2009b). Commenting on the former, Grant et al. (2011, p. 10) observed that it “governs state-wide planning and, befitting Queensland’s geographic size, exhibits an emphasis on regional planning”. Further, “[a]s well as the State Plan, Regional Plans and Local Plans, the *Sustainable Planning Act 2009* governs what are termed ‘Master planned areas’”, defined as “greenfield sites which are to transition from rural, non-urban land to urban land” (2011 p. 10). In essence the *Sustainable Planning Act 2009* provides the bedrock of planning legislation in Queensland. It contains a strong emphasis on ministerial authority. It provides for regional planning committees (§41–§49) and specifies that while a Regional Minister *must* establish regional planning committees, the membership of these committees is at ministerial discretion. Chapter 3 of the Act deals with “Local Planning Instruments” and does not prescribe community engagement of any type. In fact, the word “engagement” does not appear once in the 727-page document (Queensland Government 2009a).

The *Local Government Act 2009* (Queensland Government 2009b) stipulates local government responsibilities for community engagement. Grant et al. (2011) noted that Sect. 1.4 (‘Preliminary’) “states that all actions of individuals in relation to the Act are to be guided by five ‘local government principles’”:

- (a) Transparent and effective processes, and decision-making in the public interest; and
- (b) Sustainable development and management of assets and infrastructure, and delivery of effective services; and
- (c) Democratic representation, social inclusion and *meaningful community engagement*; and
- (d) Good governance of, and by, local government; and
- (e) Ethical and legal behaviour of councillors and local government employees (Queensland Government 2009b; emphasis added).

The requirement for “meaningful community engagement” at (c) (above) is still in place. Further, Grant et al. (2011, p. 11) stated that “[w]hile the *Local Government Act 2009* does not detail what ‘meaningful community engagement’ entails, it does specify the role of the community in two respects”. While some of the detail of the legislation has subsequently been amended (see below) the basic tenets are similar. First, Part 4 provides some detail for “The business of indigenous local government” (§81 ff). Under §82–89 “trustee councils”—namely, Aurukun Shire Council, Mornington Shire Council or “an indigenous local government”—may establish a “Community Forum” which is “responsible for meeting with the local community to discuss issues relating to (a) trust land; and (b) planning; and (c) the delivery of services and (d) culture” (§87). Second, under Part 3 “Financial planning and accountability”, §104(5) of the Act specifies a raft of documents, “a 5-year

corporate plan that incorporates community engagement”. However, the requirement for a Long Term Community Plan to cover a period of at least 10 years that was an element of the original act has subsequently been removed.

The Queensland state election in March 2012 saw the Labor Government replaced by the Liberal-National Party Government led by Campbell Newman, former Lord Mayor of the City of Brisbane (for details see Grant et al. 2015). This change of government had several ramifications for local government, the most salient of which for our discussion here was the enactment of the *Local Government and Other Legislation Amendment Bill 2012 (Queensland)* (Queensland Government 2012). This Bill repealed the requirement for long-term community plans. The Explanatory Notes for the Amendment Bill (Queensland Government 2012, p. 4) explain that this was undertaken “to cut unnecessary red tape” (in fact the word “unnecessary” occurs 23 times in the Explanatory Notes). The Explanatory Notes also specify that the Bill was introduced to permit “local governments to plan for the community in the way they know best” (Queensland Government, 2012, p. 84) and that under §30 public consultation is not required before making a local law (see Queensland Government 2012, p. 31).

Following the surprise defeat of the Newman LNP Government in the state election of February 2015, the newly appointed Labor Government led by Anastacia Palaszczuk, while tinkering with the *Local Government Act 2009*, did not reintroduce the requirement for compulsory community plans that included engagement. The government has introduced the *Planning Bill 2015 (Queensland)*, which under §5 does specify “providing opportunities for the community to be involved in making decisions” (Queensland Government 2015, p. 19).

In sum, as an element to local government operations, community engagement has been politicised to a certain degree in Queensland and is now far thinner legislatively than was previously the case. Again, however, we introduce the caveat that any outline of legislative frameworks does not reveal the quantum of engagement that might be conducted by individual local councils.

6.3.4 Western Australia

The stipulations for community engagement in the *Local Government Act (1995) (Western Australia)* (Government of Western Australia 1995) itself are comparatively minimal. §5.56(1) and (2) of the Act requires, in turn, that “A local government is to plan for the future of the district” and “that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district” (Government of Western Australia 1995). The real work for community engagement is done by *Local Government (Administration) Regulations (1996)* (Government of Western Australia 1996), which contains nine parts detailing local government operations. Of these, Part 5 Division 3 covers “Planning for the future”, which specifies both a “Community Strategic Plan” and a “Corporate Business Plan”, alongside procedural specifications in “Adoption of

plan, public notice to be given” (Government of Western Australia 1996). §19C “Community Strategic Plan” contains 10 requirements, including that the CSP “is to be [for] at least 10 financial years”, that it is to be reviewed every four years and that “[a] local government is to ensure that the electors and ratepayers of its district are consulted during the development of a strategic community plan”. It also specifies that CSPs are to be assented to by an absolute majority of council.

The detailed requirements for WA’s CSPs are, like their counterparts in NSW, housed in the Department of Local Government and Communities’ “Integrated Planning and Reporting (IPR)—Framework and Guidelines” (DLG&C [WA] 2016). The Guidelines themselves were published in 2010 (DLG [WA] 2010). The Foreword of this document by the (then) Minister John Castrilli MLA is noteworthy in that he stated: “A survey of local government conducted in 2009 ... revealed that 36% of the State’s 139 local governments undertook limited or no strategic planning”; that “81% undertook limited or no planning for asset maintenance and renewal”; that “77% undertook limited or no financial management planning”; and that “82% of local government undertook limited or no financial planning to identify asset maintenance and renewal gaps”. One senses that WA was playing catch-up, particularly as a section of the Guidelines is dedicated to specifying how they relate to national frameworks (DLG [WA] 2010, p. 11) *and* that they explicitly “acknowledge the support of the Division of Local Government, Department of Premier and Cabinet—New South Wales Government” (DLG [WA] 2010, p. 14).

The detailed requirements for CSPs in WA are contained in Part 2 of the “Framework and Guidelines” document (DLG [WA] 2010, pp. 21–27), specifying *inter alia* that a CSP is a “document which states the long term (10+ years) vision, values, aspirations and priorities with a consideration to other local government plans, information and resourcing capabilities” (DLG [WA] 2010, p. 21) and that the process of creating a plan has to involve the local government administration, councillors and the community (DLG [WA] 2010, pp. 21–22). Further, the document provides explicit direction for information gathering (“identify community well-being issues”; “internal research and strategy”; “know national/state events that may impact”, etc.) (DLG [WA] 2010, p. 23). More detail is provided about WA’s requirements for CSPs in Sect. 6.4 (below) in the case study of the City of Geraldton.

Again, community engagement is undertaken as an element of developing community strategic plans in Western Australia within a broader planning framework. The Department’s framework is presented in Fig. 6.3.

Examining Fig. 6.3 we can see that, again, community engagement is one element of the formulation of the CSP which, in turn, is an element of the overall IP&R framework. Further, the influence of the NSW Office of Local Government is clear (see Fig. 6.1). In this context we note that, subsequent to the case study of City of Greater Geraldton (detailed in Sect. 6.4) and the survey of community engagement requirements conducted by Grant et al. (2011), the Department has provided handbooks for both elected members and community sector organisations (DLG&C [WA] 2016) and undertaken assessments of the IP&R Framework for 2013–2014 (DLG&C [WA] 2015). Notably, of the four types of plans assessed

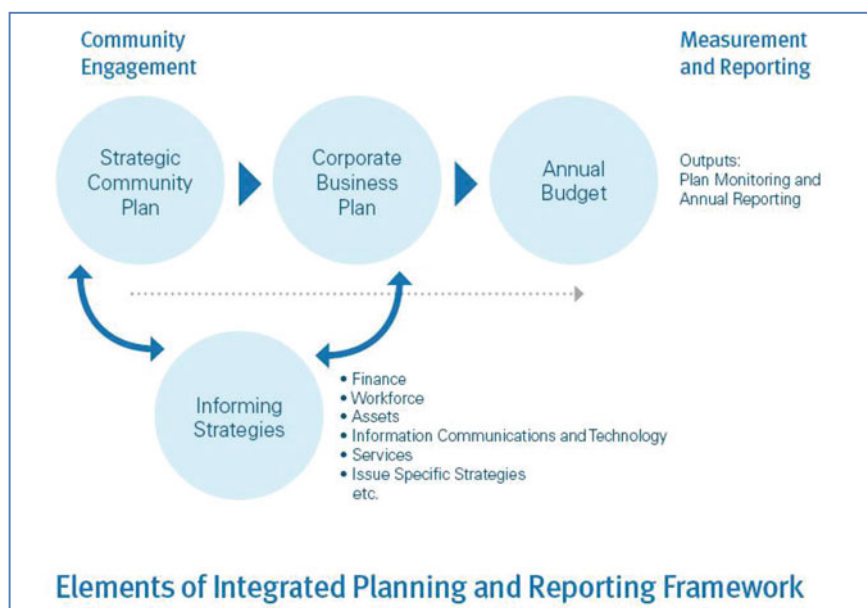


Fig. 6.3 Western Australia: Elements of integrated planning and reporting framework. *Source* DLG&C [WA] (2016)

(“Community Strategic Plans”, “Corporate Business Plans”, “Asset Management Plans” and “Long Term Financial Plans”), CSPs were assessed least favourably, with only 43% of the 146 assessed meeting all IP&R assessment criteria; Asset Management Plans were most favourably assessed (83%), followed by Corporate Business Plans (75%) and Long-Term Financial Plans (65%) (DLG&C [WA] 2015). Generally, CSPs were assessed *less* favourably for meeting requirements for current and future resourcing and for notifying the public (DLG&C [WA] 2015). However, as we cautioned in the Introduction to this chapter, conforming to reporting requirements on the one hand and the actual “success”—however measured—of CSPs on the other are two different questions. As such, caution has to be exercised in judging WA’s CSPs by the performance criteria set by state government.

6.3.5 South Australia

Concurrent with several other jurisdictions in Australia, some provisions for consultation (although not engagement) exist in the planning and land use legislation of South Australia. The voluminous *Development Act 1993 (South Australia)* (South Australian Government 1993) contains provisions for the “Development Policy

Advisory Committee” (§8) consisting of 10 persons with specified expertise, two of whom are designated as having “wide experience in local government” (South Australian Government 1993, p. 1). The Act also provides for the gazetting of amendments to “Development Plans” (§29) and under §38 “Public notice and consultation” on several categories of development (South Australian Government 1993, p. 17). Further, under §22 “The Planning Strategy” the minister responsible for the strategy (not necessarily the planning minister) must “prepare a report on ... community consultation on the content, implementation revision or alteration of the Planning Strategy (South Australian Government 1993, pp. 1–2). However, the *Development Act 1993* is devoid of specific mention of “community engagement”.

Grant et al. (2011, p. 15) made two observations concerning the *Local Government Act 1999 (South Australia)* (South Australian Government 1999) and community engagement that still hold. First, §3(b) stipulates that two of the “objects of this Act” are “to encourage the participation of local communities in the affairs of local government and to provide local communities, through their councils, with sufficient autonomy to manage the local affairs of their area” and §3 (d) “to ensure the accountability of councils to the community”. Second, under §6 “Principal roles of council”, the third “object” is “to encourage and develop initiatives within its community for improving the quality of life of the community” (South Australian Government 1999, p. 1).

Two other requirements can be identified. The entire Part 5 of the Act is devoted to “Public consultation policies”, which under §50 stipulate that “For the purposes of this Act, a council must prepare and adopt a public consultation policy” (South Australian Government 1999, p. 10). Second, under various particular sections of the Act councils are required to inform and consult should they seek to introduce changes. For example, in §12 “Composition and wards” councils are required to gazette and consult when seeking to alter ward structures (South Australian Government 1999, pp. 4–5). Arguably, however, community engagement is not prescribed *writ large* as an overarching requirement of the Act, as it is in NSW and WA.

In Chap. 2 we noted that the local government jurisdictions of Australia can be divided into two types (Power et al. 1981, p. 21): [i] the “Constitutionalist” type, denoting “the stably structured systems which have developed largely in response to local demand”, and [ii] “State-interventionist [or] those that are malleable and have [had their local government systems] imposed from above”. While in Chap. 2 we underscored that these two categories were not mutually exclusive, the definitive jurisdiction in the “Constitutionalist” category was South Australia. Arguably, this is reflected in the degree of involvement that the state’s Local Government Association has with councils. For instance, the Local Government Association of South Australia (LGASA) hosts a resource library of “Manuals, codes and guidelines” on a range of topics, including “Economics and Finance”, “Governance”, “Infrastructure” and “Planning and Community Services” (LGASA, n.d.a). At the time of their survey Grant et al. (pp. 16–18) listed an extensive range of publications generated by the LGASA (with many involving input from and some co-authored with state government) that aimed to encourage councils to engage with their communities. The majority of these are still available and the key

documents updated. For instance, the LGASA “Citizen/Community Engagement Circular 11.12” noted that, at that time, “[t]he LGA [was] commencing a project on Citizen/Community Engagement with State Government support” (LGASA 2007), including the “LGA Citizen/Community Engagement Survey” (LGASA/GoSA 2007a) and a “Community Engagement Showcase”, the latter of which explicitly endorsed the IAP2 Spectrum (LGASA/GoSA 2007b). Following from these, the original “Community Engagement Handbook” was published jointly with the South Australian Government in March 2008. It was revised in June 2012 and in October 2014. In 2015 the “Draft Revised version” was released (LGASA/GoSA 2015). At 115 pages it is a substantial document and we find therein a heuristic perhaps best described as not dissimilar to the ones for NSW, Victoria and Western Australia, represented in Fig. 6.4.

Comparing Fig. 6.4 with Figs. 6.1 (NSW), 6.2 (Victoria) and 6.3 (WA), it is notable that in South Australia community engagement as an element of council practice is not linked to a broader planning and reporting framework, as is the case in the other states. Rather, it can be described as inwardly focused and includes use of the IAP2 Spectrum (see Table 6.1). However, the document itself directs readers to the relevant sections of the *Local Government Act 1999* for the aforementioned requirements for a public consultation policy to be in place in councils and to the relevant sections of the *Development Act 1993* (LGASA/GoSA 2015, p. 14). It also contains a list and descriptions of “Community Engagement Techniques”, including “World Cafes”, “Focus Groups”, “Citizens’ Juries” “On-line Community Engagement”, “Engaging Aboriginal Communities” and “Engaging People with Disabilities” (LGASA/GoSA 2015).

For its part, the South Australian Office of Local Government, contained within the Department of Planning, Transport and Infrastructure, is happy to jointly host the contemporary publications about community engagement with the LGASA (OLG [SA] n.d.a), although it devotes some attention to Outback South Australia, which it notes is large (625,000 km²) “about 63% of the state ... [and] an area as big as France” that remains unincorporated and is overseen by the Outback Communities Authority” (OLG [SA] n.d.b).

In their summation of community engagement in South Australia, Grant et al. (2011, p. 18) observed that, while it was not mandatory in the relevant legislation, “it has nevertheless been actively pursued by the South Australian LGA, which has successfully encouraged the Office of State/Local Government Relations to develop as a complementary point from which to encourage the implementation of community engagement”. In 2013 Labor Premier Jay Weatherill initiated the “Better Together” program exemplified by the “Better Together: Principles of Engagement” document. In essence this document is an explicit endorsement of community engagement at the state level; it includes the IAP2 Spectrum, while seeking to “continuously improve” engagement and examine evaluation (South Australian Government 2013). This close relationship between the state government and local government reflects various iterations of the “State/Local Government Relations Agreement”, the first of which was signed in March 2004 and which was renewed in 2012 as well as the earlier “Memorandum of Understanding” signed by the [then]

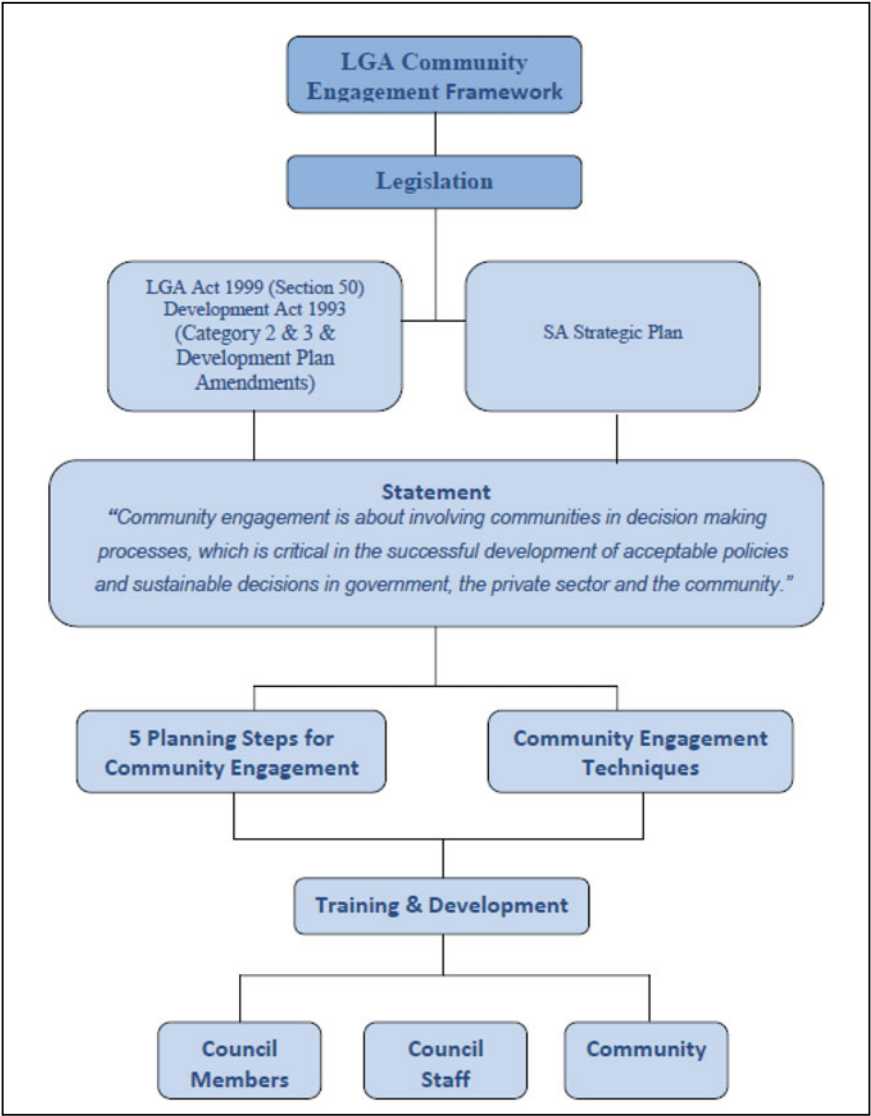


Fig. 6.4 LGASA guide for community engagement. *Source* LGASA/GoSA (2015, p. iii)

Premier and the [then] President of the LGA. Recent personal communication with representatives from the LGASA indicated that the adoption of the IAP2 Spectrum by the state government may have resulted, at least in part, through the adoption by

a number of individual State departments of elements of the original “Community Engagement Handbook” that was published in March 2008 (Grant 2016).

6.3.6 *Tasmania*

Under the *Local Government Act 1993 (Tasmania)* local governments are required to engage with the community in several respects. Under §20 “Functions and powers”, §20(2) states: “In performing its functions, a council is to consult, involve and be accountable to the community”. Under §66 “Strategic Plan”, the Act stipulates that “in preparing a proposed strategic plan or updating an existing strategic plan, a council is to consult with the community in its municipal area and the authorities and bodies it considers appropriate” (Tasmanian Government 1993). While these two stipulations can be interpreted as the main statements requiring consulting in the Act, the document is dotted with other requirements to consult the community. For instance, under §156A “Regulatory impact statement”, (2)(g) requires that a regulatory impact statement must include “details of the proposed public consultation process” (Tasmanian Government 1993). Similarly, under §164 “By-law to Director” (i.e., where a council makes a by-law that is then forwarded to the Director in council to which it is applicable), a council must provide “a statement explaining ... the outcomes of public consultations in the respect of the by-law (Tasmanian Government 1993). In two other instances, namely §214C “Process for review” of a council and §214J “Process for review” of a single or joint authority, councils “must provide reasonable opportunity for public consultation” (Tasmanian Government 1993). Otherwise stated, the *Local Government Act 1993 (Tasmania)* can be categorised as requiring consultation with the community, but not engagement.

Grant et al. (2011, p. 19) noted that while the Act was “significantly reformed in 2002 ... the issue of community engagement and community involvement in planning was not reinforced at this point”. The following year the state government and the Local Government Association of Tasmania (LGAT) jointly authored the “Statewide Partnership between Government of Tasmania and Tasmanian Councils on Communication and Consultation”. Aside from reinforcing the importance of local government and the relationship between the two tiers of government, the document agreed to “Communication and Consultation Guidelines” *between governments* (Tasmanian Government/LGAT 2003, p. 5) although there was no explicit discussion of community engagement as such. Grant et al. (2011, p. 19) noted that “[i]n December 2008 a second IGA was signed, which further codified responsibilities of the two tiers of government with respect to one another, including that ‘cabinet minutes ... include information on consultation with local government on all relevant matters’ (Tasmanian Government/LGAT 2008) The point is that communication and consultation were accepted practice, rhetorically at least, in both tiers of government in the state.

In their survey Grant et al. (2011, p. 18) surmised that the LGAT was then taking the lead in promoting the broader adoption of councils engaging with their communities, noting that at that time the Association's website provided various engagement tools for councils to employ. These engagement tools are not nearly as salient now. Rather, the LGAT website now contains a brief statement in support of community engagement (LGAT, n.d.a) and provides links to resources for community engagement, including those developed by ACELG (LGAT n.d.b).

On the other hand, the Department of Premier and Cabinet (in which the Office of Local Government is housed) has wholly embraced community engagement. Alongside providing a series of websites detailing various elements of community engagement (see, for example, DP&C [Tas] n.d.a), the Department has also produced (to use a term much in vogue) a bespoke "Tasmanian Government Framework for Community Engagement". This document *inter alia* defines community engagement, lists skills for engagement, endorses the IAP2 Spectrum and contains sections on "Planning for engagement", "Whether to engage a consultant" and "Understanding communities", and distinguishes between "stakeholders" and "communities" (DP&C [Tas] n.d.b). Otherwise stated, the Department *writ large* has, albeit implicitly, embraced Head's (2007) broader conceptualisation of community engagement discussed in Sect. 6.2, that is, away from viewing it as being naturally the domain of local government.

Again, we caution that this overview of legislative requirements and regulations does not burrow down to examine particular examples of community engagement in Tasmanian local government. However, it does provide an account of what they ought to be doing in the area of community engagement, as well as documenting the changing emphasis of the state government, its department and the local government association.

6.3.7 Northern Territory

Local government in the Northern Territory (NT) has undergone significant reforms since 2007, including changes to the requirements for community engagement as an element to local government operations. However, arguably it is reforms *other* than those targeted at the requirements for community engagement that have had a more systemic impact on the practice of community engagement itself. To explain why, we examine several general elements of reform processes.

In 2009 the NT introduced *Local Government Act 2008 (Northern Territory)* (Northern Territory Government 2008). The Preamble to the Act contains strong recognition of local government, stating *inter alia* "Local government is a distinct and essential sphere of government" and "the system of local government ... needs to be comprehensive, democratic, responsive to community needs and accountable both to local communities and to the public generally" (Northern Territory Government 2009, p. 1). The Act (p. 1) also contains explicit recognition that "the delivery of local government services must be in harmony with" the *Aboriginal*

Land Rights (Northern Territory) Act 1976 (Cth) and the *Native Title Act 1993*. Under Chap. 3 of the Act, “Planning at the local level”, plans for the three types of LGAs—municipalities, regions and shires—are required [“Each council must have a plan for its area” (Northern Territory Government 2009, p. 1)]. These plans must contain several elements, including a service delivery plan, the council’s budget and a long-term financial plan; these plans must be reviewed annually and be made publicly available (Northern Territory Government 2009, pp. 14–15). However, while “any long term, community or strategic plan adopted by the council” must be incorporated in the plan, in and of itself it is not a requirement of the Act that community strategic plans are undertaken. Also notable is that the range of other legislative instruments pertaining to local government in the Northern Territory, while extensive, does not include community engagement as an element of community planning (see DLG&CS [NT] 2014). Otherwise stated, community engagement is comparatively underrepresented legislatively in the Northern Territory.

This contemporaneous underrepresentation is reinforced when we consider that Grant et al. (2011, p. 21) noted that, at that time, under §16 of the Act “Regional Management Plans” were required and that these plans were principally the outcome of consultation between councils and the Department (and optionally the Local Government Association of Northern Territory, or LGANT). However, provisions for Regional Management Plans were repealed, effective 1 January 2014, although a link to them is still maintained on the Department’s website (DLG&CS [NT] 2015a) which includes links to the Regional Management Plans Reports 2008–2011 (DLG&CS [NT] 2015b). Besides the legislative requirements, the Department (DLG&CS [NT] 2015c) nevertheless currently provides a “Remote Engagement and Coordination Strategy”. As its title suggests, this document is directed to gauging the demand for services aimed at reducing duplication, for which it sees engagement as essential. The document provides a “Best Practice Guide for Remote Engagement and Coordination”, including “Key Actions” for both “Engagement” and “Coordination” (DLG&CS [NT] 2015d, p. 9) and a tool for assessing levels of remote community participation, which is in effect a truncated version of the IAP2 Spectrum described in Sect. 6.2 above (DLG&CS [NT] 2015d, p. 11).

Yet the introduction of the *Local Government Act 2008 (Northern Territory)* and the element for community engagement should be understood against the backdrop of two other salient reforms. The first of these is council amalgamation. The number of LGAs in the Northern Territory was reduced from 61 to 16: 53 “community councils” were consolidated into eight regional shires, taking effect on 1 July 2008 (Michel 2015, p. 102). Commenting on this process, Michel (2015, pp. 107–108) stated:

[T]he 2008 shires reform can be interpreted as an ideological volte face away from Indigenous self-determination and community-led, rights-based governance in favour of more centralized management control ... It directly resulted in the abolition of elected community councils and their replacement with regional council structures.

Michel (2015, pp. 108–109) noted that the amalgamation process coincided with the introduction of local board structures. On the basis of his substantial body of interviews and ethnographic work he also underlined the widespread dissatisfaction and disaffection with these structures, noting that many citizens were unaware of their existence.

Further, the implementation of the *Northern Territory National Emergency Response Act 2007* (Northern Territory Government 2007) in June of that year (and as such, running alongside the program of amalgamations) also impacted heavily upon the relationship that local communities had with their councils. In essence, this legislation, known colloquially as “The Intervention”, followed the Report of the Northern Territory Board of Inquiry into Protection of Aboriginal Children from Sexual Abuse. It was aimed at addressing the welfare requirements of Indigenous communities. Despite the structural separation in public policy terms from reforms to local government, it nevertheless affected local governments’ autonomy in delivering a range of services and the relationship between these local governments and their communities (see Michel 2015, pp. 111–112).

As with other jurisdictions in Australia, the arm of government responsible for planning in the Northern Territory, the Department of Lands, Planning and the Environment (DLP&E [NT]), oversees planning in accordance with a complex set of legislative requirements. For its part, the Department views planning as comprising two interrelated frameworks: the “NT Planning System” and the “NT Planning Scheme” (DLP&E [NT] 2014a). The former describes the overall processes required for planning approvals, but nevertheless states: “The Department of Lands, Planning and Environment develops land use policies and strategic plans in consultation with the community” (DLP&E [NT] 2014b). For its part, the “NT Planning Scheme” stipulates policy for land use and land development, permissions and prohibitions, the responsibilities of “consent authorities” (in large part local governments) and many other provisions (DLP&E [NT] 2014c). Notably, however, the NT Planning Scheme does not contain requirements for community engagement as an element to planning (see NTPS [NT] n.d.).

In their summary of the Planning Act 2008 (Northern Territory) Grant et al. (2011, p. 21) noted that the legislation “lists one of its objectives as ‘ensuring, as far as possible, that planning reflects the wishes and needs of the community through appropriate public consultation and input in both the formulation and implementation of planning schemes’”. However, they also observe that “the Act contains no formal mechanism for ensuring this is the case” (Grant et al. 2011, p. 21). The legislation has not been altered since that time (Northern Territory Government 2008). As such, we can summarise that, while the DLP&E (2014b) has an outward-facing commitment to consulting communities (but not, we hasten to add community engagement), the detail of how this consultation is to be brought about is lacking in the legislation and frameworks for planning.

6.3.8 *Comparative Observations*

Grant et al. (2011, pp. 23–24) noted two important limitations to their comparative observations that also hold for our updated account. First, as we have already noted, providing a description of the legislation for community engagement and the surrounding regulations is not burrowing down to particular examples of community engagement in local government; such an exercise would involve a different methodology such as used for the case study presented in Sect. 6.4. Second, Grant et al. noted that their discussion did not document the impact “of the federal government on state and territory legislative and regulatory frameworks for community planning” (pp. 23–24), pointing to the influence that the (then) Local Government Planning Ministers’ Council (LGPMC) had upon local planning in Australia and New Zealand. At the time, the Council’s terms of reference included seeking agreement around policy and the strategic direction for planning issues for local governments, as well as encouraging information exchange across the jurisdictions and liaising with ministers on relevant issues.² In the ensuing period the LGPMC has been abolished, in the same round of cuts to the federal bureaucracy that abolished the Australian Council for Local Government (ACLG) (see Australian Government 2014). Nevertheless, these two limitations noted by Grant et al. (2011) apply equally to our account.

With these two caveats in mind, at that time Grant et al. (2011, pp. 25–27) divided the jurisdictions into three types. It is interesting to see how the jurisdictions have repositioned against these types in the ensuing period. The first type denotes where engagement is a compulsory element of community strategic planning frameworks. In 2011, NSW, Western Australia and Queensland all required that this be the case; in 2012 Queensland exited this category for what we have described above as political reasons under the (then) Newman Government, and this has remained so. The second type identified by Grant et al. (2011, p. 26) is where engagement is required in legislation *other than* community plans at the council level. In 2011, this category included Victoria (under the mandatory four-year MPPH (health plans)) and in the Northern Territory (under “Local Implementation Plans” for the “Territory Growth Towns”). Only Victoria remains in this category.

Third, Grant et al. (2011, p. 26) observed that the two jurisdictions where the local government associations were the driving force behind engagement (devoting websites to providing resources, working with government), namely South

²Grant et al. (2011, p. 24) also noted that “[t]he LGPMC, in turn, is supported and advised by the Development Assessment Forum (DAF), which describes itself as ‘an independent think tank and advisory forum of government, industry, and the professions, which develops and recommends leading practices for planning systems and development assessment in Australia’ comprised of representatives of the three tiers of government as well as from the Property Council of Australia’ and ‘related professional associations’”. Unlike the LGPMC, at the time of writing the DAF continues operation (see DAF 2014), principally due to its membership drawing from professional and stakeholder groups such as the Planning Institute of Australia (see PIA 2016).

Australia and Tasmania, were worthy of their own category. We have seen that the LGASA has maintained its verve for engagement, yet the same cannot be said of LGAT. Rather, the weight of engagement activity has shifted to the Department of Premier and Cabinet.

Nevertheless, we argue that the overall distinction between “compulsion” for engagement on the one hand and voluntary action for it on the other is valid. For instance, Grant et al. (2011, p. 27) noted that “in two jurisdictions, namely NSW and WA, CSPs [with a component of engagement] are set to become the *dominant* planning instrument for municipalities”. It will be interesting to see, following the current review of the Act, whether or not Victoria toes the line, despite what we have suggested is the path-dependent nature of its local government system. The other significant distinction now apparent is between “consultation” on the one hand and “engagement” on the other. While in some jurisdictions (for example, Tasmania) the rhetoric of “consultation” is generally dominant, in others (NSW, WA and Victoria; i.e., even where it isn’t compulsory) “engagement” is clearly *de rigueur*. However, this ought not to mean that we assume that those jurisdictions that “engage” rather than “consult” are more “advanced” in the way implied in the IAP2 Spectrum.

Three other general developments have occurred in the interim. First, the way that Victoria has introduced community engagement as an element of its reporting framework is novel and might be construed as one way of circumventing compulsion for community engagement under legislation. However, this may be a portent for engagement to be further incorporated into performance monitoring and reporting in other jurisdictions alongside what is already required by legislation. Second, in the Northern Territory concerns about levels of engagement have, arguably, been relegated a lesser role in the face of other issues, principally service delivery. Third, the salience of the IAP2 Spectrum has increased. As a tool of engagement it is overtly present in the frameworks and guidelines for South Australia, Tasmania and the Northern Territory. Further, this does not take into account the extent to which it may be in use in areas of adjacent to these frameworks, such as in the work of private consultants. We return to the issue of private provision in Sect. 6.5; before that, Sect. 6.4 moves to get “up close and personal” with one example of community engagement, namely that undertaken in the City of Greater Geraldton.

6.4 Case Study: City of Greater Geraldton 2011–15

6.4.1 Background

At first glance, it may seem that the City of Greater Geraldton, located approximately 400 km north of Perth on the vast Western Australian coastline, is an unusual choice for a case study of community engagement. However, in 2011 the

City of Greater Geraldton attracted international attention as one of several finalists for the Reinhardt Mohn Prize for “Vitalizing Democracy through Participation” (Hartz-Karp 2011). In turn, this attracted the attention of researchers then working at the University of New England Centre for Local Government (UNE CLG). Alongside conducting extensive desktop research about the case study, these researchers also interviewed the (then) Director of Community Creative Communities at the City of Greater Geraldton, Andrea Selvey, about the process, with the interview being published in the “Australian Local Government Voices” series (see Grant 2011). The account here is based principally upon these two elements of research, as well as follow-up research recently conducted at the Institute for Public Policy and Governance (IPPG) at the University of Technology Sydney.

Aside from these reasons, it is also worth underlining that Western Australia is unusual because, unlike all other state and territory jurisdictions, it has (thus far) avoided a program of large-scale amalgamations, despite the threat of such a program being intermittent (see, for example, Ryan et al. 2015, p. 4). As suggested by Dollery et al. (2009) this backdrop of *non*-amalgamation, despite the threat of it, can form an important catalyst for other types of reforms. While the City of Greater Geraldton was part of a voluntary amalgamation, it is also clear that the intensive community engagement programs were conceived as an important element of the process of structural reform. In fact, in stark contrast with programs of forced or coerced amalgamation examined in Chap. 11, our account of the case study of the City of Greater Geraldton suggests that structural reform was not the *raison d’être* of the reforms; rather, it was the holistic construction of a new “place-shaped” local government area very much along the lines of the theory of “place-shaping” examined in Chap. 4—or what Grant et al. (2012, p. 79) labelled “locally constructed regionalism”—that formed the *modus operandi* of the exercise.

In their account of the background to the community engagement process, Grant et al. (2012, p. 81) noted three fundamental features of the LGA. First, the City of Greater Geraldton was at that time newly formed from two amalgamations. The first was between the City of Geraldton and the Shire of Greenough in 2007, a classic “doughnut” situation (with a regional centre LGA surrounded by a rural shire LGA). This amalgamation formed the City of Geraldton-Greenough. The second amalgamation was between the newly-minted City of Geraldton-Greenough and the Shire of Mullewa to form the City of Greater Geraldton in July 2011. This is represented in Fig. 6.5.

Second, Grant et al. (2012, pp. 82–83) underlined the differences in the socio-economic composition of the (then) City of Geraldton-Greenough on the one hand and the Shire of Mullewa on the other. The former in essence is the coastal centre of Geraldton itself and the surrounding hinterland; the latter makes up part of the Western Australian wheatbelt. Third, Grant et al. (2012, p. 83) emphasised that at the time the region was experiencing rapid economic development, driven by investment in the resource extraction industries. For instance, from 2006 to 2009 mean taxable income had increased in Geraldton-Greenough by 14.6%. In Mullewa Shire it had increased by almost 40%. The recorded mean value of private sector

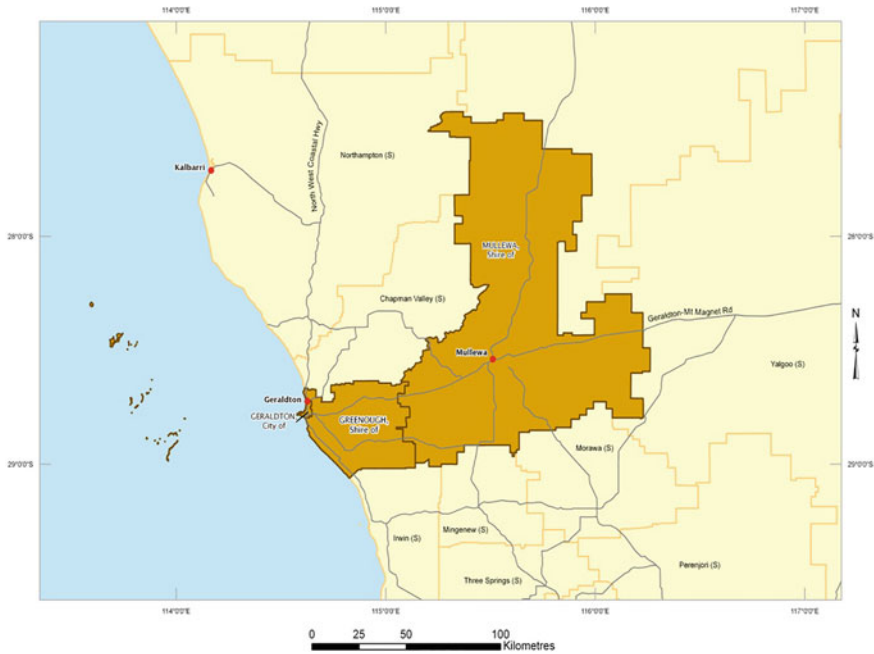


Fig. 6.5 Area map of City of Greater Geraldton, Western Australia. *Source* Grant et al. (2012, p. 82). Permission to reproduce Fig. 6.5 was granted by *Public policy*

homes had increased by 44.5%. At the same time, whilst (arguably) anyone visiting Geraldton might be forgiven for thinking that it is a well-kept coastal centre not far from Perth, with a reasonable array of amenities (shops, restaurants, cultural attractions, etc.) similar to many regional centres around Australia, it is worth bearing in mind the remoteness of the (then) LGAs: in terms of the Australian Classification of Local Governments, Geraldton-Greenough was classified as “Outer Regional” while Mullewa was classified as “Remote” (see Grant et al. 2012, p. 82). An interview with the Director of Creative Communities in 2012 (Grant 2011) suggested that the community engagement process was conceived as transformational, designed to galvanise the LGA in the face of rapid change and thereby avoid some of the problems that had occurred in earlier iterations of the mining boom in remote Western Australia.

6.4.2 *Community Engagement in Geraldton-Greenough*

In their account of the extensive community engagement process undertaken by the City of Greater Geraldton and Mullewa Shire Council, Grant et al. (2012, pp. 83–84) made five initial observations. First, what was to become an extensive process

was initially marked by the production of a large amount of council rhetoric (websites, leaflets) promoting the process, principal of which was “2029 and Beyond: A vision by and for the community of the Greater Geraldton City region” (“2029 and Beyond”) in 2010 (City of Geraldton-Greenough 2010). If one were to be cynical, these rhetorical devices could be regarded as platitudinous³ (see, for example, City of Geraldton-Greenough 2010); with hindsight the generation of such documents seems to be a necessary element of engagement.

Second, Grant et al. (2012, pp. 85–86) noted that the (then) City of Geraldton-Greenough partnered with a variety of organisations to initiate the community engagement process. While these organisations naturally included the Shire of Mullewa, notably they also included several state government statutory authorities and commissions (Mid-West Development Commission, the Geraldton Port Authority, Western Australian Planning Commission, for example) alongside peak industry organisations (Geraldton Iron Ore Alliance, Mid-West Chamber of Commerce and Industry), the state member of Parliament and the local paper *The Geraldton Guardian*.

Third, Grant et al. (2012, p. 86) emphasised that a powerful rhetorical justification was advanced in the “2029 and Beyond” document emphasising the significant change that the region (as opposed to the LGAs) was experiencing, with (for example) \$6 billion being invested in iron ore extraction and associated infrastructure, significant population growth and possible social dislocation that had been experienced in previous iterations of the mineral resources boom in Western Australia. To this end, “2029 and Beyond” formulated five strategic questions:

- ENVIRONMENT: Are we contributing to protecting and enhancing our natural environment?
- SOCIAL: Are we contributing to a safe, healthy, creative and diverse community?
- CULTURAL: Are we contributing to a vibrant culture and lifestyle with a strong sense of identity, belonging and creativity?
- ECONOMIC: Are we building a strong and diverse economy which provides for the long-term sustainability and viability of our region, and

³For example, Grant et al. (2012, p. 85) cited the initial community engagement document:

“2029 and Beyond” is a community-based planning process initiated by the city of Geraldton-Greenough and its partners, to address the challenges and opportunities facing our city and region. It responds to requests in the community for citizens to be more actively involved in planning for their future. Through this process, the city will offer everyone a chance to participate in *planning* and collaboration to create the *healthy, sustainable and creative city region our community truly desires* (City of Geraldton-Greenough 2010; emphasis added).

As such, while ostensibly still couched in the delivery of a planning process, the community engagement was also spruiked as a multi-dimensional vision for a newly constituted region.

- **GOVERNANCE:** Are we providing governance systems that will empower our community members to create their desired future and reach their aspirations? (City of Geraldton-Greenough 2010, cited in Grant et al. 2012, p. 86).

Again, while such broad questions can be regarded from a cynical perspective as platitudinous, posing such questions seems to be an important element of engagement processes.

Fourth, Grant et al. (2012, pp. 86–87) noted that “2029 and Beyond” provided a detailed “Project Timeline” of community engagement events designed to inform the various statutory planning processes, including the “Greater Geraldton Regional Plan”, the “Greater Geraldton Region Structure Plan”, a “Local Planning Strategy” and a “Town Planning Strategy”. The timeline comprised seven benchmarks:

1. In March 2010, a “Project Launch”, where a number of “Community Champions” were nominated and whose role was designated as “talk[ing] with people in your community about issues that matter to them”;
2. In May 2010, consultations with the community, hosted by the “Community Champions”, in “World Cafes” (though not necessarily held in cafes) aimed at influencing the City’s planning process;
3. In July 2010, a survey of 3000 “randomly selected” community members “to provide feedback on community opinion about some of the big issues facing the region”;
4. In August 2010, the “First Community Forum”, “with special guest speakers and opportunities for people to share their ideas and discuss the big issues facing the city”;
5. In September 2010, a “Big Sky Ideas Festival”, described as an “inspiring festival” featuring presentations “from international and local experts”, again “with opportunities to share your inspiring ideals”;
6. In the same month, the launch of “Civic Evolution” software, which encourages individuals to work together “to develop proposals for their ideas for the future”, as well as introducing a second phase of work by the Community Champions designed to “enable the community to understand the pros, cons and trade-offs of a number of different directions your community may take”;
7. In March 2011, the “21st Century Dialogue”, described as “a large-scale meeting to develop a community voice about the long-term vision and short-term strategies for the future, and finally, to present the final plan to the community at a later [unspecified] date” (City of Geraldton-Greenough 2010, in Grant et al. 2012, pp. 86–87).

Examining this list of events one can see the sheer variety of engagement techniques that were utilised in the 12-month period. These events ranged from the “Project Launch” through to the “World Café” meetings hosted by “Community Champions”, a survey of 3000 randomly selected people to provide feedback on issues facing the region, a festival, the launch of engagement software and a large-scale meeting billed as a “21st Century Dialogue”.

Fifth, Grant et al. (2012, p. 87) also noted the positive impetus provided to the project in the editorial content of *The Geraldton Guardian* and the engagement of global high-profile consultants, including U.K.-based Charles Landry [author of *The Creative City* (2008)], U.S.-based consultant Steven Ames and Curtin University's Professor of Sustainability Janet Hartz-Karp.

In their examination of the process of “2029 and Beyond”, Grant et al. (2012, pp. 87–88) made four principal observations. First, two sources of outside funding contributed to the engagement process, namely a three-year Australian Research Council (ARC) grant that lent a research component to the engagement. This was designed by Professor Hartz-Karp and part-funded from the Western Australian Lotteries Commission. The funds were directed specifically toward the deliberative processes (see Hartz Karp 2011).

Second, Grant et al. (2012, p. 88) noted that in her ongoing work on the multifarious processes of engagement, Hartz-Karp (2011) summarised the costs for each type of engagement, as represented in Table 6.2.

Examining Table 6.2, it is interesting to compare the relative costs for the various types of community engagement during the course of the overall process. The most expensive individual item was the “21st Century Deliberation” software, while several items—principally those involving the active participation of citizens

Table 6.2 Stages and associated costs for “Geraldton 2029 and Beyond”

Geraldton 2029 and Beyond: completed	Cost (\$A)
Project launch	\$10,000
‘Community Champions’ running ‘World Cafes (primarily’ in search of ‘quick wins’)	\$2000
Deliberative Survey Poll	\$20,000
21st Century [software] deliberation	\$40,000
Online deliberation with the city staff and with the broader community	\$20,000
Launch of 2029 website and social media	\$20,000
<i>Planned activities for the future</i>	
Community champions—citizens choice-work	\$3000
Participatory budgeting—preliminary phase	No additional cost
Change management within the city administration (i.e.: up-skilling staff in deliberative techniques; two-year process)	\$20,000
Youth online involvement	No additional cost
21st Century town hall meeting™/deliberation integrated with enquiry by design	\$50,000
Alignment of the strategic plan and the budget	No additional cost
Community champions—‘open space technology’ training for facilitation	\$1000
Total	\$186,000

Source Hartz-Karp (2011) in Grant et al. (2012, p. 88)

(the “Preliminary Phase” of participatory budgeting, “Online Youth Involvement” and “Alignment of the Strategic Plan with the Budget”)—attracted “no additional cost”. However, the total listed here—\$186,000—does not include amounts expended by the local governments, nor those of organisational partners, or participants in these engagement processes; in other words, it is far less than the financial cost of the engagement process overall.

Third, Grant et al. (2012, p. 88) noted that, according to Hartz-Karp (2011, pp. 12–13), the “World Café processes yielded “eight prioritised community initiatives”:

1. Plant 1 million trees and develop community permaculture gardens
2. Establish more wind, solar, tidal (wave), geothermal & biomass energy
3. Enable Geraldton to be a Bicycle Capital, including incentives for bike use
4. Develop a Youth Centre—a place to get advice on everything, meet, have fun
5. Give young people more say & get politically involved—create a Youth Council
6. Introduce a CAT (Central Area Transport) bus to service residents and tourists
7. Develop a Community Aboriginal Education Precinct & Cultural Precinct
8. Display community ideas from public deliberations at shopping centres.

Again, the cynic might point to the “wish-list” nature of these priorities and what might be described as their “progressive” content—planting trees, producing energy through renewables, developing the city into a bicycle capital and establishing both a Youth Centre and an Aboriginal Education Precinct and Cultural precinct. The list does not include (for example) a ramped-up lobster festival (Geraldton is historically known as a “lobster capital”), a series of heavy-metal concerts or car shows. This point aside, overall we can note that the list is remarkably non-instrumental, with the exception of the introduction of a new transport facility. Rather, it is replete with cultural projects and underscored by an environmental ethos.

The City of Geraldton-Greenough also commissioned a report prepared by Left of Centre Concepts and Events. The report was published as “Social and Creative City project Draft Strategic Plan 2029 and Beyond” (Palmonari and Sutherland 2010). In their account, Grant et al. (2012, p. 89) noted that the report was of considerable length—169 pages—and comprised three elements: “Vision”, “Purpose” and “Strategic Directions”. The seven components of the “Vision” for the newly constituted LGA included a “Social and Creative City Strategy” designed to “reflect and reinforce” Geraldton-Greenough’s distinctive identity and that “the arts, culture and creativity are valued as vital contributors to the city’s character, quality of life *and* economy” with the endorsement of what is, in essence, a multi-pronged approach to arts funding at the level of the LGA.

Perhaps of more interest are the “Strategic Directions” and accompanying “Recommendations”. These are summarised in Table 6.3.

Examining Table 6.3, the 10 “Strategic Directions” and accompanying “Recommendations”, Grant et al. (2012, p. 91) noted that the list comprised three types of activities. First, traditional “services to property” and “land use” functions of councils (“Develop a Technology Park”; “Develop a Marine Terrace Retail

Table 6.3 Strategic directions and accompanying recommendations

Strategic directions	Accompanying recommendations
1. Welcome and facilitate all sectors of the community to participate in the city's cultural life	(a) Develop a multicultural community and resource centre
	(b) Develop a sensory park
	(c) Develop an "ageing together" plan to involve the senior residents in the civic-council activities and decision making
2. Deliver and provide access to facilities to support those living in, visiting and working in a creative city	(a) Develop a research, health, education and training (RHET) precinct within the city
	(b) Develop a marine terrace retail strategy
	(c) Develop an art civic studio for families
3. Promote, celebrate and develop the city of Geraldton-Greenough as a "city for the arts" and as a regional recreational hub with a rich and vibrant social life	(a) Develop and stage a "windfest" to celebrate and promote Geraldton's unique landscape and lifestyle
	(b) Develop a public information inventory of available cultural spaces and an interactive website to access the information
	(c) Develop a public arts plan and program incorporating a street art festival
4. Diversify the economy	(a) Develop a creative industries policy
	(b) Develop a technology park
	(c) Develop a regional marketing plan to attract and locate small business, commercial, state and Australian Government agencies in the city
5. Protect Geraldton-Greenough's distinctive physical character and heritage to ensure it continues to develop a strong sense of place and identity	(a) Engaging community members on the planning and design teams for recreational and public spaces and urban planning
	(b) Develop a public arts plan and program incorporating a street arts festival
	(c) Develop an inventory of movable heritage and a policy for recreation of heritage items into public spaces and places
6. Attract investment by creating live/work zones for artists	(a) Encourage the development of affordable housing and live/work space for artists and curators
	(b) Develop a shared cultural facility
	(c) Provide sources, support and policies to assist artists and creative individuals with the development of their own spaces

(continued)

Table 6.3 (continued)

Strategic directions	Accompanying recommendations
7. Stimulate trade through cultural tourism	(a) Develop a new convention centre precinct and extend the city's ability to attract international conventions
	(b) Host at least two trade or tourism conferences per year. Example: an eco-tourism conference
	(c) Develop an indigenous cultural tourist centre
8. Attract, facilitate and maximise the benefits of major city events and festivals	(a) Bid for Australian Travel Writers Association (ASTW) annual general meeting
	(b) Develop a city events office
	(c) Leveraging major events to cross-promote Geraldton-Greenough's destination strengths
9. Engage youth	(a) Initiate and develop a youth arts movement
	(b) Foster creative entrepreneurs
	(c) Develop a youth media organisation
10. Connecting creative rural communities	(a) Develop a rural community arts program including "Storytelling" of local narrative and history using different medium
	(b) Employ a rural-based rural community development officer who works in collaboration with the other CDOs and in partnership with regional stakeholders
	(c) Develop a joint initiative between the City of Geraldton-Greenough and regional stakeholders to develop a 'retaining rural culture policy'

Source Palmonari and Sutherland (2010) in Grant et al. (2012, p. 90)

Strategy"), alongside traditional "services to people" functions ("Develop a Multicultural Community & Resource Centre"; "Develop an "Ageing Together" Plan"; "Employ a Rural Community Development Officer who is based rurally"). Second, Grant et al. (2012, p. 91) noted that "some of the recommendations clearly signify entrepreneurial activity by Council, particularly in terms of staging events ("Develop and stage a Windfest"; "Host at least two trade or tourism conferences per year"; "Develop an Indigenous Cultural Tourist Office"). Third, Grant et al. (2012, p. 91) noted the seemingly overwhelming preponderance of arts-based recreational and entrepreneurial activities identified as "Strategic Directions" in the Report. This emphasis was put into perspective in the subsequent interview with the Director of Creative Communities conducted at the Council, wherein the Director stated that "[t]he City of Geraldton-Greenough Social and Creative City Project

Draft Strategic Plan 2029 (Palmonari and Sutherland 2010) is very specifically about one particular area of service delivery—the creative and social outcomes”. The Director emphasised that outcomes from this process ought to be read in conjunction with outcomes from other planning processes that were being undertaken at that time (see Grant 2011).

6.4.3 Assessment of Geraldton-Greenough and City of Greater Geraldton Community Engagement

In their assessment of the engagement process, Grant et al. (2012, pp. 92–93) made four observations. First, they stressed that the multidimensional processes described above were far from an exercise in regulatory compliance. The council—and particular council staff—were front-footed in adopting community engagement. Second, they emphasised that the process garnered the support of a range of organisational stakeholders—government, public and private, including the local media. Third they pointed out that, despite the involvement of these organisations *and* some high-profile global consultants, the process was driven from the municipal level. Otherwise stated, it was undertaken across the three LGAs. Fourth, their overall conclusion was that the process should be viewed as locally-led regionalism, standing in stark contrast with “previous attempts at delivering policy at a regional level [that] have been viewed as being imposed upon local governments” (Grant et al. 2012, p. 92).

In their conclusion Grant et al. (2012, p. 93) cited the observations of Bell and Hindmoor (2008) on community engagement generally: “the ‘best case’ scenario for community engagement [is one where] such consultation becomes an on-going dialogue involving mutual learning and accommodation”; alternatively, the worst-case scenarios are ones where community engagement “is tokenistic and creates a sense of betrayal when communities believe that their views have been ignored”. Indeed, the possibility of the latter eventuating has recently been affirmed by none other than the current NSW Minister for Planning:

Using meaningless participation as a façade to cover over disagreement merely clogs up conflict, creating a dam of resentment, which spills over in the form of litigation, loss of trust in politicians and administrators, and poor planning processes (Stokes, in Saulwick 2016).

Grant et al. (2012, p. 93) argued that, while in all probability the vast majority of examples of community engagement would fall between these two extremes, in the example of the City of Greater Geraldton it looked very much like the “best-case” scenario had been achieved.

Nevertheless, an important caveat needs to be introduced to this assessment: any inference that the process described above was a proverbial bed of roses for all involved is, in all probability, mistaken. The account presented here does *not* take into consideration all potential voices—for example, dissenting voices that might be

uncovered if a more thorough investigation was undertaken. Perhaps the most obvious place to seek these dissenting voices would be amongst senior staff and elected officials in the former Shire of Mullewa. We should recognise the idea (if not the empirical reality) that winners do indeed write history books in local government just as they do in ‘Big P’ politics—with the proviso that in local government fewer people will be inclined to provide an oppositional narrative—simply because the scale of importance is less and as such we think it is reasonable to assume that people feel less obliged to do so.

We suggested in our Introduction to this chapter that the shift from government to governance approved of by some can be viewed as problematic in the sense that it carries with it the quiet insistence that governance processes ought to take place outside [local] government. Nevertheless, we need to recognise at precisely the same time that ongoing community engagement is a laudable goal. As the [then] Director of Creative Communities expressed it:

So we’ve got this deliberative process which is on-going and while with the 2029 project we may get to some outcomes by 2013, our hope for the deliberative process is that it will become institutionalized as the way we do business with the community; an ongoing conversation with the community that results in finding common ground and leads to collaborative action (Selvey, in Grant 2011, p. 11).

Since that time the City of Greater Geraldton has continued to implement processes of engagement. These have included two participatory budgeting processes, the first undertaken in 2013 to assess the priorities for the 10-year \$68 million capital works budget (City of Greater Geraldton 2013), the second in 2014 to make recommendations for the council’s \$70 million capital works budget (City of Greater Geraldton 2014). While the details of these particular processes, and of participatory budgeting, are beyond the scope of this chapter (for a concise discussion, see Christensen and Grant 2016), the LGA has persisted with engagement as an enduring element of their activities.

6.5 Observations and Implications for Public Policy

To recapitulate our discussion: Sect. 6.1 noted that the concept of community has been problematised—and profoundly so—in the literature of Political Studies from a variety of perspectives (Anderson 1991; Esposito 2010; Gellner 1983, 1994). We suggested that these types of discussions ought to be thought of as being just as relevant to the concept of community in the context of local government as they are elsewhere. We also noted that, while it is important that local governments possess a sound empirical account of their communities for the purposes of playing their role as administrators, the requirement for this knowledge can be viewed as problematic when assessed against the view that governments ought not to be too involved in other elements of society. Further, we suggested that this observation is not altered by the putative shift from “government” to “governance” (as deftly

articulated by Aulich (2009) and, in fact, may be heightened by a seemingly increased requirement that citizens be involved in government and/or governance, even if it is in the form of community engagement.

Section 6.2 moved to define community engagement generally and examined the reasons for the purported increase in community engagement. In essence these reasons can be categorised into two types: political (it is good for democracy that people's opinions are more robustly expressed and taken into account in addition to the representative arrangements for democracy that are in place) and instrumental (governments make better decisions when they are better informed). Following Head (2007), we noted a range of reasons why particular sectors (government, business, civil society) choose to undertake community engagement and listed various techniques of engagement, presenting the IAP2's normatively ordered "Levels of public engagement and empowerment" Spectrum (Fig. 6.1).

Following Grant et al. (2011) section 6.3 outlined the main elements of contemporary legislation and regulatory frameworks for community engagement in Australia's local government systems, comparing them and noting the main changes from 2011 to the present. We argued that the jurisdictions can still be categorised in terms of the legislative requirement for engagement, or otherwise, and that some path-dependent characteristics were evident in the degree of voluntarism or, alternatively, compliance within the legislation and other frameworks. Section 6.4 detailed the case study of community engagement in the City of Greater Geraldton against a backdrop of economic change and the persistent threat of compulsory amalgamation in Western Australia. Following Grant et al. (2012) we argued that, despite there being some evidence of a "cookie cutter" approach (grab an international expert, launch a festival or two, talk about an exhibition centre, etc.) and noting that any assessment should be guarded, the story of engagement the City of Greater Geraldton constitutes an example of council-led "locally constructed regionalism". In essence, the council had what (in Australian parlance) we describe as "a red-hot go" in the face of systemic change. The question of whether or not it ought to have responded differently if the region was characterised by economic decline (rather than in conditions of rapid economic expansion) is an interesting one.

Turning to reflect upon the strategic implications for public policy, it might be tempting to (as it were) "celebrate the difference"—and indeed the way that the jurisdictions are selectively borrowing from each other—and conclude that the varying level of community engagement in the respective local government jurisdictions is a paradigmatic example of Australia's federalism at work. This is one possible conclusion. However, it is inadequate because, as we suggested in our introduction, there is more at stake here than assuming that engagement is good and getting on with it. In a very palpable way, we are also discussing the role of the state, including the local state and, indeed, whether or not the concept makes much sense and whether it ought to make sense. This is a subject upon which there has been some not inconsiderable debate, particularly in recent times.

Taking our lead from Bell and Hindmoor (2008), it is possible to formulate two ideal (and opposed) analyses. The first of these is what might be described as the

“Community engagement and local government: it’s all good” perspective. According to this view, once-upon-a-time in the 1960s and 1970s normative theory (in its philosophical, political and, to a lesser extent, economic guises) argued that it would be a good thing if more people became involved in politics and that (in essence) this has happened: the doors of local government, once the domain of local elites representing particular interests, have been thrown open. Broadening community engagement, exemplified in the shift from “government to governance”, correctly locates the sites of power in a multiplicity of places that should be the subject of political activity, framed by broadly acceptable moral parameters that have been hammered out and that in any event are still open to change. According to this view, engagement is somewhat aesthetically visceral and unnervingly humanist, and we do get the “squeaky wheels” (the people that always turn up to meetings), but on the whole it’s a good thing, strengthening our democracies.

The alternative view, the “Community engagement: it’s not all good” perspective, agrees with the empirical account provided in the first analysis—in essence, the (local) state as citadel has been broken down. Yet it doesn’t embrace this in the way the first perspective does for several reasons. According to this latter perspective, the assumption that a world filled with local governance as engagement is *intrinsically* more democratic is problematic. As we suggested in Chap. 4, citizens aren’t equally well placed to engage with these processes. Similarly problematical is the naturalistic assumption that “genuine” leaders come from these processes. Yes, we are stretching the idea of what engagement entails but there is a sense that engagement is the pointy end of a perspective that views representative arrangements as necessarily inadequate *and* does not seek to defend these representative arrangements (for a discussion, see Christensen and Grant 2016). Democracy as *merely* community engagement might suit some (more on this below), but as an ideology in and of itself it is woefully inadequate, as at least one of the theorists of participatory governments has stridently pointed out (Fung 2006, p. 66). Moreover, to the extent that representative arrangements are in place—and we would do well to remember that in many places globally *and* in Australia compulsory representative arrangements are not (see Hearfield and Dollery 2009)—these arrangements are not only a convenient way of organising the public sphere; they also provide for that space between politics and everything else, a space which many people have argued is important.

The second reason for concern is that it is possible, as noted by Head (2007, p. 452), that in some instances community engagement becomes merely a tokenistic technique of public administration. In this regard the heuristics depicting the role of engagement in planning processes (Figs. 6.1, 6.2, 6.3 and 6.4) are instructive: complying with the requirement for engagement (where this is the case) is not the same as engagement. Further, (for instance) we can read the requirement for reporting on non-compulsory “Community Plans” currently in place in Victoria as an extreme extension of performance reporting regimes. Of course one can argue that it is good that citizens have the opportunity to compare local government areas on whether they have a “Community Plan”. Yet it is naïve not to recognise the flip side of this argument, namely where community becomes, in the words of Esmark

(2015, p. 11), something to be “constructed and consumed” by a regime of governance.

The third issue that the “Community engagement: it’s not all good” perspective has with engagement is its commercialisation. As noted by Hendriks and Carson (2008), there has been a considerable increase in the quantum of deliberative processes in Australia since the late 1990s that are organised by for-profit entities, principally consultants. Further, Hendriks and Carson (2008, p. 296) argue that “[c]onsultants exercise considerable influence in the design and development operation of [any] deliberative project” and that the result of their proliferation can be reasoned to be negative in terms of *inter alia* “fostering elitism”, the “homogenisation of public deliberation” and “depoliticising public deliberation (Hendriks and Carson 2008, pp. 307–308). We hasten to add that in recognising the importance of this argument we are, decidedly, not demonising consultants themselves. As Hendriks and Carson (2008) point out, there is both a supply *and* a demand side to this market and as such it is governments—and, we hasten to add, the people that elect them—that are responsible for the industry. However, to argue—as Hendriks and Carson (2008) do—that the professional world of the deliberative consultant “is more of a ‘community of practice’ rather than a marketplace” surely begs the question of whether this community of practice would exist if there wasn’t a market. We think not.

The criticism here is not that people make money from organising engagement (deliberative or otherwise). Rather, it is that local politics itself becomes more and more mediated by third parties which in essence act to organise preferences *away* from the site of political decision-making. This is one side of de-politicisation. The other is that political actors (elected representatives and those appointed around them) are increasingly removed from the community *and* that they begin to like it that way. Yes, this is a somewhat dystopian view, but any considered discussion of community engagement ought to recognise that it is a possibility. Notable as well is that it is only parties that can declare a *disinterest* in the commercialisation of engagement that can be critical in any fundamental way. In a very real sense this is what academics are for.

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Chapter 7

Introduction to Australian Local Government Economics and Finance

Abstract Local government economics and finance have traditionally been thought of solely in terms of revenue and expenditure structures. We argue that performance monitoring needs to be considered as a legitimate and critical third element of local government finance scholarship. The chapter begins with a survey of the current sources of revenue for local government, and a critical review of the theoretical justifications for each source of revenue. We then turn our attention to the other side of the ledger—expenditure—where we also commence our study with a survey of current practice. The scholarly literature in Australia has largely focused on an exhaustive debate regarding whether economies of scale do, or do not, exist. We review the debate and conclude that most of the literature suffers from methodological deficiencies. Moreover, we argue that it is time to shift the debate to an examination of more promising avenues for constraining municipal expenditure. Finally, we build a case for the importance of performance monitoring for addressing the corrosive effects of information asymmetry, providing an account of local government stewardship, and for the purposes of public policy intelligence. The chapter ends with a call to implement a national performance framework, developed in consultation with the sector and founded on rigorous scholarship.

Keywords Expenditure • Information asymmetry • Performance monitoring • Revenue • Informed policy

7.1 Introduction

In its most rudimentary terms local government finance describes the association between the revenues collected and funds expended to meet residents' service demands. However, behind the Comprehensive Income Statements which record the revenue and expenditure outcomes for Australian councils lie a host of subjective decisions regarding who should pay, how they should pay, who should benefit, and how we might measure whether a council has managed to strike an appropriate balance between the various competing interests. A formidable corpus

of scholarly literature seeks to provide a framework for efficient and equitable decision-making on local government finance matters. The purpose of this chapter is to provide a brief introduction to this literature, emphasising both current practice and the merits of alternative practices.

The chapter is divided into three main sections: revenue, expenditure and performance monitoring. Section 7.2 examines the major sources of revenue for Australian local government: taxation, fees and intergovernmental grants. Since only a nascent Australian literature exists on local government revenue we spend some time examining the arguments for levying a land-based tax and allocating horizontal fiscal equalisation grants. We then turn our attention in Sect. 7.3 to the other side of the ledger—expenditure—where we commence with an overview of the current state of play. Here the emphasis is on expenditure constraint in view of the apparent reticence of the wider body of ratepayers to fund expanded service delivery (as evidenced by calls for rate capping), the danger of service expansion being converted into political capital, and the inequity which occurs when the broader base of taxpayers are required to fund discretionary services targeted at special interest groups. We examine the exhaustive debate from the scholarly literature regarding economies of scale before briefly considering other alternatives for reducing municipal spending. Section 7.4 reviews the emerging literature on local government performance monitoring, which, in its simplest terms, seeks to measure how well municipal officials have performed in collecting revenue and allocating expenditure. We end the chapter with a consideration of the public policy implications arising from our brief overview of local government finances, with a particular focus on future challenges and opportunities.

7.2 Major Sources of Local Government Revenue

Australian local government has three major sources of revenue: taxation, fees and charges, and intergovernmental grants. Figure 7.1 provides details of the relative contribution of each element of revenue. However, a number of points should be borne in mind when considering the data. First, the data are presented in aggregate, and significant variation exists between and within jurisdictions. Variation exists according to state regulation of fees and taxes, grant allocation practices, resident capacity to pay and the range of services provided by the different local government entities (for instance, NSW rural and regional councils commonly provide water and sewerage whilst Victorian councils do not). Table 7.1 provides disaggregated data by jurisdiction. The second point to note is that, whilst taxation forms the bulk of municipal revenue, it represents only around 3.4% of the total tax take of the three tiers of Australian government; this fact motivates our discussion on the need for fees and charges along with intergovernmental grants (ABS 2016). Finally, it should be noted that the mix of revenue sources for the various local government jurisdictions has remained curiously stable over the last ten years, despite the expansion of the Australian local government remit over this time (ABS 2016).

Fig. 7.1 Australian Local Government revenue sources, 2013–2014. *Source* Adapted from ABS (2016)

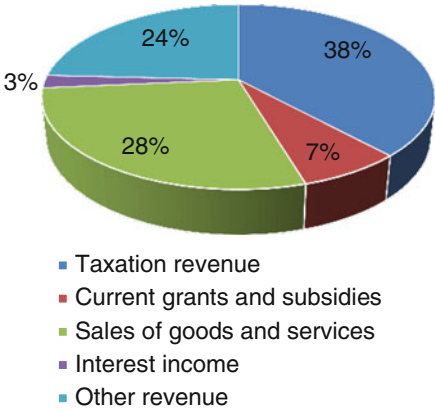


Table 7.1 Australian Local Government revenue by State, 2013–2014

	NT	Qld	NSW	Vic	WA	Tas	SA
Tax revenue (%)	28	30	34	46	42	47	63
Grants/subsidies (%)	28	4	8	7	11	7	7
Sales (%)	26	33	36	18	23	22	18
Interest (%)	3	3	3	1	3	2	1
Other (%)	15	30	19	28	21	22	11
Total revenue (million)	\$370	\$11,057	\$11,140	\$8819	\$4396	\$751	\$2073

Source Adapted from ABS (2016)

Before we can consider the appropriate mix of taxes, fees and grants for local government it is important to understand the broad categories of municipal goods and services. Pure public goods are both non-rival (access by one individual does not diminish the quantity of the good available to others) and non-excludable (it is not possible to prevent individuals from consuming the good). Consequently there is no possibility of private enterprise supplying pure public goods and services, and this fact therefore represents the *raison d’etre* of government. An example of a pure public good commonly provided by Australian local government is street lighting. By contrast, private goods have entirely the opposite characteristics—that is, they are excludable and rival—and an example of a private municipal good supplied by many councils is compost produced from green waste depots. Between these two extremes lie a number of goods and services with mixed characteristics. Of particular note are merit goods (somewhat paternalistically provided by governments in response to a belief that the good represents intrinsic virtue which can be internalised by the recipient—for example, exercise facilitated through municipal pools) and goods with positive externalities (benefits which are not limited to those which can be internalised—for instance, the treatment of sewage, which has wider public health benefits). Ideally, for both equity and efficiency reasons, there will be

a close correspondence between the type of local government good and the method of collecting revenue to fund its provision. In this regard, there is wide consensus that public goods should be funded from the general tax pool and private goods should be funded through fees and charges levied on individuals receiving the benefit. Merit goods and goods exhibiting positive externalities might be funded through a combination of fees, subsidies provided from the general tax pool, and intergovernmental grants.

We now examine some of the basic principles and practices of local government taxation in Australia.

7.2.1 Local Government Taxation

A basic principle of taxation is that there should be a close conformity between the taxation method employed and the functional unit receiving the benefit. If this is observed then any demands to expand local government services at the margin might—in the absence of intergovernmental grants, tax limitations and free-riders—be matched by taxpayers' willingness to pay. The traditional remit of Australian local government suggests that a property tax is the most suitable vehicle for raising revenue to fund public goods and subsidise the provision of merit and positive externality goods and services. However, as the remit of local government expands to include a greater emphasis on services to individuals (such as home and community care), an alternative basis of taxation (such as a poll tax or goods and services tax, which have been levied in other countries) might prove to be a more suitable vehicle. At present Australian local government is entirely reliant on a single source of taxation: land tax.

There are many reasons for preferring a land-based tax over alternative vehicles for taxation. In particular, immobility, relative stability, ease of administration and allocative efficiency are all frequently cited in the corpus of literature as positive features of a land-based tax (see, for instance, Drew and Dollery 2015a). Immobility refers to the impossibility of transferring the tax base to lower tax jurisdictions or tax havens, as commonly occurs with the other factors of production such as labour and capital. This characteristic of a land-based tax is frequently cited in the popular press and tax literature as an important reason for expanding its use by other tiers of Australian governments. The claim that land is a stable base for taxation is less certain, although it is true that land value does not fluctuate as frequently as, say, tradable commodities or currencies. In addition, infrequent valuations—land is generally valued on a 3–4 year cycle—add to the *appearance* of stability. Related to this point is the perception that a land-based tax is easy to administer; however, this argument relies on the assumption that an active market exists for valuing land, which may not be the case for unimproved land sales in capital cities. The greatest attraction for a land-based tax is the perception that it is allocatively efficient: the idea that a land-based tax has limited distortionary effects

on investment decisions of individuals and, in fact, promotes the productive use of land and hence contributes to economic growth.

It is a curious fact that all of these points raised in the recent tax debates were also put forward in the land tax debate surrounding the visit of Henry George to Australia in 1890 (Pullen 2009). However, the context for the various assertions surrounding the perceived benefits of imposing a land tax has changed somewhat. In particular, important matters to consider are the advent of high-density housing and commercial buildings, the shift wherein personal wealth is now stored and changes to the average size of land. For instance, high-density dwellings are often associated with negligible portions of land and would thus largely escape local government taxation based on unimproved land value. It is also apparent that the quite small building blocks upon which most city housing stock is now built cannot be put to productive use through, say, subdivision or agriculture. In addition, it is clear that much more capital is tied up in buildings (and superannuation) rather than land, as it might have been well over a century ago.

This all goes to suggest that capital improved value (CIV) might be a more appropriate basis for taxation. CIV still incorporates the benefit of immobility and is easier to administer than unimproved land value (ULV) in capital cities, given that there is an active market for capital improved land. In addition, CIV has a stronger association with service demand and total resident wealth: generally higher value properties have a higher occupant capacity and thus higher demand on municipal services. Moreover, CIV captures high density dwellings which would largely escape ULV taxation. However, there are also some serious problems with using CIV: it effectively provides tax relief for vacant land, thus retarding its deployment for productive purposes.¹ Moreover, CIV might distort capital investment decision making, depending on the frequency and method of valuation (however, we consider that this point is often overblown: if CIV is calculated on the value of like properties sold in the jurisdiction then only major capital changes, such as the addition of bedrooms, would affect individual tax liabilities).

It is also important to consider the effect of some existing practices on the equity of local government tax systems. In particular, it is clear that the large numbers of concessions and exemptions pose problems for the equitable distribution of tax. For instance, in most states benevolent foundations, certain agricultural enterprises (such as oyster farms and dipping facilities in NSW), schools, sporting precincts and land occupied by higher tiers of government are exempt from paying local government tax. However, it is clear that every time an exemption is provided a higher burden must be borne by the remaining taxpayers. In most cases the exemptions appear to be reasonable; however, exemptions for benevolent foundations operating commercial enterprises (for example, the Archdiocesan Development Fund), commercial sporting grounds (for instance, the Sydney Cricket Ground), and private education facilities run on profit-maximising

¹We note that this point could be addressed by having a separate (and higher) rating category for vacant land.

principles might warrant a rethink. In addition, concessions, such as pensioner discounts which operate in most states to mitigate the gap between stocks of wealth and capacity to pay, not only increase the burden on other residents but are generally poorly targeted and largely unnecessary. For instance, a mechanism already exists to accrue rates against the value of the property where financial hardship makes payment difficult, and there is little reason why this sort of deferred taxation might not be offered to all pensioners on low incomes. Moreover, the provision of welfare services really is more appropriately placed at the federal level of responsibility (Oates 1999).

The final important observation regarding equitable distribution of local government taxation is a largely neglected idea of it being a moral imperative—generally, but not necessarily, cached in terms of Natural Law (see, for instance, Pullen 2009). The main idea behind most ethical arguments for levying a land tax is that the value of land is increased generally through the actions of others—for instance, as population grows and land becomes scarcer or as the result of major transport infrastructure being built—and that it is not ‘right’ for an individual to profit as a result of the acts of others. Under this reasoning tax should be levied on the increase in value of land not directly attributable to the acts of the owner, and redistributed to the general community. As such, a land tax could be considered as a crude levy on unrealised capital gains (one should note that in Australia the principal place of residence is exempt from Capital Gains Tax). This is certainly a novel perspective on land tax which warrants further scholarly investigation.

7.2.2 Local Government Fee Income

Where private goods are provided by local government there is a clear case for funding via fees and charges. In the absence of fees and charges which reflect the value of local government goods and services, an inefficient quantity (and quality) may be produced. From an equity perspective it would also seem unreasonable for the general community to pay for a private benefit, although a case might be made for the general community to subsidise merit goods and goods exhibiting positive externalities. However, we note that determining the level of subsidisation is no simple matter and that it is important for both donors and recipients to be aware of the rate of the subsidy and reasoning for same. In practice, full disclosure rarely occurs, which means that recipients of subsidies are unable to appreciate the value of the service received and donors may be more likely to call for disruptive tax and spending limitations (see Sect. 7.3.2).

Setting the correct rate for fees and charges is also no simple matter. In the first instance, it is clear that the accounting systems used by most local governments are inadequate for determining the actual cost of the goods and services produced (Carnegie and West 2010). This prevents a supply-side approach to pricing which should ideally reflect the long-run marginal cost (the cost of producing one more unit under the assumption that all factors of production are variable) (McNeil and

Dollery 2003). The alternative approach is demand-side pricing (sometimes referred to as “price benchmarking”), which could use, for instance, the price charged by other suppliers for the good. This may be problematic if the only comparison is neighbouring local government entities, as it might well be the case that the price charged is not based on any robust evidence. However, where private providers or NGOs also occupy the market space then price benchmarking is critical to prevent inefficient levels of demand and other market distortions. There are many examples of local government goods and services which are also produced by private suppliers—for instance, child care, aged care, hire of halls for functions and the provision of rubbish skips.

An additional important source of fees and charges income is associated with developer contribution levies. In addition to offering an important source of revenue, developer charges may also promote economic efficiency (by having developers internalise infrastructure costs in their decision making and pricing). It is also claimed that developer contributions advance equity by requiring those who benefit from the development to contribute to the costs associated with the development. However, this argument tends to ignore the fact that many existing residents were the beneficiaries of those who went before them (due to the relatively recent advent of developer contributions) and that existing residents enjoy a number of positive externalities arising from development (such as greater work opportunities and increased house values). Moreover, striking a price for developer charges is quite a difficult proposition (McNeil and Dollery 2003). As a result, some states (e.g., Victoria) have implemented a regime of fixed developer charges, whilst other states (e.g., NSW) rely on negotiations which may be subject to legal contest and often lack transparency. Indeed, some NSW councils have elected not to charge developer levies entirely, owing to the problems associated with implementing same.

One final consideration regarding the practice of local government fees and charges is the recognition that prices may be deliberately manipulated by government officials. At the local government level there is strong evidence that fees and charges are often inflated to “game” local government tax limitations (Blom-Hansen et al. 2014), which we discuss briefly in Sect. 7.3.2. Higher tiers of government may also manipulate local government fees and charges in order to accrue political capital without direct cost (a form of cost-shifting, also discussed in Sect. 7.3.2).

7.2.3 *Intergovernmental Grants*

Decentralisation of government is an efficacious method for enhancing economic welfare (whilst ensuring political accountability) in the absence of interjurisdictional externalities and savings arising from economies of scale and scope (see Sect. 7.3; Oates 1999). This is because smaller government units formed from homogenous groups of residents can better tailor goods and services to the particular circumstances and preferences of their communities. However, the benefits

of decentralisation generally come at a cost in the form of vertical fiscal imbalance and horizontal fiscal disparity. Vertical fiscal imbalance is evident in most federations and occurs as a result of most revenue raising powers residing with the highest tier of government, for economic efficiency. For instance, in Australia the federal government collects 81% of the total tax take and local government collects just 3.4%. However, responsibilities are often devolved to the lowest level of government, thus creating an imbalance. Horizontal fiscal disparities, on the other hand, occur as a result of factors such as geography (including natural resource endowments), infrastructure placement and historical development preferences. In the absence of intergovernmental transfers, horizontal disparities might result in a number of undesirable outcomes. For instance, disparate economic circumstances can lead to inefficient migration of capital and labour, with a deleterious effect on the overall economy. Moreover, individual agents moving to other local government areas seeking more favourable economic conditions can precipitate a “run” on local governments leading, in the worst-case scenario, to catastrophic collapse. This can occur because as each individual leaves a jurisdiction more of the tax burden must be placed on the remaining residents. In addition, horizontal inequity can set up conditions conducive to pork-barrelling, wasteful lobbying and inter-regional envy (which can, in time, loosen the bonds of federation). It is also apparent that local government areas characterised by poor socio-economic conditions would be otherwise prone to financial failure, given that they are commonly faced with high need whilst simultaneously being presented with low revenue capacity.

The answer to many of these problems is for the highest tier of government to develop an independent system of intergovernmental transfers based on robust empirical methodologies,² which act to discourage political manipulation of the grant transfers and increase the predictability of grant allocations. Moreover, a carefully crafted system of grant transfers can also address the spill-over problem, wherein residents of one local government consume the goods and services of a neighbouring municipality owing to, for example, the location of work or retail opportunities. Targeted intergovernmental grants also promote horizontal equity and thus have an ethical dimension; indeed, the system of financial assistance grants legislated in Australia has as its objective full horizontal equalisation, which it defines as an allocation of funds that:

- (a) ensure that each local governing body in a state is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the state; and
- (b) take account of differences in the expenditure required to be incurred by local governing bodies in the performance of their functions and in their capacity to raise revenue [Parliament of the Commonwealth of Australia 1995, s6(3)].

²We acknowledge that the state governments also typically offer a range of special purpose grants; however, financial assistance grants (FAGs) remain the largest source of intergovernmental transfers to councils and are consistent with our discussion on fiscal federalism.

Unfortunately, the financial assistance grants (FAGs) do not achieve the objective of the legislation for a number of reasons. First, there is insufficient quantum on offer to achieve equalisation, given the large disparities in circumstances (particularly in environmentally challenging rural and remote communities). Second, the distribution of FAGs to states according to population, rather than need, means that section 6(3)(b) is unlikely to be achieved (for constitutional reasons it is widely held that federal government cannot pass funds direct to councils). Moreover, the stipulation that State Local Government Grants Commissions must make a minimum allocation no less than 30% of what the council might expect to receive if the funds were distributed on the basis of population alone ensures that horizontal equalisation cannot be achieved [see Parliament of the Commonwealth of Australia 1995, s6(2)(b)]. Finally, research has exposed that each State Local Government Grant Commission employs completely different methods for calculating the council allocation and that most of the methods are based on assumptions and arbitrary disability factors rather than robust empirical methodology (see, for instance, Drew and Dollery 2014a; Drew and Campbell 2016).

The ideal outcome of a carefully crafted system of intergovernmental grants is a federalist system that captures all of the benefits of decentralisation in a way that achieves the equity of unitary systems. The outcomes achieved in Australia are a far cry from the ideal [this has recently contributed to the financial failure of Central Darling Shire in NSW, as well as placing a number of remote councils under imminent threat of failure (Drew and Campbell 2016)]. Moreover, there is a clear case for tying FAGs to a growing and predictable source of revenue, such as was the case under the Fraser Government's *Local Government (Personal Income Tax Sharing) Act 1976*.³ In the absence of a reliable and growing source of grant funding it is unlikely that the desirable outcomes arising from full horizontal fiscal equalisation will ever be realised. Moreover, under the current system the temptation exists for federal governments to tinker with FAG allocations in order to arrest budget deficits. Indeed, Australian local government is currently subject to a three-year freeze on FAG grants (announced in the 2014–15 federal government budget).

However, revenue is just half of the local government financial sustainability equation. We therefore turn our attention to an examination of Australian local government expenditure in order to complete the picture.

7.3 Expenditure

Local government expenditure is rising at an alarming rate. In the 1992–93 financial year Australian local government outlays amounted to A\$5704 million; little more than two decades later (2013–14 financial year) the outlays reached

³It should be noted that it was originally intended that a set proportion of the Goods and Services Tax (GST) would be set aside to fund local government. However, this plan was aborted after changes to the application of the GST reduced the potential yield of the tax.

A\$32,739 million. This is an almost six-fold increase (a compound growth rate of 8.7% per annum) for the last 21 years (ABS 2016). Moreover, there is good reason to believe that local government taxpayers are unwilling to pay the additional taxation required to fund the service expansion: Rate-capping has existed in New South Wales for almost four decades, is set to commence in Victoria for the 2016–17 financial year, and was a policy platform for the South Australian opposition in its recent election campaign. Clearly if rising levels of expenditure are not matched by rising levels of revenue, then financial sustainability will suffer. Yet it is hard to imagine that any group of taxpayers would be willing to absorb increases to their taxes in the order of 8.7% per annum. Moreover, if the cause of the increased expenditure is local government discretionary spending aimed at satisfying special interest groups, then it may be inequitable for the wider body of taxpayers to be funding same (unless of course the expenditure is on public goods or merit goods with the *subsidium* portion clearly communicated). Friedman (1993), Weingast et al. (1981) and Brennan and Buchanan (1980) all draw our attention to the danger of increased expenditure as a result of politicians attempting to convert spending into political capital. One has only to think of some of the discretionary spending in one's own local government area to understand how large the problem has become. Special interest groups will always demand services if others are paying for it—especially if those picking up the bill are unaware of how much it has cost them (see, our discussion on the principle of subsidiarity in Chaps. 4 and 12). Therefore, in the apparent absence of a willingness to pay, the likelihood of inequity and upwards pressure as politicians attempt to convert spending into political capital expenditure constraint becomes an important field of inquiry.

There are at least two ways of looking at local government expenditure. The first approach is to examine expenditure in terms of the ABS spending categories. Figure 7.2 details the breakdown of expenditure for the aggregate of Australian local government, whilst Table 7.2 provides disaggregated data by jurisdiction. The major spending items for Australian councils are transport and communications (predominately roads, bridges, aerodromes and footpaths; 24%), housing and community amenities (principally street lighting, toilets, cemeteries and planning; 22%) and recreation and culture (mostly sporting facilities, local festivals and parks; 19%). Roads are the single largest item of municipal expenditure (PricewaterhouseCoopers 2006). Table 7.2 illustrates the wide degree of variation between the jurisdictions, which reflect state-delegated responsibilities and community need. Moreover, it should be noted that a significant degree of variation occurs between the two broad categories of urban and rural municipalities. For instance, many rural councils are obliged to operate regional aerodromes at substantial cost and to address market failure attributable to low and declining populations (Drew and Campbell 2016).

The second perspective considers the elements of the Comprehensive Income Statements of Australian councils. Figure 7.3 summarises the major elements of expenditure according to this view. The major cost items are employee expenses (38%) and other expenses (39%), principally material and contract expenditure. Just 2% of expenditure relates to interest costs, which *prima facie* suggests that councils

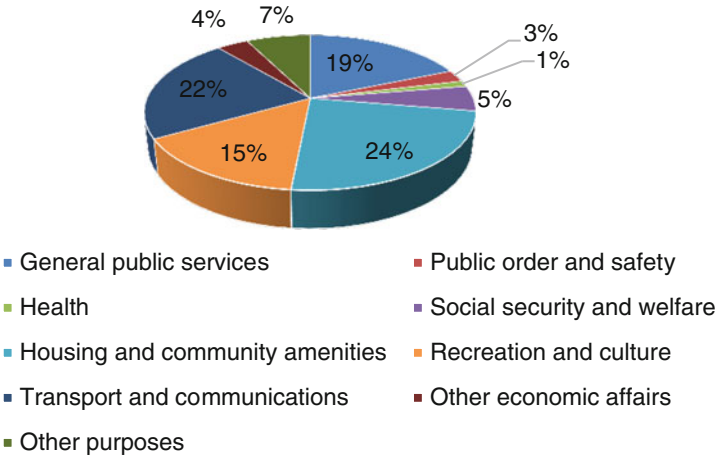


Fig. 7.2 Australian Local Government expenditure, 2013–14. *Source* Adapted from ABS (2016)

Table 7.2 Australian Local Government expenditure by function and jurisdiction, 2013–2014 (\$'million)

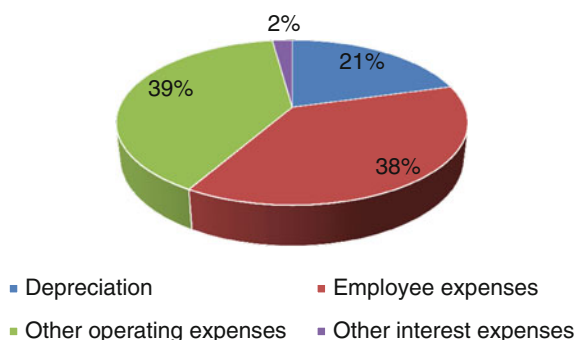
	NT	Qld	NSW	Vict	WA	Tas	SA
General public services (%)	29	31	14	16	13	19	7
Public order and safety (%)	4	1	3	2	4	1	2
Health (%)	1	1	1	2	2	2	3
Social and welfare (%)	7	1	4	13	5	3	6
Housing and amenities (%)	19	24	28	21	17	23	27
Recreation and culture (%)	13	9	14	18	23	17	23
Transport and communications (%)	10	28	19	18	24	26	22
Economic affairs (%)	8	2	3	5	3	4	5
Other (%)	10	3	14	4	8	4	5
Total expenditure (million)	\$444	\$8679	\$10,123	\$7330	\$3517	\$674	\$1972

Source: Adapted from ABS (2016)

have the capacity to take on additional debt to address infrastructure backlogs, whilst over a fifth of Australian local government expenditure relates to depreciation accruals.

Accrual accounting—which recognises the impact of events as they occur irrespective of whether the transaction affected cash—in the public sector is a complex topic which could easily be the subject of an entire book. However, it would be remiss of us to fail to highlight some of the major issues associated with depreciation accruals, given its prominence as an expense item for Australian local government. In its simplest terms depreciation refers to the “systematic allocation of

Fig. 7.3 Australian Local Government expenditure, 2013–14. *Source* Adapted from ABS (2016)



the depreciable amount [that is, cost of an asset, or other amount substituted for cost, less its residual value] of an asset over its useful life” (AASB 116). Two broad models for allocating depreciation are the “cost model”, which allocates the historical cost of a non-current asset over its assumed useful life, and the “revaluation model”, which uses periodic estimates of “fair value” to determine the quantum of depreciation. Different methods may be used for different classes of assets, which means that the aggregate depreciation charge for an individual council may be a confused and conflated figure of questionable significance, particularly in an inflationary environment. Problems for the “cost model” arise because an infinite number of methods might be used to allocate cost over the assumed useful life of the asset (the major methods include linear units of production and diminishing balance depreciation). Moreover, the calculation of useful life itself is far from an exact science (particularly for long-lived assets such as buildings) and can lead to substantial misstatement (for instance, Drew and Dollery (2015b) cite two councils with vastly different life estimates for assets; one council employed a useful life for road surfaces of 100 years whilst the other employed a more realistic useful life of 15–25 years). On the other hand, fair value lacks meaning for public assets given that AASB116 defines it as “the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction”. Clearly there are no willing parties for the purchase of assets such as local roads. The outcome from the methodological uncertainty and opportunity for “earnings management” by municipal officials is substantial variations in practice by Australian councils, thus eroding all notions of comparability (Pilcher 2006). For instance, Drew and Dollery (2015b) detail evidence of disparate depreciation rates for the 79 councils in Victoria, ranging from 1.46% of depreciable property plant and equipment values through to 6.51% (with a mean of 3.14%). Clearly this has significant implications for the reliability of expenditure and performance monitoring data. We note that just over a quarter of the 100 countries recently surveyed by PricewaterhouseCoopers (2013) use a full accrual system (as opposed to cash accounting, partial accruals or other method) for public service accounting.

Most of the academic literature on Australian local government expenditure revolves around debates on how expenditure might be constrained, rather than the

theory underpinning specific types of expenditure (which as we have seen vary enormously from state to state in any case). Accordingly, we concentrate our attention on the topic which has dominated Australian scholarly debate—whether economies of scale do or do not exist—before turning to options for limiting local government expenditure.

7.3.1 *Economies of Scale*

In economic parlance, economies of scale refer to the situation whereby long-run average total costs might be expected to fall as output increases. Reduction in cost is associated with factors such as the benefits of increased specialisation, enhanced purchasing power and use of excess capacity. However, it would be wrong to assume that economies of scale exist in every industry. Indeed, the corpus of scholarly literature has produced inconclusive evidence over many years of debate in relation to whether or not economies of scale exist for local government (see, for instance, Dollery et al. 2012). Moreover, economic theory does not suggest that economies of scale are some sort of magic pudding that might continue to feed an appetite for lower cost government services ad infinitum; rather, most production functions suggest that initial economies of scale are followed by a prolonged period of constant returns to scale (where average total costs do not change with increased levels of production) followed by diseconomies of scale (where average total costs increase as production expands). Diseconomies of scale might be attributable to the problems of coordinating large numbers of staff and the lack of transparency as an organisation increases in size. Unfortunately, a fundamental misconception of the nature of economies of scale has existed for many decades amongst public policy architects (and some fiscal federalism theorists, see Chap. 4) who (i) assume that economies of scale exist without evidential foundation and (ii) entirely neglect the possibility of reaping diseconomies of scale (see Chap. 11 for a thorough treatment of the amalgamation debate).

If economies of scale do exist, then they offer the potential for reduced unit costs for producing local government goods and services if council size is increased by approaches such as amalgamation or shared service collaborations (shared services refer to the co-production of specific services through formal or informal collaborations between councils). The traditional approach to estimating potential economies of scale was to conduct a multiple regression analysis of expenditure per capita against population size, population size squared⁴ and a range of control variables. If a statistically significant association were to be found between per capita expenditure and the population variables, then an optimal size of local government could be estimated, along with the potential savings associated with an

⁴The inclusion of a higher order term is required to get a quadratic (u-shaped) function consistent with economic theory on economies of scale.

increase in population. However, the methodology for estimating economies of scale is plagued by a number of problems. In the first instance the use of population size may have been a fallacious unit by which to proxy local government production, given the narrow remit of Australian councils focused on services to property (Drew and Dollery 2014b). Second, it is clear that some sort of stratification (into urban and rural municipalities) is required to reflect the differences in responsibilities and environmental challenges, as well as disentangle the conflation between population size and population density (Drew and Dollery 2016a). It is also likely that economies of scale will be specific to certain municipal functions, therefore suggesting a number of regressions designed to capture the costs of each service separately (Drew and Dollery 2014c). Fourth, unless some sort of proxy is employed to control for differences in service quality, it is quite impossible to declare *ceteris paribus* that any association between size and expenditure is in fact due to economies of scale (Drew and Dollery 2016a). Finally, the regression technique yields only global estimates of optimal scale; it tells us nothing of the specific potential for economies in individual municipalities.

A superior approach to the question of scale lies in the use of data envelopment analysis (DEA).⁵ This empirical technique can provide point estimates of efficiency for individual councils, along with estimates of the effect of scale on efficiency. DEA has recently been employed in the NSW amalgamation debate to (i) assess the effect of amalgamations on scale (see Drew et al. 2015) and (ii) determine the effect of amalgamation on technical efficiency (technical efficiency is defined as the conversion of inputs (staff and capital) into outputs (best proxied by number of residential, farm and business assessments plus length of municipal roads)). At present the local government literature has been contained to cross-section analysis (just one year), although a technique does exist for intertemporal efficiency. DEA is an emerging line of research which might in time provide greater clarity on the relationship between size and expenditure. In particular, there is a need to conduct functional level analysis of efficiency, investigate municipal efficiency over time (intertemporal DEA), analyse the determinants of efficiency and develop a method to control for differences in service quality.

7.3.2 Alternative Methods for Reducing Local Government Expenditure

The great pity of the exhaustive debate on economies of scale (and amalgamation) which has dominated Australian local government policy is that relatively little effort has gone into developing alternative strategies for containing municipal expenditure. We now briefly outline just a few of the many mechanisms available to

⁵For further details on the technical aspects of DEA readers should consult the seminal work of Cooper et al. (2007).

put downward pressure on municipal spending: altering the political structure, reducing cost-shifting, introducing hard budget constraints and eliminating information asymmetries.

Altering Ward Structures

The Law of $1/n$ (developed by Weingast et al. 1981) predicts that the level of municipal expenditure will be closely associated with the number of geographically defined fragments (termed ‘wards’ in Australia). The idea behind the “law” is that elected representative of the wards have a rational incentive to convert economic benefits for their constituents into political capital. Moreover, if the benefits are paid out of a common tax pool it follows that residents of the ward receiving the benefit will pay just one n th of the costs (where n represents the number of wards). For example, if a local government area is divided into three wards, A, B and C, then it might be possible for the representative of ward A to secure a benefit—for instance, a library facility—for which residents in wards B and C effectively contribute two-thirds of the cost (assuming roughly equal rates of taxation apply). Because the representatives of all three wards are confronted by the same incentive the “law” predicts a trade in votes giving rise to reciprocity in log-rolling. The final result will be an increase in discretionary spending in all wards.

Drew and Dollery (2016b) tested the Law of $1/n$ in the context of Victoria and found evidence at the highest level of statistical significance for an increase in unit cost of approximately 3.4% for every additional ward, *ceteris paribus*. Moreover, there was no statistically significant association between the number of representatives and unit cost for undivided council areas. This suggests that quite significant reductions in local government expenditure might be possible for the 57 Victorian councils which are divided into wards, simply by converting them into undivided local government authorities. It is acknowledged that some disruption might be caused by converting the councils into undivided municipalities; however, it is clear that this is a far less unsettling remedy than the current favoured blunt policy tool of amalgamation.

A second political structure remedy for rising local government expenditure follows on from the observation by Dollery et al. (2006) that rent-seeking agents have a higher probability of capturing councillors to promote their own special interests than they might have for elected representatives of higher tiers of government. Three reasons are proposed to support this assertion: (i) local government attracts less media attention than other tiers; (ii) redistribution of goods and services might be expected to elicit a negligible response in taxation imposts owing to the inflexible vehicle for local government taxation; and (iii) acute levels of information asymmetry exist (Dollery et al. 2006). One solution to this vulnerability of local government democratic institutions is to impose strict term limits on representatives (Friedman 1993). Such a measure would effectively increase the cost of rent-seeking. A second option is to take measures to reduce the information asymmetry (see below).

Reducing Cost-Shifting

Cost-shifting, as the name suggests, refers to the imposition of a cost from one tier of government onto another. In Australia there is wide scope for cost-shifting, owing to the largely unfettered powers of state and territory governments over local government. Moreover, the relationship and responsibilities of the three tiers of government are poorly defined. This sets up a constant temptation for higher tiers of government to generate political capital at the expense of lower tiers. Cost-shifting has obvious implications for the fiscal condition of local government but also imparts undesirable constraints on local public policy-making. However, it is important to note that not all cost-shifting should be seen in a negative light; for instance, where mandates of higher tiers of government force local government to internalise negative externalities or the costs of spill-over effects then this has positive outcomes for some residents and creates higher levels of economic efficiency. For example, a measure which required neighbouring councils to contribute to the operational expenditure and management of regional airports could have positive implications for all of the communities using the airport.

Cost-shifting can occur through a number of mechanisms which include inter alia:

- Reductions or changes to grant funding. For instance, the recent freeze to FAG grants has reduced the real value of intergovernmental transfers. Moreover, increasing the complexity of the application process for special purpose grants or attaching conditions to grants can impose considerable additional costs.
- State or Commonwealth withdrawal of services giving rise to service gaps. A recent example of this cost-shift was the transfer of regional aerodromes from the Commonwealth to local government.
- Legislated mandates. A particularly controversial example of this sort of cost-shift is the legislated pensioner concessions provided to rate-payers in many states.
- Changing payment rates, standards or practices for sub-contracted services. Many rural and remote councils sub-contract to state road authorities for the maintenance of state highways. Recent changes to the payment methods and rates offered to rural councils in NSW have caused significant fiscal distress (see, for example, Drew and Campbell 2016).
- The imposition of agency fees which require councils to effectively fund state government agents, such as the NSW Rural Fire Service.
- Reform Programs. The recent *Fit for the Future* reform program in NSW required councils to make submissions regarding proposed amalgamations supported by business cases. The cost of making very detailed submissions was borne entirely by councils; merger business cases attracted only 50% funding by the state government (up to a maximum of \$40,000 for rural councils and \$75,000 for metropolitan authorities) and stand-alone council business cases attracted no funding (OLG 2014). The state government therefore shifted most of the due diligence costs onto the local governments (OLG 2014). Moreover,

where amalgamations do proceed state governments typically fund only a portion of the costs associated with same (leaving councils millions of dollars out of pocket).

Several solutions have been proposed to the problem of cost-shifting. One expedient solution to many of the imposed costs would be to recognise local government in the Australian constitution and clarify the responsibilities between all three tiers of government. However, as discussed in Chap. 3, this does not seem likely to occur in the short term. A second proposal calls for all tiers of government to agree to the normative proposition that the level of government which establishes a mandate should also fund the mandate. However, this proposal would be difficult and expensive to administer, and entirely counterproductive in the case where mandates are made to address negative externalities and spill-overs. This suggests that the most likely solution is for affected levels of government to apply political pressure by exposing the details of proposed cost-shifting devices to relevant residents (an example of an effective political action is the recent state government campaign against cuts to federal health and education funding).

The final point to note is that cost-shifting is also attempted on occasion by local government through exploiting so-called soft budget constraints. For instance, a council can expand services despite having a clear inability to finance them over the long term, and then call on higher tiers of government to fund a bail-out program or manipulate elastic grants (Oates 2005). This was recently attempted by Central Darling Shire without success (see Drew and Campbell 2016).

Introducing Hard Budget Constraints

Local government expenditure can be limited by state and territory governments through introducing hard budget constraints. Both revenue and expenditure side approaches can be made to attempt to limit local government spending.

For almost four decades NSW has operated a tax limitation regime (often referred to as rate-pegging) which places a limit on annual local government taxation increases. This measure—aimed principally at providing tax relief to property owners—also requires a reduction in local government spending if councils subject to the regime are to maintain long-term financial sustainability. Indeed, one of the principal reasons cited for implementing tax limitations is that they impose fiscal discipline on local government authorities (Drew and Dollery 2015a). However, unless the tax limitations are supported by strict oversight of local government debt issues and infrastructure renewals, it is quite possible that the measures will not only fail to constrain spending but result in the erosion of intergenerational equity. Moreover, a tax limitation regime can also result in spending being (unintendedly) funded by higher tiers of government (unless independent and robust empirical methodologies are in place for grant allocations) or it can promote perverse behaviour whereby fees and charges are inflated in order to side-step the rate-peg. Thus, revenue-side approaches to introducing hard-budget constraints would not appear to offer much chance of success. Notwithstanding the risks to intergenerational equity and municipal sustainability, rate-pegs continue to attract populist

support and have recently been introduced by the Victorian Government (commencing in the 2016–17 financial year).

If introducing spending restraint is the principal objective of state government, then an expenditure-side approach would appear to offer a far greater chance of success, with less possibility of unanticipated deleterious outcomes (Friedman 1993). Consistent with revenue-side approaches, balanced-budget legislation and the like require close oversight of infrastructure renewals and maintenance, along with a robust intergovernmental grant system focused entirely on redistributive and allocative functions. Moreover, additional controls would be required, depending on whether the budgets were cast in terms of cash or accrual accounting. If cash budgets were used, as is the case for most accrual accounting central governments (PricewaterhouseCoopers 2013), then it would be important to ensure strict limitations on the amount of debt which could be issued. However, if budgets were cast in terms of accrual accounting then the problems associated with depreciation expenses (detailed in Sect. 7.3.1) would have to be satisfactorily resolved. Under either system, strong and transparent taxation and fee systems are required in order to establish a clear nexus between demand for services and willingness to pay.

Participatory Budgeting

An alternative approach for establishing a clear nexus between the demand for services and the willingness to pay—although not necessarily for reducing local government expenditure, but in some cases for increasing it, *and* with the consent of citizens—is the practice of participatory budgeting (PB). In their survey of participatory budgeting in Australian local government, Christensen and Grant (2016, p. 1) define it as “a process whereby governments seek direct *input* from citizens into financial decisions” (emphasis added). Otherwise stated, in Australian local government (although not, we hasten to add, elsewhere) PB is a *discretionary* management practice for financial decision-making rather than a legislatively required process. PB has been vigorously advanced as a mechanism to bolster the democratic legitimacy of government over and above its utility as an element of financial governance. More specifically, in developing contexts the practice has been deployed to ameliorate corruption (see, for example, Shah 2007) while in developed contexts the justification for its introduction has rested in claims that it can revitalise citizen engagement in situations of “democratic deficit” (Christensen and Grant 2016, p. 8). Moreover, the authors (pp. 6–8) emphasise the extent to which the practice has been championed, and claimed by, various schools of democratic theory and practice (see, for example, Fung and Wright 2003; Pateman 2012) and the debate about which specific procedures and practices best exemplify participatory budgeting (see, for example, Fung 2015).

Despite the appeal of the practice, Christensen and Grant (2016, pp. 8–11) observe that the introduction of PB to local governments in Australia has been relatively recent *and* modest, with variable elements of particular local government budgets subject to varying processes. For example, in 2012 the City of Canada Bay in Sydney allocated an unspecified proportion of its 2012/14 operating budget of

\$72 million for participatory budgeting; in the same year the City of Melville in Western Australia allocated \$100,000 for its community grants program to be decided upon by a process of PB. Alternatively, what (arguably) has been the flagship program of PB in Australia, in the City of Melbourne, witnessed a process of PB contribute to deciding that city's capital and services operation budget of \$5.9 billion for its 10-year financial plan (Christensen and Grant 2016, p. 4).

For all its contemporary appeal, Christen and Grant (2016, pp. 12–14) point to several “critical issues” for PB as a continuing practice in Australian local government, including the problem of inclusivity—i.e., how do local governments ensure that voices not normally heard are part of PB processes?—the preparedness (or otherwise) of local leaders, the role of third parties in designing and facilitating PB processes (see Chap. 6 for a discussion of this point) and the impact upon state-local relations if PB is deployed by more councils. Despite these cautionary notes, in the context of our general discussion of local government expenditure, participatory budgeting, both theoretically and practically, can be a “game-changer” in that the traditional problem of citizens' unwillingness to pay more for the services they desire can be reversed (as was the case in Melbourne—see Christensen and Grant 2016, p. 1). PB can also go some way to ameliorating information asymmetries generated due to the principal-agent problem, which we discuss next.

Addressing Information Asymmetries

The classical principal-agent problem exists for local government on a number of levels. For instance, elected representatives, who are typically engaged on a part-time basis (and do not have the benefit of remunerated political staffers), would appear to have access to less information than professional bureaucrats about the day-to-day operations of councils. Furthermore, residents would seem to be at an information disadvantage with respect to both elected representatives and bureaucrats. In addition, state government oversight bodies are also likely to have less complete information than elected and non-elected council officials. In all cases information asymmetry exposes the principal to additional risk.

A number of measures can reduce the information asymmetry and hence reduce risk. Legislation in the form of freedom of information acts can increase the transparency of most government entities (depending on how broad the caveat is constructed for the “public interest test”, the cost to access information and the avenues to appeal decisions). In addition, it is clear that a strong political opposition has an important role to play in ensuring that risk is minimised in the resident-elected representative relationship. However, the major political parties (and the resources they command) are involved in very few local governments outside of the capital cities. Ratepayer associations can also provide an important role in monitoring local government policies and actions, as can local government ombudsmen offices. However, ratepayer associations do not exist in all local government areas and they are generally self-funded. Moreover, ombudsmen offices often have a very limited remit determined by legislation or funding. It is also apparent that local media have a very important role in monitoring the actions of

agents, although it should be noted that some rural and remote areas, in particular, do not have an active local media presence.

Finally, it is clear that local government performance monitoring (PM) programs can contribute to reducing information asymmetry. However, there is a large risk that poorly designed PM regimes can, in fact, result in unintended deleterious outcomes. This then forms the focus of our final substantive section in our introduction to local government economics and finance.

7.4 Municipal Performance

We commenced this chapter with the observation that performance monitoring (PM) regimes assess councils' success in collecting revenue and allocating expenditure according to the competing interests and needs of residents.⁶ As such, PM serves an important role in addressing information asymmetries and providing an account of stewardship. It is therefore a tool admirably suited to enhancing the equity and financial sustainability of local government. Most local government taxpayers have neither the interest nor skill set required to examine the audited financial statements in order to assess stewardship. Therefore PM can play an important role in clearly and succinctly communicating information to taxpayers regarding how the council has struck a balance between the various competing interests of those who pay and those who benefit from local government services. In addition, PM can serve to focus council executive attention on the most salient areas of performance and provide a basis for jurisdictional level comparisons and decision making.

However, whilst PM can become an important tool in local government finance, it is by no means free of risk. Poorly designed PM can result in perverse behaviour and unintended outcomes. Moreover, it is clearly important to ensure that data used in PM is as accurate as possible. We now turn our attention to describing the various factors which militate against accuracy in PM systems.

7.4.1 *Factors Mitigating Against Accurate Evaluations*

The performance paradox—an observed weakness between performance on paper (the record of PM) and actual performance—is well attested to in the PM literature (see, for instance, Pollitt 2013). This paradox occurs as a result of measurement error, synecdoche, definitional ambiguity and intentional distortion. Unintentional measurement error has received relatively little attention in the scholarly literature

⁶This discussion on PM relates to local government level performance, rather than individual staff performance (the latter of which is a human resource matter).

and it has largely been assumed that it is insignificant in data extracted from audited financial statements. However, this assumption might well be misplaced, as demonstrated by Drew and Dollery (2015b, c). One only has to look at the frequent re-statements of data in successive financial statements to understand the extent of the problem. Tightening up audit practices and providing confidence intervals (to reflect uncertainty in data) are two ways of addressing the problem. The problem of synecdoche—the rhetorical trope that takes a part to stand for a whole—also presents as an obstacle to accurate assessment of local government performance. Clearly it is not possible to measure every aspect of the heterogeneous services delivered by Australian local government. However, it is critical that every *dimension* of performance (for instance, financial performance, equity (including inter-generational equity), service quality, citizen satisfaction, representative effectiveness) is measured. All too often, PM systems report on just a few of the dimensions of performance; perhaps the most extreme example of the synecdoche problem was the NSW Government's use of just a single dimension—financial performance—to make decisions regarding forced amalgamations (also discussed in Chap. 11). Two principal problems occur when synecdoche is unduly exaggerated: fair comparisons cannot be made (for instance, it is clearly erroneous to compare the operating ratios of councils facing entirely different environmental and revenue constraints), and omitted dimensions are likely to be ignored entirely by performance-focused management [what's measured, matters (Bevan and Hood 2006)]. Synecdoche is often not addressed because of cost and utility concerns, in that more information makes it harder to evaluate and compare performance. However, empirical solutions exist for the utility problem, such as factor analysis (see Drew and Dollery 2016c). Moreover, the cost of a PM regime should be proportional to the importance of its intended use.

Definitional ambiguity usually occurs as a result of PM architects failing to define performance indicators (PIs) and specify the sources and definitions of PI inputs in a PM protocol. This is a fundamental principle for developing a robust PM regime, yet it is all too frequently overlooked or conducted in a most cursory and thus inadequate manner (see Bird et al. 2005). As a result of a failure to carefully define PIs, PM systems can suffer from definitional drift (the definitions of PIs alter over time), which invalidates inter-temporal comparison and may also prevent comparison between reporting entities if the drift does not occur at comparable rates for the different councils. Moreover, definitional ambiguity provides fertile ground for intentional data distortion.

Intentional data distortion has attracted a good deal of attention from the scholarly community (see, for instance, De Bruijn and Van Helden 2006; Hood 2012). Two types of data distortion are gaming, whereby the rules are bent, and cheating, whereby the rules are broken. Addressing synecdoche and attending to definitional ambiguity can mitigate against most, but not all, intentional data distortion. It is also important to design the PM system in a manner which discourages this type of behaviour. Moreover, the Law of Decreasing Effectiveness [which states that tighter coupling between PIs and organisational consequences leads to higher risk of perverse outcomes (De Bruijn 2007)] would seem to suggest that

considerable effort should be dedicated to incorporating constraints on intentional distortion for high-stakes PM regimes (where naming and shaming, rewards and punishments are dispensed), in particular. Yet gaming and cheating are but two of the unintended outcomes which may arise from PM.

7.4.2 *Unintended Outcomes*

The rise, and fall, of the centrally planned Soviet Republic has provided public management scholars with some fine examples of unintended outcomes arising from PM regimes. One particularly entertaining illustration is provided by the story (possibly apocryphal in nature) of a soviet PI that measured nail production in tons: the result was the production of incredibly large nails of no use to anyone. This anecdote illustrates the deleterious and unintended outcomes which may arise in poorly designed PM regimes.

Threshold effects and ratchet effects are both examples of performance distortion which occur specifically as a result of targets being set for PIs. Threshold effects refer to the lack of incentive for an entity which has achieved a given target to continue to strive for higher levels of performance. Ratchet effects occur when management believe that current performance might be used to specify future performance targets—in this case there is also a disincentive to perform beyond the current performance target. Both effects can be seen in a clustering of results just above the performance target. Equally, both effects encourage adequate performance but would seem to discourage excellent performance. Another outcome arising from PM regimes linked to targets is strategic performance, such as when agents choose to emphasise only the dimensions of performance that are measured. A more extreme example of strategic behaviour, also promoted by the synecdoche problem, occurs when agents deliberately reduce performance in some unmeasured dimensions because such a change will directly boost performance in a measured PI (for instance, financial dimensions of performance can be improved by simply reducing services; if service sufficiency is not measured then reactive gaming is implicitly promoted).

All PM systems rely, in varying degrees, on the assumption—in the terms made famous by Le Grand (2010)—that the public service to be measured is dominated by Knights (individuals who will report honestly even when such reports may prove personally damaging) rather than Knaves (those who are not averse to bending or breaking rules, particularly if they can convince themselves that such behaviour is warranted because the PM is unfair in some way). The problem, reflected in De Bruijn's (2007) Law of Decreasing Effectiveness, is that a PM system itself can shift the balance of Knights to Knaves. This is most likely to happen in high-stakes assessments, although even intelligence applications of PM may elicit unhelpful behaviour (particularly if agents perceive that the PM regime may be used for other purposes in the future). Moreover, it should be noted that these behavioural responses may be normalised over time as a result of poorly designed PM regimes; the result may be that accurate PM data become impossible to extract well into the future.

There is also a less well-researched motivational aspect to PM. Educational psychologists have long been aware of the curious effect of extrinsic motivation tools on intrinsic motivation (see, for instance, Deci et al. 1999). In essence, the use of extrinsic motivators, including PM systems, can erode intrinsic motivation. This is problematic because intrinsic motivation (for instance, an overriding altruistic desire to serve the community) is to be preferred on the grounds that it affects all aspects of performance and is thus not subject to the problem of synecdoche and doesn't cease when PM systems are abandoned. Moreover, this motivational problem inherent in PM regimes can inadvertently drive out the individual who becomes anxious to achieve targets, therefore shifting the balance towards individuals with a more relaxed approach to targets. Whether one type of personality is more desirable in the public sector than another is a normative question; however, the potential of PM systems to alter the balance of personalities needs to be recognised.

The foregoing material has probably cast a pall over the practice of performance monitoring. However, there are many solutions available to the problems identified, and Sect. 7.4.3 reviews some of the major remedies which may be implemented.

7.4.3 Some Performance Monitoring Recommendations

Performance monitoring undoubtedly changes behaviour: the challenge for PM architects is to ensure that behavioural changes are productive and make a contribution towards improved levels of equity and financial sustainability. Perhaps the most important decision that needs to be made prior to implementation of a PM regime relates to its intended purpose. This seems rather obvious, but it is increasingly apparent that PM deficiencies arise from a lack of clear purpose. Moreover, the intended purpose largely dictates the level of work that needs to be put into discouraging unhelpful behaviours. In addition, it is clear that greater trust might be engendered if the subjects of the PM systems are involved in the process from inception. Not only is trust enhanced through the involvement of agents, but also the utility of the PM system might be increased by involving the people who work within the system and, as a result, have the best understanding of what data are meaningful and how the data are best presented. Trust can also be established by having an independent body—perceived to be free from political interference—administer the regime. This sort of approach would provide assurance to users of PM data in much the same ways as the independence of the ABS confers integrity to GDP data and the like. It is also clear that strong PM protocols which provide rigorous definitions of PIs and inputs will mitigate definitional ambiguity. Furthermore, pilot trials of PM regimes should also be considered a critical element of PM design: pilots offer the opportunity to identify problems which might otherwise escape attention until after the PM regime has been implemented.

Intentional distortion of PIs can be mitigated through a number of measures. These include an effective and rigorous process to audit data, combined with strong

punitive protocols for staff caught engaging in intentional distortion of data. Moreover, introducing unpredictability into the PM process can increase the cost to those attempting to game the PM system. For instance, the focus of reporting or performance appraisals (should PM be used for high stakes assessment) could rest each year on a different subset of PIs, drawn from a large suite of PIs. Unpredictability might also be increased by conducting randomised on-site audits of local governments. It is also apparent that PIs can be created which actively deter intentional distortion. For instance, Drew and Dollery (2015b) recommend including a PI which measures depreciation as a proportion of depreciable assets in order to deter municipal officials from attempting to enhance operating performance ratios through manipulating depreciation accruals.

Adding PIs which provide an alert regarding officials attempting to distort data also simultaneously addresses the synecdoche problem. Providing inter-temporal comparative data over a long period, as well as data on peers, can deter would-be gamers and improve the value of PM information. In addition, providing local governments with the opportunity to respond to the PM data, through an open-ended interview or response statement, can provide context for the results, clarify *prima facie* inconsistent data and enhance the degree of agents' trust in the system (De Bruijn 2007). Moreover, it is very clear that some aspects of municipal performance largely defy quantification; therefore, performance statements and interviews can substantially address the synecdoche problem.

In summary, performance monitoring is a very important tool for assessing the stewardship function of local government. However, this brief review of the literature has shown that implementation of a PM regime is not a matter to be taken lightly. Indeed, considerable care must be taken to ensure that the behaviour changes engendered by a PM regime are in fact the desired changes.

7.5 Observations and Implications for Public Policy

Local government is increasingly being called upon to deliver new goods and services whilst simultaneously facing various revenue constraints. The time has come for a complete rethink on local government finance; evidence is starting to mount which suggests that policy interventions targeted at just one side of the ledger are failing to address the Australian local government financial sustainability challenge. Moreover, it is time for public policy architects, scholars and municipal officials to recognise that performance monitoring is a critical component of local government finance, every bit as important as revenue or expenditure analysis.

On the revenue side, municipal tax reform is clearly well overdue for many states. What seemed reasonable in 1890 is clearly deficient in 2016. In particular, the case for unimproved land value taxation is difficult to endorse, given the rise of high-density commercial and residential development, smaller land parcels, lack of active ULV market and higher capitalisation of housing stock. However, the challenge moving forward will be to address the problems associated with

CIV-based taxation. It is also abundantly clear that rate-pegging, despite its popular support, engenders fiscal stress for municipalities, erodes inter-generational equity and wholly fails to achieve the oft-cited rationale, which is expenditure restraint.

Fee and charges revenue must also be addressed in order to diversify and increase municipal revenues, promote equity and reduce market distortions. The starting point is to address inadequate local government accounting systems so that a supply-side approach to pricing can be used where no active market exists for the good outside of local government; where an active market does exist there is a strong case for implementing price benchmarking (demand-side approaches to pricing). Moreover, attending to inadequate accounting systems should also allow local governments to provide important price signals to recipients of subsidies and the donors (ratepayers).

The last revenue-side item requiring urgent reform is the elastic intergovernmental grant transfer system. There can be no doubt that the system in its current manifestation completely fails to address both vertical and horizontal fiscal imbalance as well as placing communities at risk due to soft budget constraints. Changes to the legislation are required to remove the stipulation for a minimum grant based on population size. Moreover, to ensure consistent allocations on the basis of need it is clear that the current arrangement, whereby funds pass through state and territory local government grants commissions, needs to come to an end. This may be accomplished by asking the states to refer the power to the Commonwealth or re-testing the supposed constitutional constraints (after all the Commonwealth already deals directly with local governments for some tied grants). Without comprehensive reform of the intergovernmental grant transfer system horizontal equity—which is so critical for efficient and effective operation of a federation—will not be achieved.

On the expenditure side of local government finance, the major challenge lies with the various state and territory authorities. It is time to dispense with the theoretically suspect and empirically contested assumption that a local government financial sustainability crisis can be averted through capturing economies of scale via amalgamations and shared-service arrangements. Once public policy architects have weaned themselves from this fallacious notion, the real work of expenditure reform can begin. This should include evidence-based reforms along the lines of some of the options proposed in Sect. 7.3.2. Moreover, for public policy reforms to be successful it is of the utmost importance that the reforms are collaborative and evidence-based.

This brings us to the final and indispensable third plank of local government economics and finance: performance monitoring. For too long PM has been considered somehow separate to the real business of local government. If the sector, and indeed the nation, is to progress, this way of thinking needs to change. Local government finance and economics scholars need to start thinking about performance monitoring as being the legitimate area of finance and economics professionals (PM has previously been the principal domain of political scientists). This thinking also needs to filter through to local government regulators and local government management. The neglect to date of PM means that much remains to be

done. In particular, there is a desperate need for a national performance monitoring regime developed in collaboration with local government professionals and based on careful scholarship. This will also require the implementation of nationally consistent financial accounts. Only when we have comprehensive and reliable information on the performance of the sector can we begin to develop the strong public policy interventions necessary for a strong Australia.

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Chapter 8

Leadership in Australian Local Government Systems

Abstract Akin with many local government systems globally, leadership continues to be an enduring focus for architects of public policy reform in Australia. The introduction of the new local government acts from 1989 saw the roles of mayors, councillors and appointed staff subject to systemic reform designed to reinforce the political-administrative divide. More recently, debate surrounding reform has focused upon the option of prescribing more authority to mayoral roles. This chapter initially contextualises these reforms, asserting that in Australia some in the community may not be in favour of greater powers for local leaders. We then provide a five-part typology of leadership in local government before examining in depth the current leadership arrangements across Australia's local government systems. The chapter then focuses upon the conjecture and refutation over a proposed "semi-executive" role for mayors, arguing that an assortment of institutional arrangements are available for reform and that reformers ought to consider the particular "place-based" conditions that may or may not be conducive to changes in leadership arrangements. Further, encouraging local electorates to have greater voice in the types of institutional arrangements that govern them is assessed as beneficial.

Keywords City leadership • Council-managers • Elected executives • Local leadership • Mayors • Place-based leadership

8.1 Introduction

In the sphere of local government public policy in Australia it is fair to say that the topic of amalgamation receives the overwhelming weight of attention, from governments, academia and in media coverage (for a recent overview, see Ryan et al. 2015; see also Chaps. 7, 10 and 11 of this book). This is particularly the case in specific jurisdictions when they are undergoing extended processes of inquiry and reform that typically, although not inevitably, result in programs of amalgamation (Dollery et al. 2013; Drew et al. 2016). Yet, despite what at times seems to be the

pervasiveness of the issue of amalgamation, a strong contender for second-most popular topic is leadership. Often public attention is drawn to issues surrounding the ethical comportment with which leaders (mayors, councillors and senior executive staff) choose to conduct themselves (see, for example, Campbell et al. 2016). Chapter 9 considers the issue of ethical conduct (or indeed otherwise) in local governments in Australia. Our central concern in this chapter is with leadership in local government, particularly the institutional arrangements for local government leadership and options for reform.

However, before we arrive at these topics, we think it is useful to provide some background concerning the topic of leadership generally and its developing place in the social sciences in Australia. Traditionally (although arguably) social scientists trained in Australia, particularly those with an education in the humanities (political science, sociology and philosophy, for example), have not been intuitively geared to adopt what might be labelled an “appreciative stance” toward leadership studies and leadership as an element of the public sector and government. The training received by these social scientists has derived its moral parameters from broadly social-democratic traditions that emphasise the legitimacy of state action, hence collective action and collectivism generally, in human endeavours over and above individual performance. Understood against this backdrop, leadership is seen as a necessity rather than as something to be venerated. Further, we think it is fair to say that it is a characteristic of Australian culture generally and (somewhat paradoxically, to be sure) of Australian political culture in particular that leadership has traditionally been regarded with a degree of scepticism, particularly leadership of an inherited and/or titular nature.

However, this non-appreciative stance has been swept away in the course of the last two decades. Just as many of us who have been schooled in the humanistic social sciences now teach and research in business schools across the country, the theory and practice of leadership, now conceived as a discrete activity within public administration, has gained considerable importance in Australia. Arguably, local government has been at the forefront of this trend. The tension between the reluctance toward leadership on the one hand and its growing importance on the other hand forms an important part of the background to our discussion here.

We also ought to recognise that it is not merely leadership per se, but also leadership *studies* that has recently enjoyed increasing popularity. Leadership studies is an appealing discipline for two principal reasons. First, many disciplines—political studies, public administration, economics and sociology, for example—have something to say about leadership. This is reinforced by the fact that other, more far-flung disciplines concerned with studies in human society *also* have a “stake in the leadership game”—leadership as psychology, leadership in military history and strategy, and leadership as an element of religious studies. Second, leadership can make a claim to be “game-changing”—theoretically at least. It might be tempting to explain this by pointing to “transformational people”—the “great person in history” thesis—and whether this person is Malcolm Turnbull, Prime Minister of Australia or Clover Moore, Lord Mayor of Sydney is only really a matter of scale. However, equally this “transformational” nature of leadership is

applicable to the issue of *institutional design* as well—that is, if we put in place the right institutional arrangements for leadership, all else will follow. Thus, despite what we have suggested is the “non-appreciative” reflex position adopted toward leadership by those of us schooled in the humanities in Australia, we are nevertheless obliged to consider these “game-changing” claims very closely, lest they be more or less correct. Also lurking at the back of our minds is the realisation that, whatever one’s political persuasion, a political leader can be admired and can affect change.

Further, in all instances this potentially transformational nature of leadership relies on deep ethical and indeed moral claims about what constitutes the nature of the good ethical person and the good organisation, even if this reliance is only implicit. These claims about what is good are rarely universal; on the contrary, they tend to be culturally specific. Because these claims are necessarily ethically and culturally “deep”, they also have the potential to be deeply divisive, as opposed to (for example) talking about the most efficient way to process water and waste-water—which is a topic that most local governments and many local government scholars spend time considering (see, for example, Byrnes 2008; Dollery et al. 2014).

These considerations form a part—although we think it is an important part—of the background of the central concern of this chapter, namely leadership in Australian local government. As with many other chapters in this book, this chapter adopts an “institutional approach” derived from political studies, wherein legislative frameworks form the basis of the inquiry. This approach recognises that while “political institutions do not determine the behaviour of political actors” it also admits that they “shape political behaviour by providing a relatively systematic and stable set of opportunities and constraints” or “enforced prescriptions” guiding behaviour (Lowndes and Leach 2004, p. 560).

The chapter is divided into five main parts. Section 8.2 reviews the literature describing reforms to leadership in the local government systems of Australia. Section 8.3 then presents a typology of leadership arrangements in local government generally. Section 8.4 utilises the political sociology undertaken by the Australian Centre of Excellence for Local Government (ACELG) (Sansom 2012) alongside surveying the local government legislation to provide an account of current arrangements for leadership across Australian state and territory local government jurisdictions. Section 8.5 shifts from the positive to the normative and examines the contemporary debate over optimal leadership roles in Australian local government, in particular the arguments for “semi-executive” mayors (Sansom 2012) and criticisms thereof grounded in the work of Grant et al. (2014). Section 8.6 examines the implications for public policy as they pertain to Australian local government, arguing that the institutional arrangements for leadership—like much else—ought to be the subject of reform options generated within particular jurisdictions.

8.2 Reforms to Leadership in the Context of General Reform

Perusing recent accounts of reforms to leadership in Australian local government systems (see, for example, Baker 2003; Marshall 2003, 2008, pp. 38–41), one could be forgiven for thinking that with the introduction of the new local government acts from 1989 a “new dawn” broke (albeit somewhat slowly) wherein local government leadership was professionalised and—in particular—a clear separation of powers was introduced between political roles, fulfilled by councillors and mayors on the one hand, and administrative roles fulfilled by their newly-managerialised appointed counterparts on the other.

For instance, Marshall (2008, p. 38) states, “Many municipalities in Australia during the late 1970s were parochial in outlook and lacking in adequately trained personnel”; further, that “[a]pparently as late as the late 1980s some senior Victorian government officials still viewed their local government sector as ‘a mediocre institution beyond redemption’”. We hasten to add that Marshall (2008) does *not* convey the idea that contemporary Australian local government is faultless. Nevertheless, his general conclusion is that local government has improved significantly as a result of the successive waves of reforms undertaken from the late 1980s. Discussing leadership specifically, Marshall (2008, p. 39) argues the initial impetus for reform was *managerial* (i.e.: not political) with several bodies at the federal level, including the Australian Local Government Association (ALGA) (see ALGA 1993) and the Commonwealth (see, for example, Martin 1999) introducing programs to encourage *inter alia* the professionalisation of council staff, including “more stringent accountability procedures”, an increase in the levels of employees’ tertiary qualifications and the introduction of “sophisticated frameworks to deal with strategic and financial planning, service delivery and outsourcing”.

Commensurately, the roles for elected and appointed officials were reassigned. In particular, the relationship between the two groups was clarified: under the (then) newly drafted local government acts, elected representatives were assigned responsibility for representing their constituents, setting broad policy direction and “review[ing] the on-going performance of the council as a whole”, while “the CEO [or General Manager] manages the day-to-day affairs of the council and ensures that the organisation is run efficiently and effectively” (Marshall 2008, p. 40). Marshall (2008, p. 39) comments upon these reforms generally: “Even the *Local Government National Report* was willing to concede in 2005 that ‘much has been achieved in making Australian local government more efficient and more effective’”.

It is true that councils have become much larger (Dollery et al. 2013) and introduced management-oriented bureaucracies, moving away from senior personnel structures that were, according to Baker (2003, p. 124), veritable cloisters of the professional associations traditionally associated with local government such as engineering and town planning. It is also correct to assert that, generally speaking, the legislatively inscribed roles for mayors were fundamentally altered with the drafting of the new local government acts from 1989 onwards. For instance, as we

discuss in some detail in Sect. 8.4, under the current legislation in NSW the role of the mayor is extremely limited compared to the legislatively inscribed role of the mayor under the *Local Government Act 1919 [NSW]*. This earlier legislation saw mayors fulfilling two roles:

One role makes him or her ‘first citizen’ representing the local authority on all formal occasions and taking the lead in official functions... The second is the more powerful role of chief executive. According to the decision of each individual council, this role may be purely a titular in function or may have conferred upon the mayor complete control over the day-to-day running of the council (Bains and Miles 1981, p. 149).

In essence, the redrafting of the Act in NSW in 1993 denuded the mayor of CEO roles, such that their functions fell squarely within what some would label the New Public Management (NPM) approach, separating political leadership from the administration of public sector organisations. The legislation also insisted that the role of mayor be more than “purely titular in function”.

However, the claim, or even the implication, that a strict “political-administrative divide” was introduced with the redrafting of the acts across Australian local government systems is misplaced. Marshall (2008, p. 41) tacitly recognises this when commenting upon what he describes as the “mixed success” of introducing reforms to both appointed and elected members of councils: “The root of the problem would seem to lie with a hybrid form of governance that involves elements of both private sector and traditional representative models”. Further, Marshall (2008, p. 41) cites Allan (2006, p. 190) on the need to “clarify whether governing bodies of councils are a corporate of board or a quasi-parliament” (for the full discussion, see Allan 2006, pp. 184–196).

It is clear that it was certainly the intention of many of the drafters of the revised acts to introduce a clear political-administrative divide. Yet the council-manager form of local government, as it was devised in the United States and adopted in Australia, to the extent that it is the dominant arrangement for local government leadership, provides for a far more collegial relationship between the elected and appointed executives than the idea of a strict, political-administrative divide would allow (see, for example, Grant et al. 2011, 2014; Grant and Fisher 2011). As such, we have to conceive of local government leadership *beyond* a simple politics-administration divide to fully appreciate how council government is conceived under the council-manager form, and compare this with other forms leadership in local government.

8.3 Typology of Leadership Arrangements in Local Government

It is only when we excavate the political science of local government specifically—that is, away from more general accounts concerned with local government systems in Australia discussed thus far (Baker 2003; Marshall 2003, 2008; Martin 1999) and

indeed elsewhere (see, for example, Maddox 1996)—that the intricacies of local government leadership become apparent. Table 8.1 presents a typology of leadership arrangements in local government, derived from a composite of sources. Examining Table 8.1, the central distinction is between local governments grounded in unitary authority—effectively one representative electoral process—and those grounded in divided authority where the basis of the legitimate operation of power rests on two representative electoral procedures.

As we have already noted, the majority of local governments in Australia are grounded in a unitary arrangement for authority represented in types 1–3 of Table 8.1, in particular the council-manager form. However, in many local government contexts globally—in the United States (see Grant et al. 2011) and in some European countries such as Italy, France and Germany (see, for example, Copus 2006, pp. 142–163; Mouritzen and Svava 2002)—divided authority is commonplace. Further, in both these ideal types the *non*-elected element of government leadership is designated as *serving* the elected powers (see, for example, Grant et al. 2011, p. 56). Nevertheless, appointed executives now, as they have always, exercise a tacit authority based upon their expertise compared to their political counterparts. It is on the basis of the fundamental distinction between unitary and divided authority, with the caveat of the ambiguous role of non-representative (or appointed) executives, that the five-part typology of local government leadership represented in Table 8.1 can be offered.

Examining Table 8.1 in more detail, types 1, 2 and 3 represent different forms of unitary authority at the local government level, while types 4 and 5 represent different forms of divided authority. Type 1, the collective form, is intensely collegial and is defined by “the collective leadership of the executive committee of the council” (Mouritzen and Svava 2002, p. 5). Otherwise stated, no one particular individual or indeed set of individuals (a mayor and deputy mayor, for example) are

Table 8.1 Typologies of local government leadership

	Type of leadership	Principal characteristic
Unitary authority	1. Collective form	Featuring the collective leadership of the executive committee of the council
	2. Committee leader form	Based upon the sharing of executive powers between a political leader and standing committees
	3. Council-manager form	Featuring an elected council headed by a non-executive mayor and an appointed executive—the city manager
Divided authority	4. Weak-mayor form	Despite being directly elected, the mayor’s exceptional status is limited to principally ceremonial duties, with council being the locus of authority
	5. Strong-mayor form	A directly elected executive is the central figure of the government, with or without an appointed chief administrative officer

Source Adapted from Grant et al. (2011, p. 61, 2014, p. 3), Leach and Wilson (2004, p. 135), Mouritzen and Svava (2002, p. 5)

formally designated as having more authority than any others. Further, the executive committee can comprise both elected and appointed officials. Type 2 designates the cabinet-style appointment of a leader who liaises between standing committees, sharing decision-making authority with them.

Type 3, the council-manager form, again sees the cabinet-style appointment of a mayor. However, in contrast to types 1 and 2, the council-manager form also recognises the importance of the *appointed* head of council (a General Manager [GM] or Chief Executive Officer [CEO]) in the day-to-day functioning of the organisation, in particular in providing expertise to the council. Mouritzen and Svava (2002, pp. 9–10) point out that the role of GM or CEO in the council-manager form is distinctly *dissimilar* to the roles played by senior managers in other levels of government for three reasons. First, the relationship between the manager and elected officials is not mediated by other people (elected politicians or appointed staff, for example). Second, the GM or CEO exercises operational authority over the organisation. While they formally serve at the grace of the elected representatives who appoint them, at the same time these elected representatives are not entitled to interfere with the organisation except through the office of the senior manager. This constitutes a profound difference from the authority that can be exercised, for example, by ministers of the Crown over their departments. Third, unlike their counterparts in other levels of government, the GM or CEO is highly visible to both the electorate *and* others in government. This unusual position, we assert, is at least partially responsible for some of the travails experienced by GMs and CEOs in Australian local government systems (see, for example, Hutchinson et al. 2014; Smith-Ruig et al. 2015).

Types 4 and 5 in Table 8.1 represent variations of divided authority at the local level. Discussing Type 4, the weak-mayor form, Svava and Hoene (2008, p. 147) emphasise that legislative and executive authority rests with council collectively, including appointments and budgetary authority, while the mayor's role is almost strictly ceremonial, to the extent (perhaps surprisingly from an Australian perspective) that they may not even be elected but appointed by council and, as such, their authority is minimal. Svava and Hoene (2008, p. 147) also emphasise that the weak-mayor form is principally a characteristic of small regional and rural towns in the United States, although, as we have seen, this type of mayoral authority—what Baines and Miles (1981, p. 149) describe as “purely a titular in function”—was possible under the *Local Government Act 1919 [NSW]* and as such ought not to be dismissed as wholly irrelevant in the local government systems of Australia.

Despite their differences grounded in either (a) unitary authority or (b) divided authority types 1, 2, 3 and 4 share the feature that when elected councillors meet they are both a parliament, or legislature on the one hand and an executive, or cabinet on the other hand, conducting their business in the public eye. This is markedly different from the workings of authority in Westminster *and* republican

systems of government, where there is a clear separation between the legislature and the executive *and* where the cabinet meets away from the public eye. This difference further delineates council government from both state and federal governments in Australia and indeed elsewhere.¹

By contrast, Type 5, the strong-mayor or executive-mayor, comprises not merely the mayor, but an executive *branch* of government set against that of council and exercising a range of powers, in particular over appointments (including deputies and management) and budgetary responsibilities. Again the functional responsibilities of Type 5 are fleshed out with reference to Australia in Sects. 8.4 and 8.5. Again, however, it is necessary to emphasise the variations of both institutional form and of style and political culture that can be elements of the mayor-council form.

With this theoretical discussion in mind, we now examine the roles for mayoral leadership as they are designated in the contemporary local government acts, before undertaking a critical examination of a “*semi-executive*” mayoral form for Australian local government, a model for which is set out in Sansom (2012).

8.4 Australia: Contemporary Legislative Frameworks

The complexity of prescribed leadership roles in Australian local government was highlighted in 2012 with the publication of the ACELG paper “Australian mayors: What can and should they do?” (Sansom 2012). These roles, updated from the time of the ACELG paper, are outlined in Table 8.2.

Table 8.2 describes the method of election and the term for mayors (column 2) and the role of all councillors and that of the mayor relative to the rest of council, principally in terms of the mayors’ additional roles. Examining Table 8.2, in NSW the roles of both councillors and mayors recently underwent three significant revisions in 2016 following two processes of inquiry, the Local Government Acts Taskforce and the Independent Local Government Review Panel(2013), the recommendations of which were distilled by the NSW Office of Local Government (see OLG 2016) before the government proceeded with legislative amendment (see Parliament of NSW 2016). First, previously the *Local Government Act 1993 (NSW)* offered two methods of mayoral election: Either by the councillors for a period of one year (i.e.: the “cabinet model”) or by direct election (i.e.: “at large”) for a period of four years, with this latter method being subject to approval by the particular local government electorate by way of a plebiscite conducted at the previous local government election. With the 2016 reforms the two types of mayoral election remain; however, under changes to §230 of the Act, if mayor is elected by the councillors (as opposed to “at large”) the term has been extended from one to two

¹The authors would like to thank an anonymous reviewer for suggesting that this point be included.

Table 8.2 Australian local government: elections and roles of mayors

Jurisdiction	Method of election and term	Designated role
New South Wales	The mayor is elected: • By and from the councillors, or • By all the electors, if agreed by a local constitutional referendum Popular election is for the full 4-year term of the council Election of mayor by councillors takes place every two years NB: In 2008, 27 out of 148 mayors (18%) were elected by electors. The Lord Mayor of the City of Sydney <i>must</i> be directly elected	The role of a <i>councillor</i> is: • To be an active and contributing member of the governing body • To make considered and well-informed decisions as a member of the governing body • To participate in the development of the integrated planning and reporting framework • To represent the collective interests of the residents, ratepayers and community • To facilitate communication between the local community and the governing body • To uphold and represent accurately the policies and decisions of the governing body • To make all reasonable efforts to acquire and maintain the skills necessary to perform the role of a councillor • A councillor is accountable to the local community for the performance of the council The additional role of the <i>mayor</i> is: • To be the leader of the council and a leader in the local community • To advance community cohesion and promote civic awareness • To be the principal member and spokesperson of the governing body, including representing the views of the council as to its local priorities • To exercise, in cases of necessity, the policy-making functions of the governing body of the council between meetings of the council [i.e.: as prior to 2016 amendments] • To preside at meetings of the council [i.e.: as prior to 2016 amendments] • To ensure that meetings of the council are conducted efficiently, effectively and in accordance with this Act • To ensure the timely development and adoption of the strategic plans, programs and policies of the council • To promote the effective and consistent implementation of the strategic plans, programs and policies of the council • To promote partnerships between the council and key stakeholders • To advise, consult with and provide strategic direction to the general manager in relation to the implementation of the strategic plans and policies of the council • In conjunction with the general manager, to ensure adequate opportunities and mechanisms for engagement between the council and the local community • To carry out the civic and ceremonial functions of the mayoral office [i.e.: as prior to 2016 amendments] • To represent the council on regional organisations and at inter-governmental forums at regional, State and Commonwealth level • In consultation with the councillors, to lead performance appraisals of the general manager • To exercise any other functions of the council that the council determines [i.e.: as prior to 2016 amendments]

(continued)

Table 8.2 (continued)

Jurisdiction	Method of election and term	Designated role
Victoria	All mayors are elected by and from the councillors for terms of between 1 and 2 years, except for the cities of Melbourne and Geelong, where the mayor is directly elected for 4 years The Mayor and Deputy Mayor of the City of Melbourne must stand for election as a team	The <i>mayor</i> of a council takes precedence at all municipal proceedings within the municipal district, and must take the chair at all meetings of the council at which he or she is present The role of a councillor is specified as: • To participate in the decision-making of the council • To represent the local community in that decision-making • To contribute to the strategic direction of the Council through the development and review of strategic documents. Further, in performing these roles a Councillor must: • Consider the diversity of interests and needs in the local community • Observe principles of good governance and act with integrity • Provide civic leadership • Participate in the responsible allocation of resources • Facilitate effective communication between the council and the community and • Not perform any of the functions that are specified as the functions of the CEO The additional functions of mayors include: • Providing guidance about what is expected of a councillor in relation to the role of a councillor and the observation of councillor conduct under the Code of Conduct • Acting as the principal spokesperson for the Council • Supporting good working relations between councils and • Carrying out the civic and ceremonial duties of the office of Mayor Melbourne City Council may delegate some minor additional functions to the Lord Mayor
Queensland	All mayors are directly elected for the full 4-year term of the council	All <i>councillors</i> have the following responsibilities: • Ensuring the local government achieves its corporate and community plans • Providing high quality leadership • Participating in policy development • Being accountable to the community for the local government's performance The <i>mayor</i> has the following extra responsibilities: • Leading and managing meetings • Proposing the adoption of the budget • Liaising with the chief executive officer on behalf of the other councillors • Leading, managing, and providing strategic direction to, the chief executive officer • Directing the chief executive officer, in accordance with the local government's policies • Conducting a performance appraisal of the chief executive officer

(continued)

Table 8.2 (continued)

Jurisdiction	Method of election and term	Designated role
Western Australia	When a council is first established, the Governor specifies whether the first mayor or president is to be directly elected or elected by and from the councillors A local government may change from election by the councillors to popular election by a special majority vote A poll of electors is required to change from popular election to election by the councillors The Lord Mayor of Perth must be directly elected	- Ensuring that the local government promptly provides the minister with information about the local government area - Representing the local government at ceremonial or civic functions NB: The Lord Mayor of Brisbane has additional executive responsibilities as set out in the text All <i>councillors</i> are to: - Represent the interests of electors, ratepayers and residents - Provide leadership and guidance to the community - Facilitate communication between the community and the council In addition, the <i>mayor or president</i>: - Presides at meetings - Carries out civic and ceremonial duties - Speaks on behalf of the local government - Performs such other functions as are prescribed by law - Liaises with the CEO on the local government's affairs and the performance of its functions - From July 2016 is required to participate in the City of Perth Committee chaired by Premier. The Committee is legislatively required
South Australia	The principal member of a council is the mayor or chairperson Mayors are directly elected for the full 4-year term of the council Chairpersons are elected by and from the councillors; the term of office must not exceed 4 years NB: In 2011 mayors were directly elected in 49 councils and by councillors in 18	The role of all <i>members of a council</i> is: - To participate in the deliberations and civic activities of the council - To keep the council's objectives and policies under review - To keep the council's resource allocation, expenditure and activities, and the efficiency and effectiveness of its service delivery, under review - To represent the interests of residents and ratepayers - To provide community leadership and guidance - To facilitate communication between the community and the council The additional role of the <i>principal member</i> is: - To preside at meetings - If requested, to provide advice to the chief executive on implementation of council decisions - To be the principal spokesperson of the council - To exercise other functions as the council determines - To carry out civic and ceremonial duties - Is required to participate in the City of Perth Committee chaired by Premier. The Committee is legislatively required

(continued)

Table 8.2 (continued)

Jurisdiction	Method of election and term	Designated role
		NB: The Lord Mayor of Adelaide has the additional executive responsibilities of (i) providing leadership and guidance to the City of Adelaide community and to participate in the maintenance of intergovernmental relationships at regional, state and national levels
Tasmania	The Mayor and Deputy Mayor of all councils are directly elected for 2-year terms (half the Councillors are elected every 2 years)—unless there is no nomination, in which case the Councillors elect one of their number	All <i>Councillors</i> have the following functions: • To represent and act in the best interests of the community • To facilitate communication with the community • To develop and monitor the implementation of strategic plans and budgets • To determine and monitor the application of policies, plans and programs • To facilitate planning and development in the best interests of the community • To appoint and monitor the performance of the general manager • To determine and review the council's resource allocation and expenditure activities • To monitor provision of services • To represent accurately the policies and decisions of the council The additional functions of a <i>Mayor</i> are: • A leader of the community of the municipal area • Chairperson and spokesperson of the council • To liaise with the general manager on the activities of the council and its performance • To oversee the councillors in their functions
Northern Territory	The principal member of a council has the title <i>mayor or president</i> The principal member of a council is: • In the case of a municipal council, directly elected • In the case of a shire council, elected by and from the Councillors, or directly elected A shire council is taken to have chosen to appoint its principal member unless a change is made by special resolution	The role of all <i>members of a council</i> is: • To represent the interests of all residents and ratepayers of the council area • To provide leadership and guidance • To facilitate communication between the members of the council's constituency and the council • To participate in the deliberations of the council and its community activities • To ensure, as far as practicable, that the council acts honestly, efficiently and appropriately in carrying out its statutory responsibilities The additional role of the <i>mayor or president</i> is: • To chair meetings of the council; and • To speak on behalf of the council as the council's principal representative; and • To carry out civic and ceremonial functions

Sources Adapted from Sansom (2012, pp. 34–36, 2016) and various local government acts as indicated in the ensuing discussion

years (see Parliament of NSW 2016; see also NSW Government 1993, §230 also §282 and §284).

Notably, the option for direct election is not popular amongst NSW councils: The number of councils adopting it actually decreased from 27 in 2008 (Table 8.2) to 26 in 2012 (NSW Electoral Commission 2012, p. 13) and decreased again to 17 in the elections of 2016 (NSW Electoral Commission 2016b) although the results for 2016 are not directly comparable to those of 2008 and 2012 due to reform processes, including amalgamations, being on-going and contested at that time (see NSW Electoral Commission 2016a).

The second significant revision under the 2016 reforms can be described as the expansion of responsibilities for councillors alongside a heightened level of *individual* (as opposed to collective) responsibility. Previously under §232 the Act specified “The role of *all councillors*” (see Sansom 2012, p. 34; emphasis added). Under the 2016 reforms §232 now specifies “The role of *a councillor*” including stipulations that they (a) “be an active and contributing member of the governing body”; (b) “make considered and well informed decisions as a member of the governing body”; (g) “make all reasonable efforts to acquire and maintain the skills necessary to perform the role of a councillor”, with §232(2) specifying that “A councillor is accountable to the local community for the performance of a council” (Parliament of NSW 2016; see also NSW Government 1993). The NSW Office of Local Government (OLG 2016, p. 9) makes both the reasoning behind the changes and the sources for the changes explicit, stating: “The [then proposed] amendments are intended to provide greater clarity for councillors and communities by prescribing councillors individual roles as elected representatives separately from their collective roles as members of the governing body, as recommended by the [Independent Local Government Review] Panel”. These roles and responsibilities also apply to the mayor as did the prescribed roles for councillors prior to the reforms.

The third significant change under the 2016 reforms is the increased scope to the role of mayor, regardless of whether they are elected by the council for two years or elected at large for four years. Prior to the 2016 reforms only four additional roles for the mayor were specified, the most magisterial of which was “to exercise, in cases of necessity, the policy-making functions of the governing body of the council in between meetings of the council”, although under the [then] §226 any NSW council could delegate “such other functions as [it] determines to the office of Mayor” (see Sansom 2012, p. 34). Examining Table 8.2, now under §226 mayors in NSW have been designated *eleven* additional roles, including *inter alia* in civic leadership, community cohesion and civic awareness, a role in intergovernmental relations, in the delivering of plans and a role “to advise, consult with and provide strategic direction to the general manager in relation to the implementation of the strategic plans and policies of the council” (Parliament of NSW 2016; see also NSW Government 1993). Otherwise stated, following the 2016 reforms mayors in NSW have broader responsibility and considerably more authority than was previously the case.

Still with NSW, the roles designated for the mayor of the City of Sydney are governed the *City of Sydney Act 1988* (NSW Government 1988). This specifies that the mayor must be directly elected and must simultaneously run for the position of councillor (§§23–23A). Further, under §§337 and 339 of the *Local Government Act 1993* (NSW Government 1993), significant delegations of authority are given to Sydney’s Lord Mayor “on an ongoing basis”, including direction for general policy, approval of all expenditure from contingency funds, and authority to obtain legal service and to exercise the general authority of council during recess except when written objections are received by three councillors on any one item (City of Sydney 2013).

The role for mayors in Victoria is far less robust than is now the case in NSW (or indeed was prior to the 2016 reforms). The overwhelming majority of mayors (also titled “presidents” in shire councils in Victoria) are elected either by the council for one year, or for two years if this is resolved by individual councils [see §71 of the *Local Government Act 1989* (Victorian Government 1989)]. Under §73AA mayors have only four additional functions which can be described as guiding other councillors and acting as the principal spokesperson of council and in civic and ceremonial duties. Further, it was only in 2015 under §65 of the Act that councillors were specified any roles at all in Victoria, inclusive of a directive to *not* perform roles specified as those of the CEO (otherwise stated, they were warned off interfering in the day-to-day operations of council; see Sansom 2016, p. 1053). At the time of writing reforms to leadership roles generally and mayoral roles in particular, similar to those introduced in NSW in 2016, were being considered, although notably without the option for directly elected mayors (see DELWP 2016). These have not yet been introduced (see Sansom 2016, p. 1053).

Again, mayoral responsibilities for the City of Melbourne are governed under a separate act, the *City of Melbourne Act 2001* (Victorian Government 2001), wherein it is specified that the Lord Mayor is directly elected (§14); that the mayor “takes precedence” (§20); that the term of office is four years (§23); that some powers may be delegated from council to the Lord Mayor, and that the Lord Mayor and Deputy Lord Mayor “must nominate for the office jointly” (§15). In line with the early development of the City of Geelong discussed in Chap. 2, the mayor is directly elected for four years as specified in §7 of the *City of Greater Geelong Act 1993* (Victorian Government 1993). It is also specified that this act must be read in conjunction with the *Local Government Act 1993 (Victoria)* (Victorian Government 1989).

In terms of mayoral authority, Queensland is the outlier in the Australian federation: all mayors are directly elected for four years and the authority of mayors is more extensive than for the other jurisdictions, including “liaising with the chief executive officer on behalf of other councillors”, “directing the chief executive officer, in accordance with the local government’s policies” and “conducting a performance appraisal of the chief executive officer”. In no other jurisdiction are mayors generally given direct individual oversight of the CEO. Sansom (2012, p. 13) labels these powers “semi-executive”. Further, under §258 of the *Local Government Act 2009*, while a mayor “may delegate the mayor’s powers to another

councillor of the local government”, “the mayor *must not* delegate the power to give directions to the chief executive officer or senior executive employees” (Queensland Government 2009; emphasis added). Moreover, the mayor is responsible for providing information to the Minister concerning a particular council (see §269 of the *Local Government Act 2009*).

Again, the responsibilities ascribed to the Lord Mayor of Brisbane are specified in a separate act, the *City of Brisbane Act 2010* (Queensland Government 2010). Arguably, Sansom (2012, p. 13) displays a reverence for the office of the Lord Mayor of Brisbane, stating: “The Lord Mayor’s powers are truly executive in nature”, and noting that they include:

- implementing the policies adopted by the council, and developing and implementing other policies
- leading and *controlling* (emphasis added) the business of the council
- preparing a budget to present to the council
- leading, managing, and providing strategic direction to the chief executive officer in order to achieve high quality administration of the council [and]
- directing the chief executive officer and senior contract employees of the council (Sansom 2012, pp. 13–14).

Further, Sansom (2012, p. 14) observes that “[a] number of very high profile politicians have occupied the position of Lord Mayor” and that “the stature and significance of the office may be judged by the recent selection of the incumbent to lead the state’s opposition party—even without first becoming a member of parliament”.

Examining Western Australia, under §2.11 of the *Local Government Act 1995* (Government of Western Australia 1995), mayors are determined by state government either to be “elected by the electors of the district” or to be “elected by the council from amongst the council”; with §2.11(2) also specifying that a local government can change to direct election of the mayor as specified by §2.12A(4) of the Act. In essence Western Australia is akin to NSW: individual councils have an option for direct election.

At the time the ACELG paper was published the mayor of Perth was required to be directly elected under Part 4 of the *Local Government Act 1995* (WA) (see Sansom 2012, p. 36). On 3 March 2016 the *City of Perth Act 2016* was assented to and came into effect 1 July of that year (City of Perth, n.d.). This Act §20(1) reiterates that the mayor of Perth be elected as per the 1995 Act; §10 specifies the “Special role of Lord Mayor”, including *inter alia* (1)(a) “to act as an ambassador for the City of Perth in hosting international delegations and attending local, regional, State, national and international civic functions and events”; (1)(c) a strategic policy role for intergovernmental relations and under (1)(g) “to liaise with the chief executive officer of the City of Perth on the City of Perth’s affairs and the performance of its functions” (Government of Western Australia 2016). The 2016 Act also legislated for a City of Perth Committee, comprised of the Premier or a Minister of the Crown, the Minister for Local Government and the CEO of that

Department, the Lord Mayor of Perth and the City's CEO and other members as invited by the Premier, with the role of the Committee specified in terms of (in particular) strategic planning and the implementation of reforms (see Government of Western Australia 2016, pp. 8–10). Arguably, it is significant that this legislation requires an executive-level, intergovernmental collective form of governance in which the mayor is pivotal although the Committee itself is chaired by the Premier. Also of note is that under §13(a) a specified function of the Committee is “to facilitate collaboration between the State and the City of Perth...” (Government of Western Australia 2016, p. 9). This requirement for a City of Perth Committee appears modelled on legislation under Division 1 of the *City of Adelaide Act 1988* (Government of South Australia 1998).

Examining South Australia, under §51 of the South Australian *Local Government Act 1999* local governments in that jurisdiction are headed by a “Principal Member”, who is either (i) a mayor if elected at large or (ii) a chairperson if appointed from amongst the council. Further, under the act both offices may have deputy positions attached to them and both offices can be held for a maximum of four years, although incumbents for both positions are entitled to “be chosen for another term” (Government of South Australia 1999). At the time of the ACELG paper preference for the type of Principal Member was split in favour of directly elected mayors (49 to 18). Principal Members are also conceived first as councillors, then under §58 in terms of their additional roles which in most South Australian councils are minimal. If requested, they can provide advice to the chief executive, alongside fulfilling ceremonial functions and “other functions as the council determines”.

Again, the City of Adelaide is governed by its own act, the *City of Adelaide Act 1998* (Government of South Australia 1998), which under §21 specifies the role of Lord Mayor to include a specific civic leadership role (“to provide leadership and guidance to the City of Adelaide community”) as well as a role in intergovernmental relations (“to participate in the maintenance of inter-governmental relationships at regional, state and national levels”) and (again) to provide advice to the CEO if so requested. As we saw directly above, Division 1 of the Act requires a “Capital City Committee” for Adelaide to which the Lord Mayor must be a party.

In Tasmania, both mayors and deputy mayors are directly elected for terms of two years, unless there is no nomination for the roles, in which case councillors elect persons amongst themselves to fulfil these offices. Sansom (2012, p. 14) evinces a certain degree of enthusiasm for the additional authority conferred upon mayors and deputy mayors in Tasmania under §27 of the *Local Government Act (Tasmania) 1993*, stating: “Tasmania is the only other state [i.e., besides Queensland] where legislation gives all mayors an added degree of authority within the body politic”, albeit resting on non-compulsory voting (Tasmanian Government 1993). These functions include liaising with the general manager on the activities of council, as well as a specific role in overseeing the activities of their fellow councillors. Unlike the capital cities of NSW, Victoria, Queensland and South Australia, Hobart is not governed by its own legislation. Rather, designation of the titles “Lord Mayor” and “Deputy Lord Mayor” are specified in §26 of the *Local Government Act (Tasmania) 1993*.

Finally, in the Northern Territory the offices of “Principal Member” and “Deputy Principal” are assumed in one of two ways. In municipalities, mayors and deputy mayors are directly elected by all constituents; in shires, the “Principal Members”, denoted as the “President” and “Deputy President”, are elected “by and from the councillors”, with an option to change to a popular election available if a special resolution of council is passed [§45 of the *Local Government Act 2008 (Northern Territory)* (Northern Territory Government 2008)]. The additional formal roles of mayors and presidents in the Northern Territory are the most limited of all the acts in Australia, described in §43 as chairing meetings, speaking on behalf of council as the council’s principal representative and carrying out civil and ceremonial functions.

8.5 Conjecture and Refutation: Stronger Roles for Mayors in Australia?

8.5.1 Conjecture—Sansom (2012): “Semi-executive” Mayors

Thus far in this chapter we have seen, first, that great promise is held in the potential for leadership to be crucial in the success of organisations generally and local government in particular, despite what we have argued is a certain reluctance in Australia to embrace this potential. Second, we have seen that there are an assortment of types of arrangements for leadership at the local government level that can be viewed as hinging around the appointment and role of the mayor. In particular, the distinction between divided and unitary types of authority is paramount, as is the recognition that the numerically dominant type in Australia, the council-manager type, is not based upon a clear delineation between political and administrative authority, rather *shared* government. We have also seen that a variety of legislative arrangements are in place across Australia’s local government jurisdictions specifying different roles for mayors and councils.

It is against this background that we now move to consider a specific controversy, namely the issue of whether mayors ought to have more authority in Australian local government jurisdictions. As we have noted, in 2012 the Australian Centre for Excellence in Local Government (ACELG) released its Discussion Paper “Australian Mayors: What Can and Should They Do?” (Sansom 2012). Our discussion here has already utilised the empirical, or positive, scholarship of this Discussion Paper as a basis for the account of contemporary legislative frameworks for leadership in the local government systems of Australia presented in Sect. 8.4. We now consider the normative or prescriptive element of Sansom’s (2012) work, namely what we will describe as the cautious positing of a model for a “semi-executive” mayor, based upon a legislative framework that samples elements

of current local government legislation in Australia, New Zealand and England. We present this model later in Table 8.4

As we have seen, in certain jurisdictions in Australia the authority of mayors is comparatively more robust than elsewhere across the Australian federation. Nevertheless, at several points the ACELG Discussion Paper recognises a general reluctance toward embracing increased authority of the mayoral office. For instance, Sansom (2012, p. 7) notes “an apparent reluctance to institutionalise strong local leadership through the office of mayor”. It may be that this reluctance accords with the general “unappreciative stance” toward leadership discussed in the introduction of this chapter. Nevertheless, Sansom (pp. 6–7) offers three broad reasons why the introduction of stronger roles for mayors ought to be considered. First, as we have emphasised in this book, the local government systems across Australia have been subject to wide-ranging (although varying) structural, functional, financial, managerial and *de jure* reforms that have not been reflected in changes to the arrangements for political and community governance. Second, Sansom notes that this “contrasts markedly with the consistent focus on trends in local politics evident in the United States, United Kingdom and Europe ... where particular attention has been given to the role of directly elected mayors, and there has been extensive debate about, amongst other things, how the role of mayors should be structured and evolve” (p. 7). Third, and most potently, Sansom asserts that the “goals [of local government] cannot be achieved unless the political arm ... has the capacity to discharge its responsibilities effectively” and that “the office of mayor seems a good place to start” (p. 6) when considering these reforms.

Further, drawing upon a range of Australian and international work, Sansom (2012, pp. 9–10) presents a collection of indicators of good political leadership, represented in Table 8.3. All seven indicators of good local political leadership are relatively uncontroversial in the sense that, arguably, all reasonable citizens would expect their local leaders to engage in activities such as winning resources for the area, and developing and promoting the qualities of a particular area. These advocacy roles, including “place-based leadership” derived from Hambleton (2011) and the contribution by Lyons (2007), are augmented by the broad welfare functions covered under “addressing complex social issues”. The importance of these seven points is not merely the constituent parts but also that Sansom (2012) suggests them as an *ensemble of normative parameters* for Australian local government, in a context where the overwhelming weight of discussions concerning local government are, arguably, far more instrumentally derived.

Moreover, commenting on the political-administrative divide that we have already emphasised is problematical in local government generally and the council-manager form in particular, Sansom asserts that the combination of administrative, political and community leadership “leads to the question of whether a ‘separation of powers’ between councillors and managers is meaningful and appropriate in the local government context” (p. 10).

Additionally, in accordance with the Discussion Paper’s empirical work deployed in Sect. 8.4 (above) Sansom (2012, p. 15) argues that “[i]n practice ... mayors may play a significantly greater role” than the overall tenor of the legislation

Table 8.3 Indicators of good political leadership

• Articulating a clear vision for the area	Setting out an agenda of what the future of the area should be and developing strategic policy direction [and] listening to local people and leading initiatives
• Promoting the qualities of the area	Building civic pride, promoting the benefits of the locality and attracting inward investment
• Winning resources	Winning power and funding from higher levels of government and maximising income from a variety of sources
• Developing partnerships	Successful leadership is characterised by the existence of a range of partnerships, both internal and external [to local governments, and] working to a shared view of the needs of the local community
• Maintaining support and cohesion	Managing disparate interests and keeping people on board are essential if the leadership is to maintain authority
• Place-based leadership	Recognising the importance of the local level to counter the potential adverse impacts of central and globalised authority, and
• Addressing complex social issues	The increasingly fragmented nature of local government and the growing number of service providers active in a given locality means that complex issues that cross boundaries, or are seen to fall between areas of interest, need to be taken up by leaderships that have an overview and can bring together the right mix of agencies to tackle a particular problem

Source Adapted from Sansom (2012, pp. 9–10)

in the local government systems of Australia implies, and that this is evidenced in several respects. First, the lord mayors of Australia's seven capital city councils are all directly elected and prominent, regardless of how much executive authority is accorded to them under legislation. The lord mayors of Sydney and Melbourne are especially prominent, the former enjoying significant powers delegated by council and considerable political controversy at the hands of (in particular) the Sydney-based Murdoch press due to the high-profile nature of the role (see, for example, Godfrey 2015; Patterson 2015). Second, Sansom (p. 17) argues that many mayors "provide forceful leadership" independently of whether or not they are directly elected on the basis of *inter alia* their powerful personalities, the longevity of their tenure or their "first among equals" (our phrase) status in council because they head the dominant political faction. Third, "the emergence of influential groups of mayors" has, according to Sansom (p. 17) emerged as a "significant factor" in the heightened role that mayors now play, including the Council of Capital City Lord Mayors (CCCLM) and the South East Queensland (SEQ) Council of Mayors. A fourth general point that can be derived from Sansom's (pp. 18–19) discussion of greater mayoral powers in Geelong is the observation that business groups *generally* support both stronger powers and a higher profile for mayors. Arguably, nowhere has this been more salient than in the recent activity of the Committee for Sydney (see, for example, Committee for Sydney 2015, p. 28). Sansom also notes that "popular election is compulsory or available by choice in all states except Victoria, but operate[s] in less than 40% of

all Australian councils” (p. 13). It is in this way, as well as referring (albeit briefly) to the promotion of directly elected mayors in New Zealand (in particular the expanded City of Auckland Council) and England, that Sansom prepares the ground for his “semi-executive” model for Australian local government, and it is to this model that we now turn.

Sansom’s (2012, p. 24) model for Australian mayors is based upon what he terms “six key dimensions”. First, Sansom examines *the merits of popular election*, stating that in those jurisdictions where direct election was practised (principally in New Zealand, Queensland and Tasmania, also but to a less extent in a variety of other jurisdictions) “there was no evident debate about whether mayors should be directly elected, and all the mayors interviewed in those jurisdictions affirmed the value of having a *personal mandate*” (p. 24; emphasis added). Further:

Even though mayors may not enjoy specific additional powers, and may sometimes find themselves in a minority within the elected council, a personal mandate was seen to enable them to appeal directly to constituents, to represent a diverse range of community interests, to work more effectively with central governments, business and other key partners, and to exercise more influence within the council organisation, both in negotiations with other councillors and with senior management (Sansom 2012, p. 24).

While *prima facie* this statement may appear to be a ringing endorsement of the practice of direct election, it is important to note that Sansom introduces no less than four caveats to this argument: (i) “the dangers of personality politics”; (ii) “the potential for candidates with greater resources to ‘buy’ the mayoralty”; (iii) “concerns that the mayor might veer ‘out of control’, running a purely personal agenda”, and (iv) conversely that there could be “gridlock between the mayor and an opposing majority of councillors” (p. 24). Further, Sansom (p. 25) also asserts that “an alternative approach” would be to increase the duration of the term of an indirectly elected mayor, thereby (we assume) increasing the possibility for decisive action *and* (importantly) accountability for that action.

Certainly there is evidence to suggest that these concerns are not purely theoretical, and recent Australian experience has witnessed examples of “lame duck mayors” (i.e., where a directly elected mayor is positioned against the rest of council resulting in “gridlock”, as has been the case in the NSW council of North Sydney; see, for example, Wong and Robertson 2014). Further, our earlier observation of the way that the Murdoch press targets the current Lord Mayor of the City of Sydney, Clover Moore, could be described as dysfunctional personality politics in local government, detracting from the political issues of the day (see also Cassen’s (2016) recent account of Geelong’s high-profile “celebrity mayor”, Darren Lyons). Nevertheless, Sansom (2012, pp. 24–25) argues that as long as adequate legislative procedures are in place, particularly in the form of state oversight of local government and councillors’ oversight of mayoral decisions, these risks can be minimised. More specifically, Sansom (p. 25) asserts that:

[U]nless the mayor is the unqualified leader of a dominant political grouping within the council (a situation which often applies to council leaders in the UK, where local government is party-political, but is much less common in Australia), *it is difficult to see how*

indirect election for extended periods would be democratically justified or how it would make a significant difference in practice, since the mayor would still lack a personal mandate (emphasis added).

This statement is a strong claim about the nature of both local democracy and democracy generally. The potentially fundamental change engendered by the introduction of directly-elected mayors was recognised in the English context by Copus (2006, pp. viii–22).² It also formed the basis of the refutation of Sansom's (2012) model undertaken by Grant et al. (2014), discussed below.

We have laboured the point with respect to Sansom's (2012) first key dimension of his model, as it is an extremely debatable point within contemporary political theory and practice (see, in particular Maddox, 1996, pp. 239–240, 436). Sansom's (pp. 25–29) account of the other five key dimensions is somewhat more concise. The second key dimension underlying a reformed role for mayors in local government systems in Australia is *the need for stronger community leadership* (p. 25). Generally speaking, Sansom traces this requirement in developments overseas, noting that both the new *Local Government (Auckland Council) Act* and that for London require that *mayors* (as opposed to other elements of council, such as councillors or, indeed, staff) engage with communities. Arguably, the core themes in Sansom's idea of mayoral engagement with communities is that they consult widely with communities and, equipped with this information, then lead them across a range of sites, in line with the shift from “government” to “governance” discussed in Chap. 4 of this book. Arguably, *galvanisation* toward the value of politics (Stoker 2006) is an overall goal of this engagement.

Third, Sansom (p. 26) stresses the importance of mayors in *ensuring effective strategic and corporate planning*. Again, it is tempting to anchor these functions to councils per se; however, it is the direct involvement of the mayor that is the key for Sansom, in particular the “presentation” and “preparation” of the budget. Here the role of the mayor seeps into the financial operations proper of council, rather than being a “ticking off” of statements prepared by officials, and it is perhaps where the “executive” elements of the “semi-executive” model are at their sharpest. Fourth, Sansom (p. 27) emphasises the importance of *enhancing political governance*. The core of this idea is the mayor's lead role among—indeed above—other elected persons. Sansom points to the selection of deputies (alternatively nominating for election with a deputy as is presently required in Melbourne) and overseeing issues of probity amongst other councillors. More controversially, and citing the English example, mayors might be responsible for appointing a cabinet, “delegating decision-making, determining the committee structure, and appointing councillors to internal committees ... or as representatives of the council on outside bodies” (p. 27).

²Commenting upon the work of the Widdicombe Committee in England that delivered its report in the mid-1980s Copus (2006, p. 3) states: “Widdicombe's main concern was the potential risk of conflict that could arise between two separate governing bodies with *competing* mandates ... In addition, the *personalisation of politics*, seen as inherent in the mayoral system and accepted in ‘countries with a presidential system’, was thought to be ‘generally disliked in Great Britain’ (emphasis added).

Sansom's fifth key dimension hones in on the "vexed issue" of *the respective roles of mayors and chief executives*. Sansom notes that "[t]his is a particularly sensitive question in Australia, where the general trend of local government legislation over the past two decades has been to apply the concept of 'separation of powers'" (p. 27). Further, Sansom observes that in Australia it is only in Brisbane that "the Act empowers the lord mayor unequivocally to direct the chief executive" (p. 28) and that in Sydney this authority has been delegated to the lord mayor by council. Moreover, Sansom is clear that none of the mayors interviewed for the study "expressed a desire to administer the day-to-day operations of their council organisation" (p. 28); on the contrary, "all saw their primary focus as on the one hand outward-looking: formulating strategy, engaging the community, and stakeholders and working with partner organisations; and on the other 'political management', creating an enabling environment within the council so that agreed objectives are achieved" (p. 28). Nevertheless, Sansom (p. 28) also states:

In most cases it was evident that this [preferred] "hands-off" approach to administration was conditional on having a chief executive who appreciated the mayoral role and *mandate*, and did not seek to apply 'separation of powers' in a literal and rigid manner (emphasis added).

Again, Sansom (2012) here speaks of the flexibility—and ultimate lack of definitiveness—characterising the political-administrative divide in local government generally and of local governments in Australia in particular. Nevertheless, we think it is clear that a crucial component of this fifth key dimension underscoring his model is for mayors to have a hand in activities that, under the council-manager form as it operates in Australia, would fall under the role of the appointed executive.

This conclusion is supported by Sansom's suggestion that "there appears to be considerable merit in the English concept of a council constitution that can be negotiated and updated after each election" (p. 28). Sansom also points to the cost savings that could be generated in "eliminating the separate position of CEO" possibly being seen as "a worthwhile saving" (p. 28). As such, while at first blush appearing to resound with some ambivalence about mayors fulfilling roles normally undertaken by the appointed executive, in the final analysis it is clear that mayors are envisioned as playing a greater role. This becomes clear when we consider the elements of Sansom's model in greater detail in Table 8.4.

Sansom's sixth key dimension is *inter-government relations*, wherein he advocates that mayors play a vital role in liaising with other tiers of local government. Sansom also suggests "some codification of the mayor's intergovernmental role, along the lines of the Adelaide Act" (p. 29) wherein, as we saw in Sect. 8.4, the mayor is charged with participating in "the maintenance of inter-governmental relationships at regional, state and national levels".

As stated, these six key dimensions, alongside "the lessons drawn ... about key elements of the evolving role of mayors", form the basis of Sansom's model, or what he describes as a "framework of legislative provisions that might be applied in Australia" (p. 30), represented in Table 8.4.

Table 8.4 Possible mayoral roles and legislation

Function or prerogative	Legislative provision (and origin)
1. Principal member of the council	• Lead and control the business of the council (Brisbane) • Chair and manage meetings (All/Qld) • Speak on behalf of the council as the council's principal representative (NT) • Conduct civic and ceremonial functions (All)
2. Community leadership and engagement	• Articulate and promote a vision for the area (Auckland) • Provide leadership and guidance to the community (Adelaide) • Establish processes and mechanisms to engage with the community (Auckland)
3. Selection of deputy mayor	• Appoint the deputy mayor (Auckland) OR • Mayor and deputy to stand for election as a team (Melbourne)
4. Effective political governance	• Establish committees of the governing body and appoint the chairperson of each committee (Auckland) • Oversee the councillors in the performance of their functions and in the exercise of their powers (Tas) • Represent accurately the policies and decisions of the council (Tas)
5. Strategic and corporate planning	• Lead the development and implementation of council plans, policies and budgets (Auckland/Qld) • Propose the adoption of the budget (Qld)
6. Guiding the chief executive	• Lead, manage, and provide advice and strategic direction to the chief executive officer on the implementation of council policies (Qld/SA) • Exercise, in cases of necessity, the policy-making functions of the governing body of the council between meetings (NSW) • Liaise with the chief executive officer on behalf of the other councillors (Qld/Tas) • Direct the chief executive officer in accordance with the council's policies (Qld) • Conduct performance appraisals of the chief executive officer (Qld)
7. Inter-government relations	• Participate in inter-governmental relationships at regional, State and national levels (Adelaide)
8. Exercise delegated authority	• Exercise such other functions as the council determines (NSW/SA)

Source Adapted from Sansom (2012)

Examining Table 8.4, it is clear that Sansom's (2012) six key dimensions are not directly parallel with the eight "functions or prerogatives" listed in Column 1; only four of the former ("the need for stronger community leadership", "ensuring effective strategic and community planning", "enhancing political governance" and "inter-government relations") are directly commensurate with four of the latter ("community leadership and engagement", "strategic and corporate planning", "effective political governance" and "inter-government relations"). The remaining four functions or prerogatives listed in Table 8.4 ("principal member of council",

“selection of deputy mayor”, “guiding the chief executive” and “exercis[ing] delegated authority”) are encompassed by two of Sansom’s key dimensions (“the merits of popular election” and “the respective roles of mayors and chief executives”). The relative importance of the heightened roles for mayors in regard to these two key dimensions forms the basis of the controversy that we now turn to examine.

8.5.2 *Refutation: Grant et al. (2014)*

In the preface to the ACELG discussion paper, entitled “Australian mayors: What can and should they do?”, Graham Sansom, as Director of the ACELG, stated: “As always, ACELG welcomes comment on this paper”. Indeed, the paper did attract comment. In late 2012 academics from the Centre for Local Government at the University of New England submitted the paper “Recasting leadership in Australian local government reform: A typology from political theory” to *Local Government Studies*. In due course, following double-blind peer review, an ensuing significant revision and editorial oversight by the journal, the paper was published “online first” by the journal 31 January 2014. The arguments of this paper are worth revisiting here, because it sought to connect the reform proposals canvassed by Sansom (2012) with broader theoretical thinking about leadership generally and leadership in local government in particular.

Grant et al. (2014) concurred with Sansom (2012) that legislatively strengthened roles to leadership had attracted increased scholarly attention and (in particular) formed an increasingly salient element of reform processes globally, citing the work of Borraz and John (2004), Bochel and Bochel (2010), Hambelton (2011) and Stoker (2006). Further, they noted that scholarly attention in Australia had been increasingly concerned with both elected leaders and appointed executives and, in particular, the relationship between the two (Grant et al. 2011; Martin and Aulich 2012). However, Grant et al. (2014, p. 2) took issue with Sansom’s (2012, p. 19) claim that “calls for more effective leadership abound”, as well as pointing to Sansom’s lack of specification of the methodology and what they perceived as the model’s general emphasis upon increased authority residing in the office of the mayor.

Further, rather than merely taking issue with the minutiae of the model, Grant et al. (2014) suggested that a broader understanding of the changes to local government in the Australian federation could be garnered by examining Sansom’s (2012) six key dimensions relative to a quadrilateral typology of leadership in local government that they developed from extant work. This typology is represented in Fig. 8.1.

As shown in Fig. 8.1, the typology comprises two planes, one horizontal and one vertical. Drawing on the work of Hearfield and Dollery (2009), Grant et al. (2014) argued that the horizontal axis represents a continuum of leadership, representation and democracy types. On the left is the “trustee or corporate” form

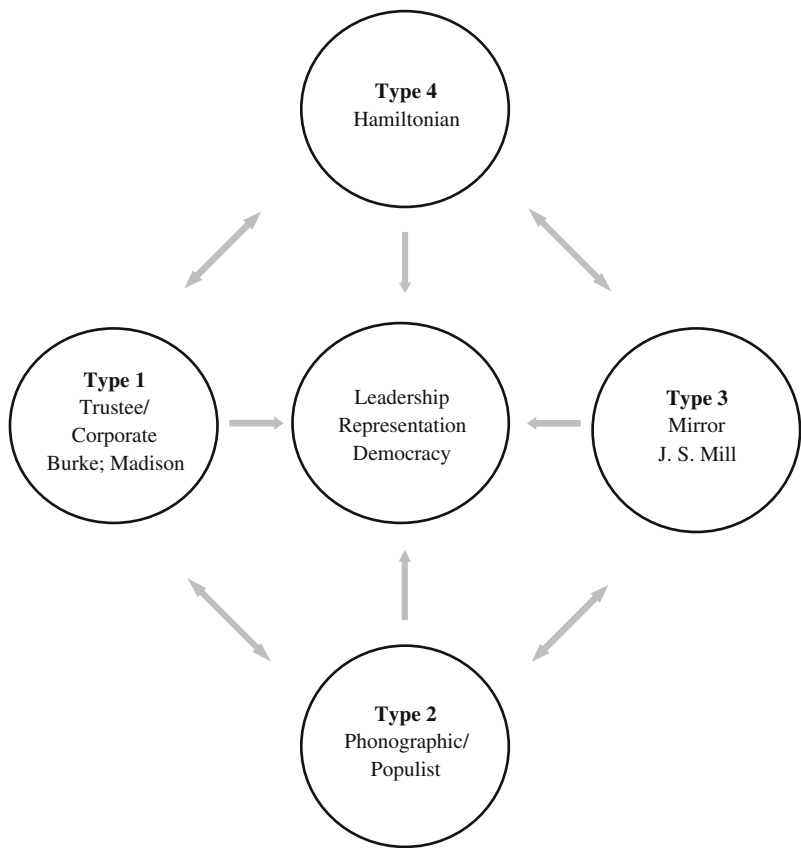


Fig. 8.1 Types of representation and leadership in local government. *Source* adapted from Grant et al. (2014, p. 7)

embodied in the work of Burke (1770) and the American Madison (1787), where authority is exercised by a board or trust *on behalf of* an electorate—or indeed a corporation. On the right is the “mirror” form of same, which emphasises that the interests of *all* individuals (in particular minorities) are taken into account—reflected, as it were—in the decisions of the executive. According to Grant et al. (2014, p. 6) this “mirror” form captures the utilitarian calculation and balancing of diverse interests.

Grant et al. (2014) also utilised the work of Hearfield and Dollery (2009) to conceive of the lower quadrant in the typology, which they labelled “phonographic or populist”, in the sense that the voices of the electorate ought to be heard, then echoed (our term) by a leader or leaders. Further, drawing on the work of Wells (1997), Grant et al. (2014) suggested that populism could also be understood as a highly visible leader—such as Pauline Hanson in Australia—making a claim to

represent the interests of the usually under-represented against elite interests (see Wells 1997). The top element of the typology Grant et al. (2014, p. 6) derived from Mouritzen and Svava's (2002, p. 51) discussion of "values for organising government", which they labelled the "Hamiltonian" type, embodied by a recognition of the worth of explicit elitism, focussing on centralised leadership and the contribution of a particular leader. Further, Grant et al. (2014, p. 6) suggested that this quadrant of the typology embodied a republican concept of leadership whereby the virtue of the leader may be juxtaposed against the will of the people, but where the will of the people could be transformed into the will of the leader.

Grant et al. (2014, p. 6) also suggested that we be mindful of the relationships between the four quadrants of the typology. While all quadrants represent an ideal-type of leadership, representation and democracy "as a package", taken together the two quadrants on the horizontal axis are generally more collective, or at least corporate, while those on the vertical emphasise the relationship between an *individual* leader on the one hand and both individual persons *and* a stylised (i.e., populist) account of the general will on the other. As well, the quadrants ought not to be read as discrete; all four necessarily contain elements of the others to varying degrees.

Grant et al. (2014, pp. 6–8) introduced some qualifications to their typology and its use. First, they emphasised that it paid short shrift to the work of some venerable political theorists (Burke and Madison, Alexander Hamilton and J.S. Mill); second, that it placed to one side other contemporary normative theorising in local government, in particular the work of Chandler (2008) and Moore (1995); and, finally, that it may appear simply too abstract to be of any use in the practitioner-driven context of local government. Nevertheless they insisted that it resonated with other contemporary work, in particular that of Haus and Sweeting (2006), and they deployed it to analyse Sansom's six key dimensions for the semi-executive model.

Viewed utilising their political theory typology of local government leadership, Grant et al. (2014) reached several conclusions. First, their overall assessment (p. 14) of Sansom's (2012) model was that, if taken piecemeal, the individual components of the reforms might be adjudged as "much ado about nothing", yet taken together, and if "comprehensively introduced by legislation", they would signify "a fundamental shift away from local government based upon a 'trustee' and 'corporate' ideas of mirrored interests (Burke; Madison; J.S. Mill) to one entailing strong elements of both Hamiltonian leadership in Mouritzen and Svava's (2002) sense, and the populism denoted by Hearfield and Dollery (2009) and, more intricately, Wells (1997)". Further:

In this model, the relationships between (a) mayors and the electorate; (b) mayors and councillors and (c) mayors and other elements of council, most importantly council managers/CEOs are rendered far more hierarchical, wherein mayors have a broader sweep of both powers and, importantly, responsibilities (Grant et al. 2014, p. 14).

In support of this general conclusion, Grant et al. (2014) cited *inter alia* the model's reliance upon the idea of a mandate for the mayor, wherein the relationship between the electorate and the directly-elected mayor shifts to Hamiltonian and

populist axis of the typology, reinforced by the idea of community leadership being “*entwined* with popular election” (Sansom 2012, cited in Grant et al. 2014, p. 10). Grant et al. (p. 11) also pointed out that, in advocating an “ideational role for leadership in community and strategic planning”, mayors were being assigned a role for “local identity formation”. Furthermore, in its tacit endorsement of “interesting developments” in the English context, “where mayors could not only appoint their own deputy, but also their cabinet” (p. 11), alongside restructuring the arrangements for political governance post-election and downgrading the title of GM/CEO to “head of paid service”, the model swung firmly beneath the Hamiltonian, or presidential, mode and that this mode was also heavily reinforced in the mooted alterations to mayor-CEO relations.

Second, in asking whether or not this is desirable, Grant et al. (2014, p. 14) pointed to what they referred to as “a very strong, underlying assumption of the recommendations, namely that mayors are both willing and competent to fulfil an extraordinarily broad range of roles, from community and strategic planning, preparation of budgets, institutional design ... intergovernmental relations and local identity formation”. Third Grant et al. (2014, p. 15) noted that Sansom’s (2012) model incorporated many of the elements of the old acts in Australian local government jurisdictions, that a clearer separation between political and administrative roles had been introduced to professionalise local government, and that the council-manager form had been devised in the United States in response to a situation where “many cities, particularly large cities, were *plagued by corruption and incompetence*” (Svara 2009, cited in Grant et al. 2014, p. 16). Indeed, reflecting on this point, given what are at times spectacular and salacious examples of misbehaviour and corruption in Australian local government, Sansom’s (2012) insistence that these types of reforms be accompanied by levels of oversight of mayoral activities—by both councillors and state and territory governments—appears rather hopeful to say the least.

Fourth, Grant et al. (2014, p. 15) argued that, even if it was assumed that mayors generally could fulfil these roles, Sansom’s (2012) model did not adequately take into account some of the possible problems of how the semi-executive role might play out—for example, the relationship between newly-empowered mayors would still have to be negotiated, and not merely on terms decided by the mayor. Further, they noted that despite the comparatively non-party-political nature of much of local government in Australia, this does not proscribe the potentially party-political nature of these negotiations or, indeed, the personal-political nature of these negotiations more generally. Grant et al. (2014, p. 15) echoed a point made by Grant et al. (2011) in observing that the intense level of state and territory government oversight of local government generally across Australia’s local government systems (see, in particular, Dollery et al. 2009) across a far narrower range of functions in similar countries could lead to mounting frustration when set against the rhetoric of a newly minted semi-executive mayor.

Fifth, Grant et al. (2014, p. 16) were highly critical of what they described as an “inevitability ... attached to the introduction of the reforms recommended by the ‘Discussion Paper’ ... it is implied that the Australian local government sector is

lagging in *de rigueur* reform globally”. They cited Mouritzen and Svava (2002, p. xv) in the preface to their 14-nation study:

This book should also send a warning signal. We hope it will put a damper on the tendency of many Western researchers, consultants and practitioners to engage in well-meant but often ill-placed efforts to help other countries design new systems of local government (Mouritzen and Svava, cited in Grant et al. 2014, p. 16).

Commenting upon their deployment of this point, Grant et al. noted: “To take this line of argument to its logical extreme renders prescriptive social science ethically indefensible, and it would be both conceited and contradictory for this paper to argue so” (p. 16). Nevertheless, they were insistent that the reforms comprising Sansom’s (2012) model were “more Washington than Westminster in the context of Australia’s ‘Washminster system’”, and that “a conservative approach [toward local government reform] needs to be canvassed as a genuine option” (p. 16). They cited the example of NSW, where, if we recall our discussion of Table 8.3, the *option* for constituents to vote for a directly-elected mayor serving the full term of the council is allowed for under the current legislation (Grant et al. 2014). We reflect on these and a range of other issues in the ensuing section.

8.6 Observations and Implications for Public Policy and Research

To briefly recapitulate our discussion. In the introduction to this chapter we observed that, despite what we have labelled as a “non-appreciative stance” toward leadership in Australia (in particular leadership of an inherited or titular kind; a leadership unearned), the subject of leadership generally, and in local government in particular, has an allure based upon several factors. First, many of the subject areas of the humanities and social sciences have something to say about the topic. Second, leadership has a potentially “game-changing” nature that ought to be carefully considered. Third, many (but not all) discussions of leadership are ethically grounded in that they involve claims about the types of people we consider good or bad. We also suggested that, as such, debates about optimal leadership can be divisive.

Section 8.2 briefly examined accounts of reforms to leadership in local governments in Australia in the context of reforms generally. We noted that, while several authors judged that the capacity of local government leadership has improved (particularly that of appointed leaders), there was nonetheless some confusion surrounding the political-administrative divide in local government systems in Australia. Following Mouritzen and Svava (2002), we also emphasised that the council manager form of leadership, the numerically dominant type of institutional arrangement in Australian local government systems, inherited from the United States, was designed to blur the politics-administration divide. Section 8.3 presented a five-part typology of leadership arrangements in local

government based upon the fundamental distinction between unitary and divided authority, emphasising that political culture and personal style have a large impact on the day-to-day operations of leaders and leadership, alongside institutional design.

Adhering to the “institutional approach” adopted for the majority of our book, and drawing on the work of Sansom (2012), Sect. 8.4 described the legislative frameworks for elected leaders (mayors and councillors) and the relationship between them and council more generally. Section 8.5 examined the debate surrounding the desirability of stronger mayoral leadership in local governments in Australia. We noted that Sansom’s cautiously posited “semi-executive” model, while *de rigueur* with some trends globally, was viewed as problematic by Grant et al. (2014), particularly in its claims to be more democratic due to its endorsement of directly-elected mayors.

In turning to make some observations, our first point is that leadership in local government ought to be conceived more broadly than merely the institutional arrangements provided for (to use Mouritzen and Svava’s (2002) phrase) “leadership at the apex”. Indeed, in Chap. 9 of this book we devote considerable time to discussing and endorsing Moore’s (1995) theory of public value, and argue that it entails a theory of leadership for *all* public employees and is particularly suited to local governments in Australia. Second, away from the adulation that some involved in examining and advocating for local government seem to demonstrate when it comes to leadership, within the field of leadership studies conceived as a discrete discipline there are a lot of interesting developments. Some of these developments, like the “Leadership as Practice” (“L-A-P”) collaborative approach developed by Raelin (2016) and colleagues, will be of use to councils. Others, such as theorising around the idea of “Destructive Leadership” (“DL”) (see, for example, Krasikova et al. 2013), the theory of “violent innocence” (Vince and Mazen 2014) and Harding’s (2014) recent re-working of Hegel’s master-slave dialectic, will not only resonate strongly with some in local government due to their accounts of *dysfunctional* leadership, but are also theoretically rich and (frankly) intriguing, inviting empirical work.³ The point here is that there is plenty of grist for the mill

³The complexity of these approaches is not to be underestimated and is an important component of their appeal. It is, however, possible to provide readers with indicative samples of the three approaches. For Krasikova et al. (2013, p. 1310) Destructive Leadership (DL) is defined as “volitional behaviour by a leader that can harm or intends to harm a leader’s organisation and/or followers to pursue goals that contravene the legitimate interests of the organisation and/or employing a leadership style that involves the harmful use of methods of influence with followers, regardless of justifications of such behaviour”. The key point here is that it is *intentional*, and can be contrasted with mere ineffective leadership or constructive behaviour and can range from petty-tyranny through to a desire to destroy and organisation. Nor is it strictly pathological; on the contrary: situational factors such as “goal blockage” can result in destructive leadership and as such ameliorating these features of an organisation can ameliorate DL. As discussed by Vince and Mazen (2014) the concept of “violent innocence” is used to depict effects of relatively mundane actions of leaders—such as consistently being late to meetings, through (ostensibly) no fault of their own—upon subordinates in an organisation. Harding’s (2014) re-working of the master-slave

when it comes to leadership and, while it is understandable that much attention focuses upon elected leaders, appointed leaders and the relationships between the two (as indeed we have), this is by no means the only game in “leadership town”.

Second, having said this, the issue of institutional design for leadership at the apex is crucial. This is why the work of Sansom (2012), Grant et al. (2014) and others (see, for example, Martin and Aulich 2012) is important. Indeed, in a recent entry to the debate, Sansom (2016) has disputed several of the claims made by Grant et al. (2014) and doubtless more will be said on this issue. Nevertheless, it ought to be recognised is that there is plenty of room for variation across the jurisdictions in Australia. In a sense, there are no “Australian mayors” (Sansom 2012), only mayors in particular jurisdictions in Australia. This is a fine, but important distinction and we have taken time throughout the course of this book to emphasise that it is *right* that there is difference between the jurisdictions, particularly if electorates are given the option to decide. This is what ought to be fostered, and providing for options—and promoting them—might be one way of state governments eliciting more enthusiasm for local governments generally.

Third, we ought to be fully cognisant that particular kinds of institutional arrangements will foster particular types of leaders: We have suggested (somewhat tacitly) that the quadrilateral typology of local government leadership posited by Grant et al. (2014) has some utility in linking the institutional arrangements for leaders (most saliently the method of their election) with the both the type and style of leadership. These types and styles occupy a series of complex relationships with one another (see Fig. 8.1) and understanding them in any depth does require an understanding of what particular political theorists—and particular political ideologies—posit as desirable arrangements. Nevertheless, the broad links—and antagonisms—in the model go some way to placing particular modes of leadership.

Fourth, there are plenty of variations in institutional arrangements from which to choose when it comes to institutional design. While Sect. 8.4 mapped out five basic types, there is almost an infinite variation on these, as our account of existing legislative arrangements and Sansom’s exploration of a “semi-executive” option amply demonstrate. This heterogeneity reinforces the idea that we ought not to be sold on one particular template for institutional arrangements or leadership style. To be frank, with the amount of dysfunction salient in local government (further discussed in Chap. 9 of this book), many people in Australia may well think that giving mayors more power is not a particularly good idea.

Turning briefly to consider the implications for research, a series of empirical questions arise from our discussion. For instance, what particular models of leadership produce better local government areas—and how are we to assess them as

(Footnote 3 continued)

dialectic to a theory of the powerlessness of the powerful involves *inter alia* the traditional contradiction of the master-slave relationship (i.e.: where in fact the master is the slave); also sybaritism, or grieving the loss of pleasure, on the part of the manager: They become a “slave to the machine” (our phrase) and derive a libidinal pleasure from their control of workers, whom they infantilise.

better or otherwise? Economic growth? Voter/community satisfaction? Successful intergovernmental partnerships? Or a combination of all of these? How do we assess the transferability, or indeed otherwise, of particular practices which (as local government scholars continually remind us) are at least partially “place-based”? In his work in the English context, Copus (2006, p. 19) suggested no-less than six such questions.

Reflecting upon the types of non-empirical research that would be useful for local government around issues of leadership, we have already noted the richness of the theorising in leadership studies per se and we see plenty of room to bring this material to local government with a view to improving the operation of leadership. Finally, we think that much of this research ought to be directed toward examining the ethical comportment of local government leaders. This subject forms much of the area covered in Chap. 9 of our discussion.

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Chapter 9

Ethical Issues in Australian Local Government

Abstract In turning to examine Australian local government from an ethical perspective, we discuss three salient issues. First, the casual observer of Australian politics might conclude that local government is beset by problems of governance, probity and corruption. Following a survey of recent episodes of this type, we concede that while evidence suggests that this might be correct, approaches to addressing these issues have to be carefully considered. Second, we argue that a far more positive narrative for Australian local government can be constructed from the theory of public value creation. We argue that this theory provides an ethos for Australian local government writ large, at the same time recognising that public value creation involves risks and, consequently, the possibility of failure. Third, examining state-local government relations from an ethical perspective, we observe that public policy debates concerned with reforms to local government, particularly programs of amalgamation, are often characterised by utilitarian-based claims set against rights-based claims. We suggest that the Principle of Double Effect (PDE) is useful in moving beyond these approaches, in particular in directing our attention to the issues of proportionality and intent on the part of policy-makers.

Keywords Codes of conduct • Corruption • Ethics and public management • Principle of double effect (PDE) • Public value creation • State-local relations

9.1 Introduction

This book has highlighted the fair quantum of evidence that suggests Australian local government lacks legitimacy as a *bona fide* sphere of political activity. For instance, in Part I detailing the historical development of local government across the colonies, we saw that, in what Power et al. (1981, p. 21) labelled the *state-interventionist* jurisdictions, principally New South Wales (NSW) and Queensland, communities were generally hesitant in taking upon themselves the idealised role of local government by voluntarily incorporating and developing their municipalities as envisioned by political reformers in England. Otherwise stated [and to deploy the

language of Wickwar (1970)] the local governments areas in these jurisdictions were mere “governmental subdivisions” as opposed to being “intermediary bodies” or “self-governing communities”. Further, in Chap. 4, following the general observation of Aulich (2005), we suggested that Australian local government is viewed principally as an instrumental institution for the purposes of state government administration rather than a political institution in its own right. Arguably however, far more poignant than this historical evidence and theorising, the Australian electorate is perennially faced with the phenomenon of people in local government behaving badly.

Indeed, if we choose to consistently look at the underbelly of Australian local government, it would seem to be continually beset by what, in the language of public administration and political studies, are termed “governance problems”, or what economists might choose to label as “rent-seeking”. In everyday parlance this type of behaviour is labelled as corrupt (rightly or wrongly). For example, in NSW the Independent Commission Against Corruption (ICAC) is directed “to investigate, expose and minimise corrupt conduct in the NSW public sector” (ICAC 2015a, p. x). In this guise investigations involving local government have made up a significant proportion of its work since its inception in 1989 (ICAC 2015b). Arguably, a similar malaise affects other local government systems across the Australian federation to varying degrees, with particular judicial and quasi-judicial arms-length authorities being established to investigate alleged wrong-doing and ensure probity in the individual local government systems, as well as in state-run bureaucracies and statutory organisations more generally (see for example DLGCRR 2014).

This impression is reinforced by Australian local government often being portrayed in popular culture as dysfunctional and corrupt. Martin and Aulich (2012, p. 4) remind us that in the iconic Australian film *Muriel’s Wedding* (CiBi 2000, Film Victoria and House and Moorehouse Films 1994) the central—and unsavoury—character of Bill Heslop, an iconic, 50-something, Anglo-Australian male, was continually portrayed as machinating around his place on Porpoise Spit Council, and that in the reality-TV series *Rats in the Ranks* (Arundel Productions and Film Australia 1996) councillors were similarly portrayed as less than ethical. Nor is this reputation an historical artefact. Indeed, the recent history of local government in some Australian sovereign jurisdictions has been blighted with what are in some instances scandalous and salacious episodes of corruption. For example, in February 2008 an ICAC investigation into the NSW council of Wollongong exposed systemic corruption involving inappropriate interactions, including sexual liaisons, between local property developers, councillors and senior council staff (ICAC 2008). The scale of the corruption and governance failure of the council was described by the ICAC at the time as being “without precedent” (ICAC 2008, p. 120), with the subsequent inquiry resulting in the dismissal of Wollongong

Council and 21 criminal charges being laid against elected councillors, members of council staff and local property developers.¹

An equally disconcerting investigation in 2009 by the Victorian Ombudsman into Brimbank City Council found that the council was “marked by in-fighting and interpersonal conflicts ... influenced by individuals who held no elected local government office”; that there were conflicts of interest between the public duties and private interests of councillors, improper use of powers and a bullying culture by councillors towards Brimbank Council staff, the misuse of council funds and property by councillors and the leaking of confidential material to the media by some councillors (Ombudsman Victoria 2009). The council was dismissed by the Victorian Government three months later following receipt of a report noting that, despite the strong public scrutiny of the council, poor governance had continued (Scales 2009).

Other examples of poor governance include NSW Tweed Shire Council, dismissed in 2005 for the undue influence property developers had over councillor decisions (OLG n.d.); Port Macquarie Hastings Council, dismissed in 2008 for financial mismanagement (Willan 2008); Queensland’s Gold Coast City Council, which in 2004 was the subject of very similar complaints to those of Tweed Shire, but ultimately not dismissed (CMC 2006); Wangaratta Council (Victoria) dismissed in 2013 for dysfunction, rampant bullying and intimidation (Stephenson 2013) and Western Australia’s City of Canning, dismissed in 2012 for dysfunctional behaviour and poor governance (Kendall 2014).

With these examples in mind it would seem that we have our work cut out in broaching any discussion of ethics and Australian local government. It is also worth recognising that both the topic of ethical behaviour and, indeed, the relevance of explicit ethical and moral theorising are not limited to a consideration of elected leaders in local government. On the contrary: a growing body of work has examined both the ethical basis of public sector management (see, for example, Fisher and Grant 2013; Grant and Fisher 2011) and moral theory as it pertains to inter-governmental relations (Drew et al. 2016b). While this literature pales into insignificance when compared with the vast quantum of work, both academic and public, that has been devoted to other dimensions of local government, both the need to examine Australian local government through “fresh eyes” and the relative lack of explicit applications of normative theorising to Australian local government suggest that this approach is fruitful.

This chapter is divided into four main parts. Section 9.2 moves beyond the anecdotal evidence of unethical behaviour in Australian local government to examine the nature and scope of the problem by examining the work of Brown (2008) dealing with perceptions of local government. Section 9.3 draws on the work of the authors with their longstanding collaborator Associate Professor Josie

¹These charges were filed against six individuals. Of these, one local councillor and two prominent local developers were found guilty on seven charges. The councillor served four months in prison. One of the property developers served a 10-month intensive correctional order instead of a custodial sentence (ICAC 2015c).

Fisher of the University of New England Business School. We consider what has been offered as a putative solution to the problems of management *writ large*, namely the concept of public value as initially developed by Moore (1995). We argue that public value is particularly applicable for Australian local government, and defend the concept against the charges levelled against it by two venerable Professors of Politics and Public Administration, Rhodes and Wanna (2007). Section 9.4 moves to focus upon the ethical dimensions of state-local government relations, discussing the recent work of the authors and Associate Professor Fisher on the Principle of Double Effect (PDE). The chapter ends in Sect. 9.5 with some broad observations and a consideration of the implications of our discussion for public policy.

9.2 The Bad News: Perceptions of Australian Local Government

The fact that social systems necessarily entail crime and witness acts of impropriety and corruption is itself unsurprising, particularly when viewed from the perspectives of political and moral theory. For some time, observers of politics have argued that politicians will be more prone to acts of impropriety than the citizenry. For example, in his identification of a specifically political sphere of action, Machiavelli (1950) argued that the prince is consigned to behaviour that would usually be thought of as wrong or immoral and ought to hone his craft accordingly. Beyond this well-worn cliché of political theory, contemporary moral theorists such as Williams (1978) have argued that the hands of politicians are inevitably “dirty” and that in some circumstances this is not merely excusable, but morally defensible (for a discussion in the context of Australian local government reform, see Grant et al. 2015).

However, if endemic to political systems, rather than reinforcing acceptable parameters of behaviour as theorised by both liberal jurisprudence (Waldron 2010) and sociological theory (Durkheim 1986), impropriety and corruption undermine the legitimacy of legal and social systems as well as negatively affecting governing capacity. Arguably, the local government systems of Australia are faced with a problem of this magnitude, although to varying degrees. Alongside the perennial and, in some cases, spectacular examples of councillors and council staff behaving badly mentioned in our introduction, empirical evidence suggests that the *perception* of local government fares badly, at least when compared with other tiers of government in the Australian federation. For example, Brown (2008) commissioned a national public opinion survey of 14,951 adult citizens and permanent residents in Australia to test perceptions of the capacity of each tier of government. When rating the performance of Australia’s three levels of government in their own right, the federal tier scored highly (81.1%), with local government on a par with the states (56.5 and 55.9%, respectively; Brown 2008, p. 457). While 19.2%

labelled local government the *most* effective, 35.9% labelled it the *least* effective (slightly higher than state government at 32.2%).

In his discussion of the results, Brown (2008, p. 457) points out that “these effectiveness ratings have their greatest significance as vehicles for understanding why citizens rate different levels as ineffective”. Of the three functional areas of government from which respondents could choose (specific policy/functional areas, inclusion/representation, governance quality/capacity), local government scored badly—57.9%—in the latter category, as demonstrated in Table 9.1.

Table 9.1 illustrates that local government was considered as least effective—57.9%—on the basis of issues of “governance quality [and] capacity”. While this might be a rather roundabout way of evincing perceptions of impropriety in Australian local government, the result is more damning when taking into consideration that Brown’s (2008) category of “governance quality [and] capacity” was disaggregated into 10 sub-categories. Two of these sub-categories scored highly: “inexperience/incompetence” (20.6%) and “too much personal self-interest/corruption” (17.3%). Otherwise stated, when Australian local government is perceived as the least effective tier of government in Australia (which it is 56.5% of the time) it is perceived so principally for issues of governance quality and capacity; more specifically for reasons of incompetence, self-interest and corruption. Arguably, that local governments are closely followed by their state counterparts (49.2%; see Table 9.1) speaks to the symbiotic relationship between the two tiers. Admittedly the relationship between unethical or corrupt behaviour on the one hand and the legitimacy of the particular institution within which these activities are undertaken on the other is complex. Nevertheless, the perception that local governments are, in essence, bad governments, or are at least prone to governance problems, has the capacity to undermine their legitimacy and have significant deleterious effects on their functioning.

The question of what is to be done about the documented levels of dysfunction and, importantly, the perceived levels of dysfunction, is complex. Contemporary theorising and empirical scholarship concerned with corruption and related phenomena is voluminous, comprising *inter alia* economic accounts of the causes of and solutions to corruption (Ackerman 1999), corruption conceived principally as a political phenomenon at both national and international levels (Heidenheimer and Johnston 2011), at the local level (Huberts 2014), and viewed as a problem of public administration and management (Fredrickson and Ghore 2013; Menzel 2012). Further, several sustained attempts have been made at theorising corruption

Table 9.1 Summary of reasons for considering each level of government to be least effective

Reasons given/problems	Level nominated as least effective (per cent)			
	Federal	State	Local	Total
Specific policy/functional areas	25.4	54.8	25.7	36.9
Inclusion/representation	32.0	18.2	20.2	21.6
Governance quality/capacity	25.3	49.2	57.9	48.5

Source Adapted from Brown (2008, p. 458)

and integrity to assist in empirical research (see, for example, Lasuthuizen et al. 2011; Zyglidopoulos 2015). Moreover, there are both behavioural theories of corruption that seek an explanation in the individual pathology of those involved (the so-called ‘bad apples’ argument; see, for example, Davis et al. 2007), and explanations of corruption that commence from the a priori assumption that environmental factors are the root cause (the so-called ‘bad barrels’ argument; see for example Menzel 2009).

In seeking to address these problems Australian state and territory governments have adopted three broad, often overlapping, approaches. First, conforming to the tenets of positive law (see for example Waldron 2010), legislation has been introduced to proscribe particular types of behaviour on the part of elected officials (mayors and councillors), appointed officials (CEOs and their staff) and citizens participating in the workings of local government more generally. In line with the diversity of common law across Australia’s federal system, these legislative instruments, comprising (for example) amendments to local government acts (Grant et al. 2011) and the establishment of a variety of judicial and quasi-judicial bodies of adjudication (see for example DLGCRR 2014; ICAC 2015a; MAV et al. 2012), often involve intricate procedures of complaint, assessment and censure. Second, conforming to trends in both private and statutory bodies globally (Jenkins 2001, p. iii), state and territory governments have introduced codes of conduct in attempts to encourage compliance from individuals (Crane and Matten 2010, pp. 184–231; see for example OLG 2012).

Both these approaches are similar in that they are grounded in acts of policing (the former reliant upon ‘compliance-orientated’ measures, the latter focused on ‘values-orientated’ measures—see for example Crane and Matten 2010, pp. 184–231). A third approach, grounded in public administration and political science, has sought to clarify the roles and responsibilities of particular actors in local governments conforming to corporate governance models, in particular delegating to elected and appointed executives roles that parallel the distinction between managers and directorial boards in the private sector (see for example Baker 2003; Grant Dollery et al. 2014; Marshall 2003, 2008; Martin and Aulich 2012). We return to this problem in Sect. 9.5, where we make some overall observations and explore implications for public policy. This chapter now moves to a far more positive story about the ethical dimensions of Australian local government, namely public value creation.

9.3 The Good News: Public Value Creation in Australian Local Government

In a far more positive vein, over the last decade in particular, a strong strand of research—both pure and applied—asserts that public management generally, and (as we argue below) local government management in particular, has the capacity to add significant public value to the operations of their organisations. There is a very

real sense that this idea has captivated some local government academics and practitioners. Indeed, judging by the quantum of literature now available on the subject, alongside the rhetoric of public policy-makers, it would appear that the idea of public value has transmogrified into a worryingly over-used cliché. For this reason, and with a view to “recover the ethical” (Fisher and Grant 2013, p. x) in public value for public sector managers (indeed, for the rest of us), we offer a close reading of the original theory, before examining the objections advanced by Rhodes and Wanna (2007) and how these objections have been countered in turn.

9.3.1 *Public Value Creation: Simple and Complex Meanings*

As we have suggested, the theory of public value advanced by Mark Moore has been extraordinarily influential and we think rightly so. Nevertheless, as we shall see, it has also been controversial. At one level, Moore’s account of public value is relatively simple, and it is to his credit that in introducing his idea Moore (1995) provided us with what is in essence a *parable* of public value creation before introducing his theory thereof.

For those of us familiar with the story this parable has become a cliché. In the introduction to *Creating Public Value* (1995). Moore presents us with a city librarian faced with the problem of the library being used as a de facto childminding facility for latch-key children waiting for their parents to pick them up after they finish work (it’s a good example as well because, arguably, the majority of people reading *Creating Public Value* would in all probability appreciate the sanctity of a library traditionally conceived as a quiet place conducive to concentration). In the example, the librarian’s initial reaction to these rabble-rousing children is to stop this use of the library occurring; after all, the library’s prescribed function is not a childminding facility. For Moore (1995, p. 16), this (traditional) response is based upon the “important doctrine” mandating that the librarian’s actions are prescribed by statute. The librarian is obliged to exercise an administrative/bureaucratic mindset, “downward, toward the reliable control of organisational operations, rather than either outward, toward the achievement of valuable results, or upward, toward the achievement of re-negotiated political mandates” (Moore 1995, p. 17).

It is important that we recognise that Moore captures that precise degree of uneasiness, that, arguably, all of us feel (at least for a time) when faced with these types of situations. The point is that one has to make a decision about which way to act: if you are sitting in an aeroplane approaching landing and the teenager next to you, or for that matter a well-heeled executive, is using their mobile phone for social media, you have a choice whether or not to do something about this; options run through your mind. We will arrive at the point of scale in due course; but initially the important point is that you have to make a choice about what you do; a choice that necessarily is inclusive of others. It is the fact that this *choice* exists that makes a situation such as this—scaled up or down—an ethical one. In these

situations one is not *merely* following rules; one is obliged to reflect before making a decision and one's actions have to be justified (see in particular Fisher and Grant 2013, pp. 253–255).

Moore explores the librarian's scenario further: in her deliberations about the problem of the latch-key children (Moore's librarian is female) the librarian conceives other courses of action leading to other sets of outcomes: (i) using the presence of the latch-key children to ask for the library to be better resourced; (ii) introducing a user-pays system based on a cost-recovery model of the children using the library; (iii) consulting the community about the use of the library; (iv) harnessing volunteer effort, a complex undertaking of which the librarian is unsure, but which could potentially produce 'community spirit' around a reinvigorated library; (v) or restructuring her own organisation to accommodate the latch-key children. Moore's point here is not merely that we have options about what to do, but that in *not* thinking through and implementing these options we miss out on the potential value public managers can create. To this end, imagination or entrepreneurial spirit is required to think about the organisation differently. Indeed, Moore suggests that many public managers think like this anyway, and that it's foolish and counterproductive to discourage them from so doing.

In developing his complex, theoretical account of public value creation, Moore (1995) points out that acting this way is problematic precisely because the library is a public facility and the librarian a public manager. In a public sector context, we simply do not have a justification for managers acting this way; we assume they are the mere servants, or conduits, of public policy—despite this assumption being unrealistic. This is important because public sector organisations need to justify their actions, whether they are relatively insignificant (such as the library in Moore's initial example) or in contexts where public organisations consume vast quantities of valuable public resources. Moore uses many other examples, including the US Environmental Protection Agency. Moore seeks a justification for managers not merely exercising their imagination, but acting upon it without continually turning to the polity for approval, and acting upon it all the time as the most important and valuable part of their job. For Moore, this justification relies upon an account of value—not private value, which is measured in money, and produced through the mechanism of the market and subject far more radically to individual choice, but public value, which, because of various conflicting, but nevertheless legitimate perspectives, is more difficult to measure. As Moore (1995, p. 21) states, "this is the piece of work that has not yet been done".

In seeking this account, Moore notes that, traditionally, many criteria are used to assess outcomes in the public sector. Most significantly, public action *requires* the approval (if only tacitly) of elected overseers who in turn are assessed by those who have elected them. Other mechanisms of assessment include the techniques of program evaluation—benefit-cost analysis, for example. Yet Moore (1995, p. 23) notes that "the different standards [of evaluation] are not necessarily consistent with one another, and [that] each of these methods has its own weaknesses".

More problematic than this is to arrive at a concept of public value which is not merely measurable but can also provide the basis for managerial behaviour in conditions where they are faced with the problem of the plurality of values, due to (i) different ideas about what is valuable, and (ii) the fact that these perspectives are context dependent.

To do this, Moore (1995) re-describes the status of value from an output measured in quantity (gold, money) into a procedure which nonetheless includes tangible outputs, and of which managers are at the centre. This conceptual scheme (our phrase), which he refers to as a “strategic triangle”, has been represented by Alford and O’Flynn (2009) (see Fig. 9.1). Figure 9.1 belies the complexity of Moore’s theory and the thoroughness of his explanation. Nevertheless, Alford and O’Flynn (2009) have done us a service in representing its basic elements, wherein (i) the *operational capabilities* represent the organisation itself; (ii) the *authorising environment* represents the complex political realm (including the underlying justification of public sector activity, whereby actions are in continual moral assessment from multi-various perspectives) and interacts with (iii) the day-to-day *task environment* of public managers, such that they are in a position to create public value; in other words, for Moore’s (1995) librarian to *legitimately* decide upon and pursue a course of action other than exercise an “administrative/bureaucratic mindset”.

The key point is that while many of the traditional justifications for government remain intact, much now becomes contingent upon the role of public managers. This is why, even though Moore’s text is mostly a series of prescriptions for

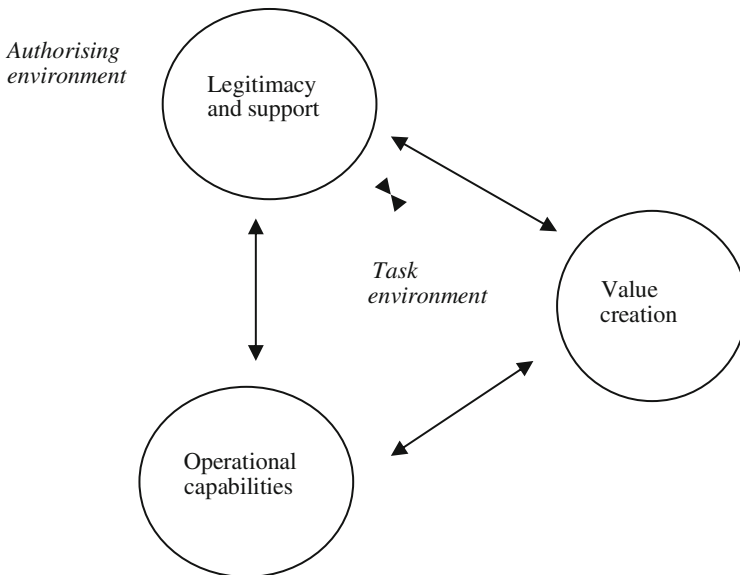


Fig. 9.1 Moore’s “strategic triangle”. *Source* Adopted from Alford and O’Flynn (2009, p. 173)

managers, or what he refers to as “a normative (rather than a positive) theory of managerial (rather than organisational) behaviour” (p. 1), at the same time it necessarily has “to set out a *philosophy of public management*” (emphasis added).

Again, we can be accused of merely describing a normative theory that has far less to do with the day-to-day operations of local government and of government generally. However, it is important to emphasise that embracing the theory and practice of public value creation, or public value management, is a definitive shift from just plodding along and doing what you’re told to do. Indeed, Stoker (2006) evinced considerable excitement about the potential of public value creation as the new *modus operandi* for governments generally, labelling it the “Public Value Management Paradigm” and stating *inter alia* that:

Public value is more than a summation of the individual preferences of the users or producers of public services. The judgment of what is public value is collectively built through deliberation involving elected and appointed government officials and key stakeholders. The achievement of public value, in turn, depends on actions chosen in a reflexive manner from a range of intervention options that rely extensively on building and maintaining networks of provision. Networks of deliberation and delivery are central features of this governance approach. For the public value management paradigm, the understanding of the public interest, the nature of the public service ethos, the role of managers, and the contribution of democratic processes stand in contrast to traditional public administration and new public management (p. 42).

This extended quote from Stoker (2006) contains three important points. First, the assessment of public value moves beyond simple utilitarianism (“the summation of individual preferences”) to include what could be labelled judgement about higher-order outcomes. For instance, libraries don’t *merely* exist as book-borrowing facilities; they significantly add to the educational possibilities for a community. Second, Stoker is championing the idea that many more people are involved in decision-making processes than merely managers, overseen by politicians: there is plenty of scope—and reason—for others to become involved. Third, and somewhat contradictorily, managers are nevertheless at the centre of this decision-making process.

Ever the innovator, Stoker (2006, p. x), who saw Moore’s (1995) theory as a valuable adjunct to his own account of “networked community governance” (for critical accounts, see, for example, Grant and Dollery 2011a, b) did us the service of distinguishing between the public value management paradigm on the one hand and its predecessors on the other. These distinctions are represented in Table 9.2. In this context we refrain from describing the content of Table 9.2 in any detail. Nevertheless, the key point is that public value management as we have described it above is a significant step from the “traditional administrative mindset” against which Moore (1995) juxtaposes his theory. Further, it is a significant step from New Public Management (NPM), which in essence is the technocratic approach to management that occurred from approximately the 1980s, in particular the application of private management techniques to public organisations. Elements of both these former dominant paradigms remain in contemporary management practices. Yet the overall point is that we can now justifiably argue that public managers—that

Table 9.2 Paradigms of management

	Traditional public administration	New public management	Public value management
Key objectives	Politically provided inputs; service monitored through bureaucratic oversight	Managing inputs and outputs in a way that ensures economy and responsiveness to consumers	Creating public value, which involves effectively tackling what the public most cares about, from service delivery to system maintenance
Role of managers	To ensure rules and procedures are followed	To help define and meet performance targets	To play an active role in steering networks of deliberation and delivery, and maintain overall capacity of the system
Definition of public interest	By politicians or experts; little in the way of public input	Aggregation of individual preferences, in practice captured by senior managers supported by evidence about the consumer	Individual and public preferences captured through a complex process of interaction that involves deliberative reflection over inputs and opportunity costs
Approach to public service ethos	Public sector has a monopoly on service ethos and all public bodies have it	Sceptical of public sector ethos; favours customer service	No one sector has a monopoly on public sector ethos; maintaining relationships through shared values is essential
Preferred system for service delivery	Hierarchical department or self-regulating profession	Private sector or tightly defined arms-length public agency	Menu of alternatives selected pragmatically and a reflexive approach to intervention mechanisms to achieve outputs
Contribution of the democratic process	Delivers accountability; competition between elected leaders provides an overarching accountability	Delivers objectives; limited to setting objectives and checking performance, leaving managers to determine the means	Delivers dialogue; integral to all that is undertaken, a rolling and continuous process of democratic exchange is essential

Source Adapted from Stoker (2006, p. 44)

is, *all* folk with public assets in a domain of public authority—*ought* to seek opportunities for public value creation.

9.3.2 *Objections to Public Value: Rhodes and Wanna (2007)*

We suspect that for many readers our account of public value creation appears somewhat “old-hat” and that they would say of our reiteration of the original theory something along the lines of: “We all know this now. Public value creation is firmly embedded in local government practice; all public organisations are front-footed in seeking value for the public; as such it is tedious to set forth the theory—we’ve got lots of public value *creating* to do!”

In one sense this is true; public value creation has permeated through local government practice (see for example Evans with Reid 2013). However, it is important that we understand the *limits* of this idea of managerial discretion, and not merely for the sake of operationalising public value; also for deciding what public managers ought and ought not do. More than this, we suggest that considering the limits of public value also critically informs our account of the limits of Australian local government with respect to many of the themes discussed in this book, such as the relative autonomy of local government *vis a vis* state authority (Chap. 5), the scope for leadership in local government (Chap. 8) and the place of local government in Australia’s federation (Chap. 3). In essence, we are talking about the justifiable limits of local government in Australia, and we still have a bit more work to do.

In their assessment of public value, Rhodes and Wanna (2007) underlined the extraordinarily popular nature of Moore’s (1995) work and the ensuing iterations and endorsements thereof (for recent examples, see Bennington and Moore 2011). To this we could add a vast quantum of research, including Alford and O’Flynn (2009), Fisher and Grant (2013), Meynhardt (2009), O’Flynn (2007) and, not least, Moore (2013). Rhodes and Wanna (2007) also underlined the proliferation of public value as a teaching practice (for a critical discussion, see Fisher and Grant 2012) in institutions teaching public management globally, from its home at the Kennedy School of Government at Harvard University to Warwick Business School in the UK and, closer to home, at the Australia and New Zealand School of Government (ANZSoG).

However, Rhodes and Wanna (2007, p. 406) objected profoundly to the theory (and, we suspect, the proliferation of the concept as a managerial ideology), finding it “disturbing when applied to Westminster systems of government” and arguing that “it misdiagnoses the function of management in the modern public sector ... and ...it invents roles for public servants for which they are not appointed, are ill-suited, inadequately prepared and, more importantly, are not protected if things go wrong”. Moreover, Rhodes and Wanna asserted that public value “asks public

managers to supplant politicians, to become directly engaged in the political process, and become the new Platonic guardians and arbiters of the public interest” (p. 407). Rhodes and Wanna (p. 407) took particular umbrage at the applicability of public value to Westminster systems of government and the challenge it represents to ministerial authority grounded in responsible government:

We concede the public value approach might work in American [sic] government where much scope exists for policy entrepreneurs and policy brokerage, and policy actors have to build coalitions of support to make headway. However, it is far less relevant in parliamentary systems with dominant hierarchies of control, stronger roles for ministers, and tight authorising regimes underpinned by disciplined two-party systems.

These are strong words indeed and, because we are going to disagree with them, just as it was important to provide a careful account of the original theory of Public Value (Moore 1995) so too it is important in this context that we provide a close reading of Rhodes and Wanna’s (2007) objections.

Rhodes and Wanna identify “two key confusions” surrounding public value (p. 408). First, they note that public value is claimed to be a number of things for a number of people. We have seen that for Moore (1995, p. 1) it is “a philosophy of public management” and that for Stoker (2006) it is a new “paradigm”. Rhodes and Wanna (2007, p. 408) note that at that time O’Flynn (2005) viewed it as a “model”, while Smith (2004) considered it a heuristic device. On this plurality of meanings Rhodes and Wanna comment: “Most important, it is all too often unclear whether they [i.e. Moore (1995) et al.] are developing a normative argument or an empirical-operational one. It matters. The criteria for evaluating aspirations differ from those that seek to assess evidence” (p. 408).

This claim is important; however, in this context we are going to leave the rather large battle here between “is” and “ought” and move to consider the far more tangible second “key confusion” and what we think is the primary (and most-deep seated) objection put forward by Rhodes and Wanna, namely “defining public managers” (p. 408). Thus: “In Moore’s account the definition of the ‘public manager’ is stretched way beyond its conventional meaning in the Westminster system” to include an “inclusive and expansive” cast of all elected and appointed officials. Rhodes and Wanna point out in no uncertain terms that “[i]n sharp contrast to the U.S., officials in Westminster systems are rarely if ever elected” and that, in essence, the direction of authority is linear and one-way, where “the elected politicians have a legitimate role in determining the public interest under the conventional norms of representative democracy, but non-elected officials do not share that role” (p. 408). Further:

There is a widely shared understanding that the roles of elected politician and appointed official are sharply demarcated. Each has distinctive rights, responsibilities and bases of legitimacy. So we need a theory that encompasses that separateness (p. 408).

This is the line in the sand for Rhodes and Wanna and—as they argue in the ensuing discussion and elsewhere (Rhodes and Wanna 2009)—it is a profound error to view elected politicians as *merely* one element of the “task environment of public managers”.

Placing this objection to one side momentarily, Rhodes and Wanna (2007) also identify five “core assumptions” of public value that they deem problematic (pp. 409–412). First, they argue that the theory *writ large* assumes that large-scale organisations are benign where in fact this is not the case. While Rhodes and Wanna initially emphasise the potential for *organisational* dysfunction, again their attention quickly turns to unethical behaviour by managers—or at least the ethically problematic side of management: “In short, the ‘dark side’ of the state and its administrative arms is largely ignored in the ‘public value’ vision” (p. 409). The implication here is that “the state”—to use their term—ought to recognise its role as inferior to that of democratically elected politicians.

Second, Rhodes and Wanna again take issue with what they denote as “the primacy of management” in the public value narrative, in particular the idea of the “entrepreneurial” manager “exploring”, “discovering” and “creating” (p. 409); and also in public value’s endorsement of managers as internal strategists “exercis[ing] their own moral compass in creating public value where there is conflict” (p. 410). Again, the inference is clear: appointed officials ought *not* to be undertaking these types of activities.

Third, the modelling of public sector managerial behaviour on private sector managerial behaviour is problematic for Rhodes and Wanna in several ways. At the level of ethics they take issue with the idea of public managers exploring opportunities for public value creation and, more collectively, in formulating strategic plans, for example. Further, the explicit language of virtue ethics adopted in the public value literature (see Fisher and Grant 2013) is criticised by Rhodes and Wanna (pp. 401–411). Poignant also is their observation that many public managers are simply not equipped to act in this way in Westminster systems.

Fourth, Rhodes and Wanna forcefully argue that Moore’s conception of politics is non-party political and, as such, does not recognise the role of responsible opposition—responsible government generally—in accountability: “Whatever public value might be about it is never about majority party centralisation and control” (p. 411). Fifth, it is clear that Rhodes and Wanna have a profound objection to the idea that appointed officials are both arbiters and guardians of the public interest: “We believe the inbuilt hierarchy of Westminster systems coupled with the disciplined party politics imposes severe limits on both the role of public servants and the utility of the public value approach” (p. 412); further, it is clear that Rhodes and Wanna think that public value ought not to have any role in what they term ‘formal’ or ‘big P’ politics—in short, it is misplaced and dangerous to advocate as such.

Yet, despite what can be accurately described as their robust drubbing of the theory and practice of public value *writ large*, at the end of their article Rhodes and Wanna (2007) state *inter alia* that they “accept public officials should seek to innovate and improve services” (p. 417) and they “also accept it is important for managers to increase the value of their services to the public”. Nevertheless, they also assert that “it is important to know the limits of [the] approach” and suggest that “the key question is which bits of Moore’s public value approach will work in Westminster systems”. To answer this question, Rhodes and Wanna suggest

thinking about public value in two ways, by making a distinction between operational matters on the one hand and normative vision on the other hand, and similarly between high levels of risk and low levels of risk.

They chose to depict this by what they described as “the public value ladder”, depicted in Table 9.3.

Despite the level of detail (which we think is extremely well thought through), Table 9.3 is conceptually quite simple. In essence, Column 1 denotes the level of risk for any activity of a public organisation in descending order; Column 2 provides operational examples of activity that might be directed at creating public value; and Column 3 identifies a series of questions at each level designed to promote critical reflection upon the limits to public value at that level—the normative element. While Moore (1995) entreats public managers to explore for opportunities to create public value, Rhodes and Wanna (2007) ask the question of whether or not, and to what degree, they ought to be so doing. Their short answer is that they ought to be doing this further down the ladder.

It would be easy to conclude that, ultimately, Rhodes and Wanna (2007) wish to have their cake and eat it too when it comes to public value and that, despite their robust criticisms, in the end an acceptable balance is reached between the hallowed ways of Westminster on the one hand and the ways of our punk friends from across the Atlantic—and over the Pacific—on the other. Yet is this really the case? Are there not more fundamental issues at stake here? And what does this have to do with ethics, and to local government in Australia? To answer these questions we examine the criticisms of Rhodes and Wanna (2007) advanced by Grant and Fisher (2011).

9.3.3 *In Defence of Public Value in Australian Local Government: Grant and Fisher (2011)*

In their article *Public Value: Positive ethics for Australian local government* Grant and Fisher (2011) took inspiration from Chandler’s (2008) assertion of the relevance of a direct ethical justification for local government, noting that such a justification “would be of strategic use by advocates of the sector when attempting to defend it from sweeping reform processes introduced by state and federal governments” (p. 3). They then sought to demonstrate why Rhodes and Wanna’s (2007) objections to public value were not as relevant to Australian local government as they are to other tiers of Australia’s democracy.

First, Grant and Fisher (2011) noted that the authority exercised in local governments in Australia is not of a Westminster kind. Rather, local governments are creatures of their respective states and territories, each of which devotes considerable resources to overseeing what local government does. Second, as we emphasised in Chap. 8, while it might appear that appointed officials *formally serve* at the pleasure of elected officials, matters of operational control fall under the CEO or general manager. Elected officials are legally proscribed from delving into operational

Table 9.3 The Public Value Ladder

Levels of risk	Example of public value	Key questions
<i>High risk</i>		
Driven by normative vision; highest political risk	Ideas-driven management; searching for high degree of stakeholder consensus and engagement; coalition-building by public officials; finding constituencies that value what the manager wants	Why do we want or need Platonic guardians? Should managers be “doing politics”? What are the risks of managers becoming brokers and “explorers” in search for value? Who authorises them to redefine political priorities? Is there a threat to access and equity?
<i>Medium to high risk</i>		
Strong normative orientation; high-level of political risk	Substantial engagement and empowerment of managers and clients in formulating and implementing policy; devolving decision-making capacities to clients; more complex innovations in delivery processes	Does government risk ceding control of public policy to the community rather than keeping it in the hands of accountable elected officials? Will there be limited oversight from ‘authorising actors’? Is there a risk of capture and clientelism?
<i>Medium risk</i>		
Principally operational but with increasing elements of political risk	Ambitious forms of coproduction; technical improvements in delivery chains; assistance to comply with obligations, self-administered modes; adoption of new technologies	How do managers identify improvements in the delivery chain? Can they enhance operations without changing policy settings? Are the risks largely technical? Did it work? Did it produce the intended benefits to production?
<i>Medium to low risk</i>		
Principally operational but more adventurous reconfigurations—some political risk	Direct consultation with clients over delivery and compliance systems; systematic use of evaluation data; public reporting on targets informed by client preferences	Will operational initiatives threaten administrative coherence and consistency? Will active managers become disillusioned if prevented from innovating? How do we manage hidden costs and unintended outcomes?
<i>Low risk</i>		
Marginal operational adjustments, low-level political risk	Market survey information of clients; client feedback information, satisfaction ratings; better information on client needs-expectations	Will politicians and clients see and appreciate the benefits of minor operational improvements? Will innovations lead to administrative savings or improved performance?

Source Adapted from Rhodes and Wanna (2007, p. 418)

matters, although they are responsible for providing strategic direction to the council. Third, Grant and Fisher pointed out that the council-manager form of government, as it was devised in the United States in 1915, was decidedly *not* based upon a dichotomous “separation of powers” concept; rather, they stressed the importance of *council* government where authorities overlap (see, for example, Mouritzen and Svava 2002, p. 45). Grant and Fisher noted that this is very different from ministerial authority exercised over bureaucrats (p. 13).

Grant and Fisher (2011) also turned their attention to the problematical “five key assumptions” that Rhodes and Wanna (2007) detected in Moore’s (1995) theory. Of the first, namely naivety over organisational bias or self-interested behaviour on the part of managers, Grant and Fisher (p. 14) argued that, while we ought to be gravely concerned if any of the major bureaucracies of a Westminster parliamentary system were to fail—think of Treasury, for example—the same type of gravity does not attach to local government, although councils do ‘fail’ (see for example Drew and Campbell 2016). Grant and Fisher (p. 14) also argued that to assume that elected politicians at the local government level always have the capacity to oversee their non-elected counterparts in a way akin to ministerial oversight is highly misleading, and that (again) state government agencies are charged with this responsibility.

Of Rhodes and Wanna’s (2007) objections to the operational role played by public managers in Moore’s (1995) schema, Grant and Fisher (2011) emphasised that local government managers, in particular general managers/CEOs, often play a high-profile role not merely within councils but within communities; in other words, they feel very much like Moore’s (1995) public managers. Of Rhodes and Wanna’s (2007) third objection to Moore’s (1995) theory, namely that it portrays government as unrealistically like the private sector, again Grant and Fisher (pp. 15–16) pointed out that local governments in Australia are more similar to private businesses than to their state and federal counterparts, not only spending taxpayer funds but also generating significant funds, principally from land tax and, to a less extent, charges.

Of Rhodes and Wanna’s (2007) fourth objection to Moore (1995), namely the absence of party politics, Grant and Fisher (2011, p. 15) noted that, while political parties are an essential element of responsible government at both state and federal levels, this is not universally the case in Australian local government, with many elected members seeing their role as “trustees who act on their own view of what is best rather than being closely accountable to the electorate *or a political party*” (Mouritzen and Svava, in Grant and Fisher 2011 p. 16). Rhodes and Wanna’s (2007) fifth—and perhaps most profound—objection was against managers acting as “Platonic guardians”. Grant and Fisher countered that, while large state and federal governmental departments are characterised by highly specialised systems of knowledge where bureaucrats might be tempted to act as guardians of the public interest over specific policy areas, senior *local* government managers, by definition, are generalists; furthermore, given that local politics in Australia is characterised overwhelmingly by non-professional politicians, the concept of public managers executing somewhat of a guardianship role (if not a Platonic one) is perhaps a useful concept.

In looking back at what admittedly has been quite a dense discussion about public value creation and Australian local government, three general points can be made. First, Moore's (1995) philosophy of public management *does* provide an ethical basis for local government managers seeking to create public value. Further, many elements of Stoker's (2006) Public Value Management Paradigm come into play—increased stakeholder engagement, the capturing of what might be described as “post-utilitarian” or “utilitarian-plus” value, and different forms of accountability, that is, not merely actuarial and political, but also narrative accounts, in the form: “Why are we doing this and why is it valuable?” Most importantly, public value creation is the endorsement of an *ethical poise* for managers seeking opportunities to create value. However, this does not entail that public value creation is the endorsement—tacit or otherwise—of a kind of management free for all. As Moore (1995, 2013) makes clear, ultimate accountability of public managers is to publicly elected officials. Further, this involves risks and (as it were) if we live by the public value sword we can also perish by the public value sword—or at least be rewarded, or otherwise, accordingly.

Second, we are alerted to the status of Australian local government as a distinct political institution. Echoing our discussion in Chap. 8, this difference is most salient in terms of leadership, accountability and the (non)-separation of roles and, in particular, the genesis of the council-manager form in the sub-national federal arrangements of the United States. Also, however, local government is marked by a high degree of oversight from sovereign governments: expect it, or expect to negotiate hard around it. Third, the important implication of this—not usually spruiked by advocates of the local government sector—is the limited nature of local government responsibilities. These limitations are in terms of scale and capacity as well as legislatively defined responsibility. We need to keep the risks endorsed in the public value approach manageable. And with this in mind we move to a discussion of the ethical dimensions of state-local government relations.

9.4 Ethics and Intergovernmental Relations

We commenced this chapter by mentioning several of the more prominent incidents of impropriety and misconduct recently witnessed in Australian local government systems. As much as these are ethical issues in the sense that they involve the good—or otherwise—of the individuals involved, they are also issues of the regulation of that good by both individual councils and, in particular, the laws of the states, territories and federal governments. As such, they are properly thought of as issues not merely of law, or regulation, but also moral issues in the sense of them being questions of right and wrong.

It is true that the local government systems of Australia are faced with complex and varying systems of oversight, regulation and censure. However, rather than examining these systems as we have done in other elements of local government activity in this book (immunity and initiative in Chap. 5, community as a technique

of local governance in Chap. 6, and arrangements for leadership in Chap. 8), in considering the ethical—indeed, moral—dimensions of intergovernmental relations we have chosen here to focus upon the most vexatious issue of Australian local government from the perspective of ethical and moral theory: compulsory, or at least coerced, programs of amalgamation. *Prima facie* this may appear to be a highly unusual lens through which to consider an issue of public policy that, more often than not, is perceived as being open to a rational or even economically reductionist solution. However, we think that amalgamation is such a vexatious issue that it warrants attention from an explicitly normative perspective.

9.4.1 Utility Maximisation Versus Rights-Based Arguments in State-Local Relations

Echoing our discussion in Chap. 5 examining the issue of autonomy, we think it fair to say that the normative dimension of any one program of amalgamation in Australian local government is characterised by a predictable shape, and that more often than not—withstanding their various intricacies—these episodes follow a predictable ‘set-piece’ sequence of events (on this point see Drew et al. 2016a). We can describe the (predictable) terrain of these arguments thus: in the “utility-maximisation” corner stands state government, with varying levels of support both inside and outside its ranks, arguing that amalgamation will result in the greatest happiness for the greatest number of its citizens. As pointed out by Drew et al. (2016b, p. 1) this happiness is proxied by money, with claims made about the aggregate financial benefit to the citizens—in essence, savings—alongside less actuarially precise arguments for the same (we are thinking here in particular of the putative benefits flowing from increased scale of local governments in the amalgamation process currently underway in NSW; see, for example, OLG (2014), as representative of these types of claims).

In the other corner stand what Drew et al. (2016a) have recently noted was a collection of voices—opposition politicians, some academics and in particular the voices of local government itself—opposed to amalgamation. Notably, the reasons advanced for this opposition are varied. For instance, some opponents will challenge the utility-maximisation arguments in their own terms, claiming that the putative savings are largely illusory and that the costs of amalgamation are never properly calculated. However, by far the most heart-felt—or, in the parlance of Alasdair MacIntyre (1981) “emotivistic”—argument is one that insists that extant communities have the *right* to be left alone. In some episodes of amalgamation this *rights-based argument* might have several components, such as extant levels of democratic representation when compared with that produced by the proposed

reforms, alongside more essentialist claims about particular communities being dissimilar from communities with which amalgamations are proposed.²

We stressed in Chap. 5 in our discussion of autonomy that, despite the heart-felt nature of what in essence are rights-based arguments about extant communities, arguments of this type have a weaker standing in law than the authority of the state. As such, while they are patiently endured and countered by the utility-maximisers, programs of amalgamation roll, with an unnerving predictability (although, it must be stressed, not inevitably), toward one outcome, namely amalgamation.

However, it would be inaccurate to suggest that these processes of public formulation and execution are thought of as being ethically or morally satisfactory. On the contrary (and we will assert, rather than argue this point in this context): post-amalgamation, the bitter taste often lingers for what seems to be a very long time compared with other public policy decisions, as evidenced by the state and territory governments executing the public policy being ousted in ensuing elections (for a concise account of the contribution of amalgamation to recent state and territory election results, see Ryan et al. 2015). Further, programs of amalgamation are often accompanied with an underlying narrative as to the “real” reasons for the reforms—in essence, conspiracy theories swarm around amalgamations. For example, the earliest and most radical program of amalgamation in Victoria in 1994, whilst ostensibly about achieving sectoral sustainability and efficiencies under the “neo-liberal” Kennett Government, is still haunted by the rumour that it was really about breaking union power residing in the (then) local authorities. Similarly, Prasser (2007) has asserted that one of the reasons for the (then) Beattie and Bligh Labor governments pursuing a similarly radical program of amalgamation in Queensland was ‘political payback’. Moreover, in the program of amalgamation currently underway in NSW, MLA Foley (2015), the leader of the Labor opposition, has claimed that amalgamation has really been a stalking horse for gerrymandering state seats to the benefit of Coalition parties.

All told, amalgamations are extremely acrimonious public policy processes; what we have described as the “utility-maximisation versus community-rights”-shaped argument seems particularly ill-equipped to deal with such processes and may, in fact, even promote them.

9.4.2 Beyond Utility Maximisation: The Principle of Double Effect (PDE) and Municipal Amalgamations

It is against this background of the predictable shape of debates and subsequent reform processes of municipal amalgamation that Drew et al. (2016b) considered

²It is important to note that not everyone is necessarily in *either* the “utility-maximisation corner” or the “rights of extant communities” corner of the debate about amalgamation and that, as demonstrated by Ryan et al. (2015), many people across Australian local government jurisdictions are ambivalent toward the topic.

the worth of a particular type of moral theory to the question of municipal amalgamations, namely the Principle of Double Effect (PDE). Drew et al. offered the following rationale for thinking about PDE when considering municipal amalgamations:

PDE insists that ‘good’ public policy must aspire to more than merely maximising (monetary) utility, thus setting it apart from the dominant approaches of contemporary public policy analysis ... In so doing, PDE squarely confronts conflicts between the ‘economic must’ and the ‘ethical ought’ ... Specifically, PDE prohibits acts which intend morally illicit means or ends, therefore distinguishing it from the utilitarian approach. PDE also requires that proportionally grave reasons exist for countenancing an act which may give rise to *foreseeable* bad side-effects.

Thus, PDE pragmatically responds to the fact that we live in an uncertain world – that acts intended to produce one state of affairs may bring about unintended side-effects or entirely different outcomes from those intended (Drew et al. 2016b, p. 2).

Prima facie we can see that the claim being made here—that PDE offers us a way out of arguments where an economic imperative clashes with a rights-based imperative—offers some intrinsic appeal. And while the assertion that PDE “prohibits [all] acts which intend morally illicit means or ends” may prompt the sentiment that, from a public policy perspective, nothing will ever be done, in fact this is decidedly *not* the case. To understand how PDE works we are obliged to engage in some moral theorising before then applying this to the specific (and familiar) public policy question of municipal amalgamations.

Placing to one side the origins of PDE in the work of 13th-century scholastic philosopher Thomas Aquinas, Drew et al. (2016b, pp. 4–5) offered the following formulation of PDE:

It is morally permissible to undertake an action when one foresees that the undertaking may bring about at least one state of affairs, such that, if this state of affairs were intrinsic to the action undertaken, the action would be rendered impermissible, if and only if (i) the ‘bad’ state of affairs is not intended but brought about as a side-effect (and that all efforts have been made to mitigate the undesired side-effect) and (ii) there is a proportionally grave reason for undertaking the action.

All of this sounds very church-like and serious, as if we at “innovation-central” University of Technology Sydney have been spending a fair amount of quality time with our learned colleagues across Broadway at University of Notre Dame (and in one sense, this observation isn’t entirely inaccurate). Nevertheless, what the above quotation from Drew et al. (2016b) amounts to saying is that, whereas simple utilitarianism asserts that “you can’t make an omelette without breaking eggs, so let’s get on with utility maximisation and pity the harm that is done in the meantime”, and whereas simple rights-based theory asserts that some rights should never be violated—so in some cases we can never break eggs to make omelettes (or anything else, for that matter)—PDE combines the two propositions and asserts that bad side effects are (morally) permissible, as long as they are brought about as an *unintended* side-effect, *and* that there is a very good reason (or reasons) for so doing.

Of course, those from the fictional “real world” of public policy might readily object to any claim of originality in the formulation of PDE advanced above, and assert that *of course* the opinions of stakeholders are taken into account when making difficult public policy decisions. Arguably, however, this assertion is made in a glib way, or at least it can be interpreted as such. Further, it is open to a genuine charge of tokenism (“We consulted with the community; they don’t want to amalgamate but we’re doing it anyway”), and this is very different from insisting on moral grounds “that all efforts ought to be made to mitigate the undesired side-effect” (Drew et al. 2016b, p. 5). And in this regard we have to turn our attention to two more finely granulated issues as vital components of PDE: proportionality and intent.

In essence, the *proportionality rule* as an element of PDE insists that “the benefits of the ‘good’ final state of affairs must completely dominate the harm associated with the ‘bad’ foreseen side-effects” (Drew et al. 2016b, p. 5). Drew et al. (2016b, p. 5) assert that this condition is utilitarian and we can fight about “good” and “harm”—*and* that normative theory is required to sort this out. However, it is entirely conceivable that some rights-based moral principles are inviolable. Further, debates concerning amalgamation are generally characterised by proportionality rule-type arguments (typically, the putative benefits of amalgamation are spruiked, followed by counter-claims, usually a series of laments about the costs). However, arguably this is quite different from an explicit recognition as Drew et al. (2016b, p. 6) expressed it, of the moral gravity of “running roughshod over democratic principles, imposing the debt of one municipality onto its neighbour or dissolving long-standing local democratic communities”. It is the *insistence* of a *profound* examination of proportionality—set against what are at times questionable claims about pecuniary benefits—that is the difference.

The second crucial component of PDE is the examination of *questions of intent*. This speaks very directly to what we have labelled as the “conspiracy theories” or “urban myths” that often accompany programs of forced or coerced amalgamations: that 1994 in Victoria was a union-busting exercise, that 2008 in Queensland was in part political pay-back and that the present round of amalgamation in NSW (and Sydney in particular) is about gerrymandering state seats in favour of the Coalition. Drew et al. (2016b, p. 6) underlined that “[q]uestions of intent (rather than simply outcomes) seem to be particularly important to our intuitive understanding of the morality of an act”: if we accidentally run over and kill a small child on a proverbial dark and stormy night it is very different from waking up one morning bright-eyed and bushy-tailed and intentionally skittling a child outside a pre-school. While the result is the same—a dead toddler—we don’t “ascribe the same moral culpability to each of the drivers” (Drew et al. 2016b, p. 6).

Despite our moral intuitiveness about intent, Drew et al. (2016b, p. 6) pointed out that questions of intent are problematical for “opponents of PDE”: if we know that something bad is going to happen as a side-effect of a public policy, said public policy is still indefensible on these grounds *regardless of intent*. However, Drew et al. (2016b, p. 6) argued that on the one hand “foreseeing that a state of affairs *may* result from an action ... does not mean that the state of affairs will actually

eventuate”; and that alternatively on the other hand “[i]ntent ... significantly increases the probability of the state of affairs eventuating”, even if it is a side-effect or consequence of a main goal. In other words, an *intended* bad state of affairs is far worse than a mere side-effect because it is more likely to happen on account of it being prosecuted.

Further, Drew et al. (2016b, p. 7) argued that we ought to pay attention to questions of intent for another reason. Simply stated, should we condone—if only implicitly—a world where the intentions of individuals (in particular, we would suggest, those engaged in public policy formulation) are not scrutinised? If we ponder that virtue ethics is grounded on the idea of living to seek to undertake good acts, then there are very strong grounds for arguing that intent is of principal importance, and particularly taking into consideration the “positive externalities” of everyone behaving this way and the “negative externalities” if we are all justifying our actions by one set of reasons while secretly pursuing other aims.

Thus intent is *extremely important* to questions of morality when considered utilising the precepts of PDE—that is, recognising that compromises have to be made as part of political processes *and* that actions (in our case, public policy) may have unintended consequences. This still leaves us with the problem of establishing intent, a notoriously difficult task. However, Drew et al. (2016b, p. 7) were unequivocal in this regard, asserting that the difficulty in establishing intent “does not entail that it ought *not* to be the subject of conjecture and refutation as an element of establishing the ethical and moral status of a public policy” (emphasis added).

Further, Drew et al. (2016b, p. 7) suggested three means by which intent could be, if not established, at least gleaned. First, following Quinn (1989, p. 340), an agent can simply be asked, “Why are you doing this act?” Drew et al. (2016b, p. 7) conceded that this ploy will founder in circumstances where [i] the agent is not thinking—substantively—about the reasons for their actions (Beabout’s (1989) point) or, alternatively, [ii] where the agent is “philosophically sophisticated” (Quinn’s point). In other words, the agent can’t remember why the act is being undertaken in the first place (which, frankly, often seems to be the case in programs of forced amalgamations) or where the agent is fabricating reasons for said action.

Second, Drew et al. (2016b, p. 7) suggested that intent could be established by assessing an agent’s response “when deflected by altered circumstances”—in other words, whether or not they thought their plan was successful if the bad state of affairs did *not* occur (for example: “Mr Kennett, as Premier of Victoria, do you regard the amalgamations in 1994 as a complete success despite the reconstituted councils remaining a bastion of union power?” etc.). Third, Drew et al. (2016b, p. 7) also asserted: “It is also apparent that our carefully constructed caveat to the first condition of PDE can reveal intent—for if there is any evidence that pains have been taken to mitigate or avoid foreseeable side-effects then this clearly suggests that such effects were never intended”. For instance, if a state government were to increase the number of political representatives allowable under the legislation for envisioned larger councils, this might suggest that dilution of democratic representation was not an intended outcome. Similarly, if a state government were to

provide funding towards amalgamation costs then this might suggest that the imposition of debt onto residents is not an intended state of affairs.

Again, with respect to the issue of municipal amalgamation, generally it can be asserted that questions of intent on the part of those prosecuting the reforms, as well as those vehemently opposed to them, are canvassed. Often the “pro-amalgamationists” are accused of snuggling up with the big end of town—the Property Council, for example—whilst those against amalgamation are accused of protecting their own fiefdoms, rather than the utilitarian-based argument for the greatest pecuniary benefit for all being set against the right of an extant council to continue on the basis of the democratic arrangements in place. Yet an application of PDE to episodes of municipal amalgamation insists upon a foregrounding of these issues as an element of the debate, rather than them being a residual feature of the public decision-making process.

In their discussion Drew et al. (2016b) went on to outline three ideal scenarios and to assess each as morally licit or otherwise on the basis of PDE, in particular in terms of the requirements of proportionality and intent. They also observed that “(t)he most interesting element of all three scenarios is that they are not entirely hypothetical”, with the first two—which they assessed as morally illicit—akin to (in turn) amalgamations in Queensland in 2008 and in Victoria in 1994. For readers who are interested in the details of the application of PDE to municipal amalgamations in the Australian context—indeed more generally—we direct them to the analysis of Drew et al. (2016b). The more general points to be derived from our discussion are that PDE offers a way beyond the ‘utility-maximisation *versus* rights-based’ dilemma that, we have argued, afflicts amalgamation debates in Australian local government. It suggests that the idea of proportionality be thoroughly investigated, in particular with a view to intended and unintended consequences as assessed using normative theory. Further, it directs our attention to the question of intent as a *bona fide*, indeed important, arena of conjecture and refutation. Moreover, Drew et al. (2016b) have provided us with some tools for establishing intent or indeed otherwise. We comment on this further in Sect. 9.5.

9.5 Observations and Implications for Public Policy

This chapter has discussed three elements of Australian local government that are characterised by explicit normative dimensions. First, the issue of questionable behaviour by both local politicians and (less saliently, perhaps) senior staff that forms, at the very least, a recognisable *genre* of media across Australia’s local government systems. Second, the underlying normative defensibility of managerial action as set out in Moore’s (1995) theory of public value creation. We suggested that this theory is particularly relevant to Australian local government. Third, we examined the applicability of PDE as a type of normative theorising (but by no means the only one) that explicitly seeks to address the limits of utility maximisation arguments and rights-based arguments, as they pertain to the most salient and perennial of local government reforms, namely amalgamation.

Reflecting upon the discussion, several issues are salient. Concerning the issue of councillor/staff impropriety, we ought to recognise the difference between perception and reality *and* the fact that this cuts both ways. It is quite plausible to argue, on the one hand, that the perception of local governments in Australia as being systemically dysfunctional and, if not corrupt, then at least “dodgy”, is the result of the highly observable nature of local government; it’s a public, democratic institution (there are lots of public institutions that aren’t) so it’s open to far more scrutiny than (say) a statutory organisation such as a university or a government department. Further, despite what might be described as the studied intensity around corporate social responsibility emanating from business schools and the private sector itself, local governments are almost immeasurably more transparent institutions than (say) banks, oil companies or medical insurers.

Putting the shoe on the other foot, it might be, as a colleague of ours with long experience in these issues has recently suggested, that what we see is only the proverbial “tip of the iceberg” (Campbell, in Sansom 2016) and that in the very nature of their work, particularly with property (arguably, the most tangible asset in most people’s lives) and especially with property development, local governments are more structurally prone to issues of corruption than other tiers of government.³ It goes without saying that any unlawful behaviour ought to be effectively censured and that any unethical behaviour ought also to be heavily discouraged. Beyond this rather glib observation, four issues in this area of local government operations are prescient for policy. First, there is a profound need for ethical training—as there is a need for all kinds of training—in local government. If we accept that local government has an important role to play in the vibrancy and cogency of democracies generally we ought to accept that this need for training as an imperative. This is particularly so if we concur with MacIntyre (1981) that the moral timbre of the age is one of emotivism, wherein a lot of people assume that thinking ethically and morally is merely to think passionately or fervently. We only need look to the recent presidential election in the United States featuring Donald Trump to realise how influential this type of reasoning—*a la* “I feel this deeply therefore it must be right”—can become. And in case we are in danger of Occidentalising this type of behaviour (“Those Americans are crazy, aren’t they?”) we would do well to remember that Australia has experienced its fair share of populism as well (see for example Grant 1997).

Of course, populism and corruption are not the same thing; nor are populists necessarily corrupt; indeed, sustained theorising about populism *per se* suggests that it receives a bad reputation unfairly (see for example Laclau 2005). However, emotivist reasoning ought to be countered with an understanding of self-interest, politically conceived (i.e., not as merely “what I can get out of the system for my constituents and myself”) utilitarianism, virtue ethics and the like. This isn’t

³We readily concede that it may be difficult to argue this in some jurisdictions at particular points in time. For a brief account of impropriety at the level of state government in 2014, see Grant et al. (2015).

particularly complex material *and* it should be quite easy to sell as, in essence, one is talking with people about themselves.

We ought to be aware as well that ethical behaviour is not merely compliance, and that a particular government can introduce as many regimes of checks and balances as it likes, including, for instance, codes of conduct. However, if these regimes are not understood in an ethical way then they just become systems to game. *Writ large*, this is a particularly dystopian view of government and the contemporary emphasis upon *self*-regulation, like codes of conduct, will reinforce this if it is not accompanied by an understanding of ethics *and*, we would suggest, traditional mechanisms of enforcement. Individuals who choose to hold public office and/or positions of public authority ought to be found guilty with appropriate censures distributed to them.

Turning to public value, we have argued here, in concert with many of our colleagues as detailed above, that to his credit Moore (1995) unites an account of the ethical self with a structural account of public management *and* demonstrates the limits of managerial authority. Yes, seek public value, but be prepared to not get it right every time. Further, while we have not examined measuring public value (see, for example, Moore 2013; for a distilled account see Grant et al. 2014), Stoker's emphasis on engagement and accountability, in the form of narratives (as opposed to either actuarially or being called to account) justifies a very vital and revitalised local government that in many instances we currently witness.

We have also argued that Moore's (1995) concept of public value creation is particularly suited to local government in Australia, due to the *nature* of local government in Australia. Yet we have also suggested that this demonstrates the limits of what local government in the Australian context ought to be about: one does not want to be creeping too high on Rhodes and Wanna's (2007) "public value ladder". It is not, as Rhodes and Wanna expressed it, "big P" politics, and we are suggesting here that perhaps it ought not to aspire to this.

Finally, with respect to our discussion of PDE, we concede that the theory itself is quite intricate. Further, questions of pecuniary proportionality are addressed within the utility-maximisation framework. Nevertheless, if we think about both questions of proportionality *outside* the utilitarian framework, including those grounded in right's-based arguments, alongside questions of intent and probe these publicly (which implies inquiring into the integrity of the actors involved), the vexatious question of amalgamation can be more thoroughly debated.

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Chapter 10

Local Government Amalgamations

Abstract Amalgamation has been the principal public policy tool employed by Australian architects of local government reform. The purported reasoning for forced amalgamations is that larger councils are able to achieve economies of scale and thus produce services at lower unit cost, leading to downward pressure on municipal taxation. However, as noted in Chap. 7 it is not at all certain that local government production functions are characterised by economies of scale. Moreover, no thought seems to have been given to diseconomies of scale, which reduce municipal efficiency and put upward pressure on local government fees and taxes. This chapter commences with a brief overview of the long and pervasive history of municipal amalgamation in Australia. We then provide a critique of the Fit for the Future program of forced amalgamations most recently underway in New South Wales. This critique forms the basis for outlining a new and innovative approach to boundary reform which emphasises enhanced economic welfare through morally licit processes supported by rigorous analysis and genuine consultation. The chapter ends with some brief observations on the public policy implications arising from our study.

Keywords Amalgamation • Consolidation • Boundary change

10.1 Introduction

The underlying logic behind local government amalgamation has traditionally rested on the concept of economies of scale, the situation whereby average total costs decrease as production increases. However, not all production functions are characterised by economies of scale, and where economies of scale do exist they typically occur over a narrow domain, followed by a long period of constant returns to scale. If production is increased further, then diseconomies of scale generally manifest as a result of problems in coordinating the activities of a larger workforce along with lower levels of transparency (see Chap. 7 for a discussion on the exhaustive Australian debate on local government economies of scale).

More recently, proponents of amalgamation have made claims of greater scale *and* strategic capacity. Strategic capacity is a new approach which deviates from empirically contestable claims; instead it uses qualitative and somewhat dubious arguments to progress the “bigger is better” dictum so cherished by forced amalgamation advocates over the last quarter of a century. Multiple key elements are proposed for the strategic capacity criterion: more robust revenue base; greater scope to undertake new functions; greater ability to employ a wider range of staff; enhanced knowledge creativity and innovation; more advanced skills in strategic planning; effective regional collaboration; greater credibility for more effective advocacy; enhanced capability to partner with higher tiers of government; more resources to cope with complex and unexpected change; and higher quality political and managerial leadership (IPART 2015, p. 3). Clearly many of the arguments put forward in this new twist on an old dictum are spurious in the extreme: staff and political leaders are not likely to be suddenly imbued with higher levels of creativity, innovation and leadership skills simply because they have been forced to join forces with their neighbours. Moreover, the claim that a council will suddenly be a more credible advocate (which has been repeated in a number of public documents) seems to suggest that higher tiers of government actively discriminate against citizens who live in councils with small populations. If true, this is a rather unfortunate indictment of our system of democracy. In addition, it is clear that a revenue base does not suddenly become more robust due to the addition of more ratepayers—if the new ratepayers are of lower economic means or have a higher concentration of employment in a particular industry then the amalgamated revenue base may be far *more* susceptible to economic shocks. In short, the recent attempts to repackaging the “bigger is better” dictum fail to withstand close scrutiny.

What does stand close scrutiny, however, is Wallace Oates’s Decentralisation Theorem (1972, p. 58) which demonstrates that “in the absence of cost savings from increasing the size of the group of the consumers, it is always preferable to provide Pareto-efficient levels of consumption for subsets of a group than for the group as a whole”.¹ This conclusion is supported by some quite straightforward mathematical proofs, with welfare gains being attributable to (i) different costs for providing services in different locations and (ii) different service demands in different locations. Indeed, Oates (1999, p. 1122) describes his arguably greatest work as “trivially obvious”, as the following grossly over-simplified example should show. Suppose a central government were to stipulate continuous steel reinforced concrete roads be used for all road construction throughout the country (continuous steel reinforced road construction is a relatively expensive method currently recommended for high traffic volume areas where low maintenance is preferred in order to avoid disruptions to traffic). Clearly, this would result in a significant loss

¹If one amends the Decentralisation Theorem slightly to include the desirability of enhanced political accountability and competitive pressure owing to the opportunity for “exit” then a clear case exists for a highly disaggregated local government sector (see Chap. 4). Moreover, in Chap. 12 we introduce an argument for moral proximity based on the principle of subsidiarity to arrive at a more comprehensive theory of decentralise government.

in economic welfare. In the first instance, it is unlikely that communities in, say, far western NSW would have the same preference for road construction which minimises maintenance as might communities in the Sydney central business district, given very disparate levels of traffic. Therefore, uniform centralised provision would incur a loss of welfare in direct proportion to the different tastes. Second, the cost of constructing continuous steel reinforced roads is likely to be very different in remote communities when compared with communities adjacent to ports or steel-manufacturing centres. Thus, even if tastes were similar (perhaps because both communities had an equally strong preference to avoid road closures for maintenance purposes), the differing costs of construction might produce entirely different benefit-cost test outcomes. The overall point is that decentralised provision is almost certainly going to produce superior economic welfare outcomes in relation to the supply of roads and many other government goods and services. It may be a “trivially obvious” idea, but it seems to be an idea which has largely escaped the understanding of various state and territory governments.

However, there is a caveat to Oates’s (1972) Decentralisation Theorem: that it applies only in the absence of cost-savings arising from size, that is, economies of scale. This then brings us back full circle to the arguments on scale that seem to have continued throughout the history of Australian local government reform.

Section 10.2 provides a brief review of the history of Australian local government amalgamation. This is followed by a close examination of the current debate on forced amalgamations in NSW, a debate which has captured more scholarly attention than any other before it (both in terms of quantity and variety of scholarly outputs). We then construct a “boundary change 101” framework, which enumerates the basic matters that should be considered by public policy architects. We conclude the chapter with a note on the public policy implications arising from our analysis.

10.2 Brief History of Local Government Amalgamations in Australia

Public policy reform of local government in Australia has been dominated by contentious forced amalgamation programs, particularly from the last decade of the 20th century onwards (see Table 10.1). Forced amalgamations have generally been predicated on the idea that larger councils can reap economies of scale and thus produce goods and services at lower unit cost. It is hypothesised that more efficient local government will also be more financially sustainable local government—although empirical studies demonstrate that there is, in fact, very little association between efficiency and sustainability (Drew et al. 2016c). Citizens are promised lower rates of taxation, simpler municipal regulation structures and higher levels of local government goods and services as an incentive to support amalgamation. Matters of diluted political representation, the effective imposition of debt from one

Table 10.1 Number of councils in Australia, 1910–2016

	1910	1967	1982	1990	1995	2008	2012	2016
NSW	324	224	175	176	177	152	152	152
VIC	206	210	211	210	184	79	79	79
QLD	164	131	134	134	125	73	73	77
SA	175	142	127	127	119	68	68	68
WA	147	144	138	138	144	142	139	139
TAS	51	49	49	46	29	29	29	29
NT	0	1	6	22	63	17	17	17
Total	1067	901	840	853	841	560	557	561

group of residents onto their neighbours and loss of local identity are generally neglected or trivialised in the material of amalgamation proponents. The potential for diseconomies of scale, as noted earlier, does not rate a consideration at all.

Notable contentious forced amalgamations occurred in Victoria in 1993/94 (a reduction from 210 to 78 councils; see Kortt and Wallis 2015); Queensland in 2007/08 (157 councils reduced to 73; see Walsh 2015); the Northern Territory in 2008 (53 community councils were merged into eight regional shire councils; see Michel 2015) and New South Wales in the period from 2000 until 2004 (177 councils reduced to 152; see Marshall 2008, pp. 18–21). Less contentious amalgamation programs occurred in Tasmania and South Australia in the early 1990s (in the former, councils were reduced from 46 to 29, and in the latter from 118 to 68; again, see Marshall 2008, pp. 18–21). It might be noted that recent attempts by the Barnett Government in Western Australia to force the amalgamation of a number of Perth councils was defeated when the matter was brought to a referendum (under the Dadour provision in the Western Australia Local Government Act (1995) voters have veto power over amalgamation through referendum²; Goode 2015). The earlier reform programs in Tasmania and South Australia were both characterised by genuine consultation with the sector and the community, wherein a strong case was made for change (Aulich 1999). This stands in stark contrast to the experience in Victoria, NSW, the Northern Territory and Queensland, where initial talk of voluntary reform was summarily replaced with top-down imposed structural change (Aulich 2005; Grant and Dollery 2014; see Tiley and Dollery 2010a, b for an account of the historical development of local government amalgamation in Australia). Figure 10.1 summarises the effect of the various reforms in terms of the average population per council since 1910. As can be seen, the states which pursued aggressive forced amalgamation policies have average council population sizes well in excess of the other states. Moreover, should the NSW Government prove

²We note that provisions of this type in state legislation might offer an alternative to constitutional reform for those seeking to prevent higher tiers of government from meddling with council boundaries. We also note that the thwarting of amalgamation in Perth is evidence of a general community opposition to local government amalgamation.

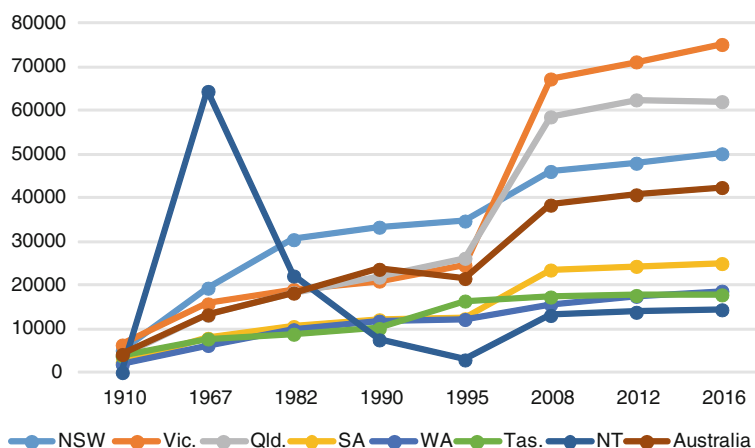


Fig. 10.1 Average population size of councils in Australia, 1910–2016. Adapted from Dollery et al. (2013)

successful in its current program of forced amalgamation then the average size of NSW councils will rise to around 68,020 individuals [this might be compared to the average size of local government in the OECD, which is just 27,244 (OECD 2013)].

It certainly seems that council amalgamations are frequently employed in Australia and this begs a question regarding why state and territory politicians are so keen to execute amalgamations. A number of possible motivations have been discussed in the literature such as an irrational belief that economies of scale are some sort of magic pudding that can be drawn upon ad infinitum; that local government is a convenient scape goat for state politicians and an opportunity to be seen to be doing “something” to improve the state economy; that amalgamations are a vehicle for settling old scores with local government political representatives and an opportunity to seize local government assets (as was the case in Queensland; see Walsh 2015); that amalgamations are prompted by a genuine fear of having to bail out financially unsustainable local governments; that amalgamation is an opportunity to gerrymander local government political representation; or that amalgamations provide state government politicians with an opportunity to ingratiate themselves with the developer lobby (Drew et al. 2016a, d; Drew and Dollery 2015a).

Unfortunately we can never get inside the heads of state politicians so most of these explanations cannot proceed beyond conjecture. However, what is becoming increasingly apparent is that voters are generally strongly opposed to forced amalgamation, as indicated by the 15.7% swing against the incumbent Labor government in Queensland in 2012 (see Grant et al. 2015), the veto vote in Perth in 2015 and the Orange by election result (just as this book went to print in November 2016) in NSW which recorded a 36% swing against the incumbent government (Needham 2016).

The political blowback seems to suggest that residents either do not feel that they receive the benefits promised by amalgamation architects, that they fear a loss of identity and control over developments in their local area, that they resent the reduction in employment as local government “efficiencies” are executed, or that they simply reject what is usually a morally illicit process of amalgamation (see Sect. 10.3.2).

Forced council amalgamation programs tend to follow a well-trod path. Drew and Dollery (2014a) have formalised a rather cynical *modus operandi* for local government amalgamation in Australia, which bears repeating in full owing to its accurate characterisation of recent programs:

As a first step, state politicians assert that local authorities are ineffective as a consequence of their sub-optimal population size and that this significantly impedes the economic prospects of the state in question. An ‘independent’ commission is then established in stage two to recommend policy prescription for remedying the situation. Stage three entails the release of its preliminary report with draft findings for public comment, almost invariably calling for compulsory council consolidation, followed by a period of ‘public consultation’, and then a final report. Prescribed forced amalgamations are then executed, often swiftly to minimize opportunities for adversaries to marshal effective opposition. It is noteworthy that no subsequent post-amalgamation assessment of compulsory mergers is ever undertaken³ (Drew and Dollery 2014a, pp. 129–130).

However, a review of the forced amalgamations in Victoria, Queensland and New South Wales also suggests a number of other common features. For instance, all of these episodes of compulsory amalgamation were preceded by measures to encourage voluntary amalgamations and other “efficiency”-orientated reforms. One line of thinking is that state governments tend to pursue forced amalgamations only when it becomes apparent that voluntary, sector-led reforms are unlikely to bear any fruit. An alternative line of thought is that voluntary reforms are nothing more than a sham in which councils are manipulated into amalgamations under threat of compulsory consolidation—a jump-before-you’re-pushed approach (Drew and Dollery 2015a).

The second common element of recent forced amalgamations is that none of the state governments which have implemented compulsory amalgamations had received a mandate for the reform. For instance, the Victorian and NSW governments had both campaigned on platforms of “no forced amalgamation”, whilst the Queensland Government was elected just eight months earlier without mentioning the prospect of compulsory amalgamations (Prasser 2007; Tiley and Dollery 2010a, b, c). This neglect to secure a mandate for reform might suggest that politicians are well aware that council amalgamations do not have popular support; indeed, subsequent electoral defeats in Victoria and Queensland were partly attributed to sustained community anger over forced council amalgamations (Drew et al. 2016d). However, forced amalgamations do seem to have the support of state chapters of the Property Council and Business Chamber (the Property Council of Australia came out in support of the

³This latter point largely explains why there is so little cross-jurisdictional learning regarding amalgamation.

Queensland and NSW amalgamations, whilst Project Victoria, a consortium of business, lobbied for the Victorian amalgamations) (Tiley and Dollery 2010b). There thus appears to be strong support from business and property developers, which appears *prima facie* at odds with the wishes of residents (see, for example, LGNSW 2015).

It could be argued that developers and business stand to gain a great deal from council amalgamation—fewer authorities to deal with when seeking development approvals and fewer authorities to issue burdensome regulations and conditions on developments (these may well be legitimate concerns from the perspective of the developer lobby which may see local government as being an obstacle to profit making). However, it is also clear that council conditions on development applications and various regulations reflect community wishes. Thus, amalgamations may open the door to development and business enterprises which are not to the “taste” of particular communities and therefore result in a decrease in economic welfare.

The final characteristic of recent forced amalgamation programs is that they often give rise to sustained activism for de-amalgamation. De-amalgamation campaigns have proved successful in Victoria (the shire of Delatite was de-amalgamated in 2002) and Queensland (Cairns, Rockhampton, Sunshine Coast and the Tablelands councils were all de-amalgamated in 2014 following overwhelming support in local referenda). De-amalgamation represents a catastrophic outcome for local communities. In financial terms a de-amalgamation imposes millions of dollars of expense onto residents in order to return to a pre-amalgamation state. For instance, the estimate of one-off costs attributable to Noosa Council for its de-amalgamation from Sunshine Coast Regional Council was \$11.02 million (Drew and Dollery 2014b). This quantum came on top of the claimed \$13.72 million in expenses arising from the amalgamation just a few years earlier. Clearly, requiring residents to spend tens of millions of dollars to effect no nett change is akin to an act of economic vandalism. In addition, the division of the spoils of de-amalgamation (assets, liabilities and staff) has often been less than satisfactory and thus has the potential to cause further financial stress for affected communities (see, for instance, Drew and Dollery 2015b). Moreover, there are wider indirect costs to the affected community such as the need for business and residents to adjust to new regulations and disruption to local investment during the transition phase. On balance it seems that it is much better to have never attempted an amalgamation than to risk ending up in this predicament.

Drew and Dollery (2015b) have reversed Oates’s (1972) decentralisation theorem to explain why sustained de-amalgamation activism is now proving successful, not only in Australia, but throughout the world. They posit that loss in welfare “is a function of the degree of homogeneity *within* and heterogeneity *between* pre-merged municipalities” (p. 19). Because “people effectively sort themselves into groups that are homogeneous in their demands for local services” (Oates 2005, p. 354) there is a high chance of amalgamation architects creating the conditions conducive to large losses in economic welfare. When people perceive that they have suffered a decrease in economic welfare, on a range of municipal goods and

services, without having been given a say in the matter (via referendum), then they naturally resent the change and may be inclined to agitate for a return to their earlier status. In addition, the common practice of amalgamating whole councils rather than portions of councils encourages de-amalgamation activism by groups which still have their pre-amalgamation identity largely intact. Moreover, there is evidence that post-amalgamation councils tend to vote in a bloc according to their pre-amalgamation identities and this can result in disenfranchised communities (if uneven numbers of representatives are set) or “hung” councils (if constituents are equally represented) (Drew and Dollery 2015b; Spicer 2012). It is also clear that political opportunism by state political oppositions—in the form of an offer to allow de-amalgamations should they be elected⁴—is a critical factor.

In sum, loss of economic welfare, amalgamations composed of whole council areas, political stalemate, state political mischief, failure to get community support, failure to renegotiate service levels all predispose amalgamated entities to de-amalgamation.

We now turn our attention to the current NSW Government program of forced amalgamations, *Fit for the Future*. This case study has been selected because it provides a good illustration of the problems and controversies engendered by forced amalgamation programs. Clearly a single book chapter could never thoroughly examine all amalgamation programs and we thus refrain from attempting same. Moreover, there is very little extant scholarly literature on earlier episodes of amalgamation. By way of contrast the recent amalgamations in New South Wales have arguably attracted the most comprehensive evaluation of any local government amalgamation program anywhere in the world. Therefore, a review of the scholarly literature pertaining to NSW provides us with a firm foundation for Sect. 10.4.

10.3 Recent Reform Processes in NSW: Fit for the Future

This case study briefly reviews the history of the New South Wales forced amalgamation program before examining some of the thorough and diverse academic literature pertaining to the program. The objective of this case study is to set the foundation for our framework for ethical and welfare-maximising boundary change, which we explicate in Sect. 10.4. Moreover, our review of the scholarly literature might also act as a template for those seeking to thoroughly critique an amalgamation proposal.

⁴We assert that this is always a strong possibility given that political oppositions can tap into community anger at forced amalgamations at essentially no cost (de-amalgamations are paid for by the residents of the break-away council in Australia).

10.3.1 A Brief History of *Fit for the Future*

Fit for the Future (FFTF) is the NSW state government program of forced amalgamations that is set to reduce the number of councils in the state from 152 to around 102. The program had its genesis in the Destination 2036 (D2036) conference held in August 2011, which brought together delegates from each of the NSW councils, academics, state regulators and state political representatives to map out a plan for the future of local government in NSW. The major output from D2036 was a rather innocuous aspirational vision statement entitled “Strong Communities Through Partnership” which declared inter alia that “by 2036, all NSW communities will be healthy and prosperous—led and served by strong, effective and democratically elected local government” (Elton Consulting 2011, p. 3). A second output from D2036 was a call by the NSW Shires Association (now subsumed into LGNSW) to establish an independent expert panel to “identify how councils can best govern and be structured to support the future wellbeing and prosperity of NSW communities” (D2036 2012, p. 4). Thus, the Independent Local Government Review Panel (ILGRP) was born. Notably, the terms of reference for the ILGRP clearly stated that the panel should “take into account the Liberal-National’s 2011 election policy of no forced amalgamations” (ILGRP 2012, p. 7). At this stage local government reform was a collaborative and voluntary venture between the NSW local government peak bodies and the NSW state government.

Despite the terms of reference provided to the ILGRP, the panel produced a discussion paper in November 2012—*Better, Stronger Local Government: The Case for Sustainable Change*—which stated that “there is a case to consider significant consolidation of local government across the Sydney metropolitan area, and in other major urban regions, and some regional centres” (p. 5). The next act in the FFTF drama was the release of the *NSW Treasury Corporation (TCorp) Financial Sustainability of the New South Wales Local Government Sector* report in March 2013, which sought to assign financial sustainability ratings (FSR) for each council on the basis of just ten financial ratios. The FSR were categorised on a seven-point scale ranging from “distressed” through to “very strong”; however, TCorp (2013) refused to disclose the method employed for summarising the ten ratios into the various categories of performance. Notwithstanding a lack of rigour and transparency evident in the TCorp (2013) FSR, the panel was quick to rely on same, stating in its penultimate report, dated April 2013, that “the recently released report of the NSW Treasury Corporation paints a disturbing picture of a local government system facing major financial problems with apparently little awareness of just how serious the situation has become” (ILGRP 2013a, p. 4). This same ILGRP report provided a detailed list of proposed council amalgamations designed to address the panel’s (2013a, p. 6) conclusion that “put simply, there are too many councils chasing too few resources”. Despite the panel claiming that many of its conclusions were evidence-based, the only substantive empirical evidence provided to support the proposed amalgamations was the TCorp FSR. This is rather surprising, given

that the stated rationale for “larger, more robust organisations” was that they “can generate increased resources through economies of scale and scope and then ‘plough back’ efficiency gains into benefits for their communities” (ILGRP 2013a, p. 8). One might reasonably have expected to see empirical evidence confirming the existence of functional economies of scale, and modelling of the scale benefits arising from the proposed amalgamations according to the methods outlined in Chap. 7.

The final report of the ILGRP, dated October 2013, was not released to the public until early in 2014. The report (ILGRP 2013b) contained a long list of proposed amalgamations in addition to a series of recommendations to reform rate capping (local tax limitations), change the method for grant allocations, introduce central auditing to address significant inconsistencies in local government financial reporting data, establish mandatory professional development training for elected representatives and introduce two-year minimum terms for indirectly elected mayors. However, the state government response to the panel’s final report—delayed until September 2014, owing in part to a change in the leadership team as a result of the shock resignation of the Premier and the appointment of a new Minister for Local Government—centred largely on the recommendations for amalgamation. *Fit for the Future* required councils to conduct a self-assessment according to just seven financial ratios (of which only five were drawn from the TCorp FSR suite) along with an “adequate scale and capacity” criterion which was predicated on the panel’s amalgamation recommendations. Councils were provided with a range of financial incentives—in the order of a quarter of a billion dollars⁵—linked to voluntary amalgamation. Self-assessments were due some three months after the state government elections in March 2015; notably, the incumbent politicians refused all opportunities to outline their plans in the event that councils did not elect to participate in voluntary amalgamations, and therefore did not receive an electoral mandate for the subsequent forced amalgamation regime. The Independent Pricing and Regulatory Tribunal (IPART) was appointed as the independent expert panel charged with deciding whether councils were fit for the future. Of the 139 proposals submitted to IPART (eight far-west remote councils were not required to submit proposals), just four proposals involved voluntary amalgamations, despite heavy lobbying by the Minister and Premier for councils to commit to same. All four merger proposals were deemed by IPART to be “fit” in its report on *Assessment of Council Fit for the Future Proposals*, dated October 2015. Of the remaining proposals, 63% were deemed “not fit”, of which the great majority (60 out of 87) failed on the somewhat ill-defined “scale and capacity criteria” (IPART 2015). Curiously just 7 out of the 26 merged entities arising from the 2000–2004 amalgamations were deemed to be “fit for the future”, which seemed *prima facie* at odds with the state government’s claim that councils needed to commit to amalgamations in order

⁵The Government literature cited up to a billion dollars in funding for *Fit for the Future*. However, \$600 m of this quantum was in “potential savings from cheaper finance” for councils deemed “fit”, to spend on infrastructure (OLG 2014, p. 7).

to become “fit”. Following the IPART assessments and the poor take-up of voluntary amalgamations, the Premier gave councils a further 30 days to make new proposals for voluntary amalgamations, stating that “for many councils this is a final opportunity to do the right thing for the future of their communities” (Godfrey 2015). Some councils did put forward proposals for voluntary amalgamation during the 30-day extension; however, the documents were deemed “cabinet-in-confidence” and there is some dispute as to whether councils volunteered for amalgamation or simply listed potential partners as second-best options in the event of forced amalgamation. In any event, the state government made its own extensive amalgamation proposals, which it then sought to implement through §218 of the *Local Government Act 1993* (Parliament of New South Wales 1993). This decision, announced on 18 December 2015, marked the formal change in the process from voluntary to compulsory reform.

Compulsory amalgamation under the legislation takes the form of amalgamation proposals (proposed by either the Minister, affected councils, or 10% of the population of a council) which must be assessed by a Boundaries Commission (or Delegates appointed by the Minister whose work is reviewed by a Boundaries Commission) according to set criteria and open to public submissions, in addition to being the subject of at least one public hearing. Once the Boundaries Commission has inquired into the amalgamation proposal, the Minister may refer the forced amalgamation to the Governor with or without modifications recommended to it by the Commission. The Boundaries Commission is chaired by an appointee of the Minister and comprises three other persons, one of which is appointed by the Director of the Minister’s Department. The remaining two Commission members are drawn from a list of eight councillors proposed by the NSW local government peak body (LGNSW). The Boundaries Commission at the time of writing was considering the various proposals made by the NSW Government. Initial proposals were all made by the NSW Government; however, as the provisions in the legislation for alternative proposals became known, a steady stream of counter proposals began to emerge (at last count 10). The result has been the appearance of a chaotic circus performing to the command of not only the legitimate ringleader (the NSW Government) but also at the direction of the audience itself.

It should be noted that the NSW Local Government Act (1993) requires the Boundary Commission to give weight to the “attitudes of the residents and ratepayers of the areas concerned” (§263(3)(d)). In so doing, the Boundaries Commission may request the Electoral Commission or any other agent to conduct a poll (§265). However, there is nothing to compel the Boundary Commission to do so, and thus far the NSW Government has rejected all requests for a referendum on the matter. The reticence to conduct a poll—or instruct the Boundaries Commission to do so—seems to suggest that the government believes there is little prospect of it convincing the affected residents of the purported benefits of the various amalgamations. This, in turn, suggests that the government holds to at least one of the following propositions: (i) that there are few or no benefits to be achieved for residents from amalgamation, (ii) that members of the government are unable to ‘sell’ the benefits of amalgamation or (iii) that the residents of NSW are not capable

of making informed and accurate assessments on the matter (and should therefore be subject to rather paternalistic imposition of public policy by their betters).

One curious footnote to the *Fit for the Future* saga was the state government's commissioning of KPMG to produce financial projections for the savings arising from the proposed forced amalgamations. The state government issued a number of media releases citing the KPMG estimate of savings of over \$2 billion over 20 years as compelling evidence for the need for compulsory reform of the sector (New England Education and Research 2016). Moreover, estimates of the savings arising from each specific amalgamation proposal "supported by independent analysis and modelling by KPMG" were the centrepiece of the various ministerial proposals. Calls were immediately made for the state government to release the details of the KPMG modelling; however, the government resisted the calls for almost a month. In the end, the state government released the KPMG (2016) report *Outline of Financial Modelling Assumptions for Local Government Merger Proposals*. Unfortunately, the report contained a number of rather obvious and embarrassing errors. For instance, KPMG cited the wrong industrial award for calculating staff redundancy entitlements, used the incorrect rates of councillor remuneration, cited estimates of savings from materials and contracts which differed significantly from other KPMG reports produced a matter of months earlier, and entirely neglected to include the costs of service harmonisation (the costs of bringing services of amalgamating entities up to a common standard) (New England Education and Research 2016)! The state government has since declared the documents pertaining to KPMG modelling for individual merger proposals to be cabinet-in-confidence.

10.3.2 *The Scholarly Evidence on Fit for the Future*

As noted earlier, *Fit for the Future* has been subjected to the most thorough and diverse scholarly interrogation of any Australian local government reform program and this fact alone commends it as a suitable case study for the purpose of constructing a framework for morally licit and efficiency enhancing boundary reform. At last count, 12 peer-reviewed scholarly articles have been accepted for publication dealing with topics including accounting irregularities and other flaws in the performance monitoring regime employed, a critique of the role of tax limitations on sustainability, an assessment of scale and efficiency, an ethical critique of the program and an analysis of the rhetoric employed. Clearly, it would not be possible to provide a synopsis of each paper within the confines of a single chapter. However, we make reference here to the papers that deal with the major points of contention raised in the aforementioned summary of the program, in order to inform our proposed new model for boundary change, which emphasises enhanced economic welfare through morally licit process.

The first scholarly literature arising from the amalgamation program was focused on the TCorp (2013) financial sustainability ratios. Drew and Dollery (2014c)

critiqued the suite of performance indicators (PI), noting that many of the PIs were logically inconsistent, that others were beyond the control of councils and that extremely important metrics were missing, as were controls for environmental constraints. Furthermore, Drew and Dollery (2014c) produced a series of regressions which demonstrated that there was no statistically significant association between population size and eight of the TCorp ratios (moreover, in the remaining two ratios the association with population size was conflated by associations with population density). In short, the regressions provided empirical evidence that increasing council size was unlikely to enhance the sustainability of councils in the greater Sydney area, as evidenced by the TCorp ratios (this was confirmed by a re-estimation of each ratio according to the amalgamations recommended by the ILGRP). The problem of compilation error was addressed in the second paper to examine the TCorp FSR. In order to arrive at a single FSR, TCorp needed to add the ratios together in some fashion (unfortunately they refused to disclose the method used). Drew and Dollery (2016) employed six different compilation strategies drawn from the academic literature and compared the results to the TCorp FSR. The disparity of rankings under the various empirical strategies was startling; for instance, councils deemed “weak” by TCorp were ranked well above “sound” councils (two categories distant) under four of the six alternative strategies. Some variation was to be expected, but such extreme levels of disparity across the entire cohort of NSW councils led the authors to conclude that the FSR assigned to councils owed far more to the method employed to compile the various PIs than to actual performance.

After addressing the scant evidence used to inform the panel’s amalgamation recommendations, scholars next turned to the missing evidence. In particular, the question of economies of scale—upon which the financial case for amalgamation depended—attracted a number of academic papers. Drew and Dollery (2015a) conducted a regression which demonstrated that there was no evidence of economies of scale for the NSW local government sector. Their wide-ranging paper also looked at the corrosive effects of inconsistent accrual data and the use of a fallacious measure for efficiency in the Fit for the Future PI suite.⁶ This was followed by a scholarly paper (Drew et al. 2015) employing the much more precise technique of data envelopment analysis (DEA) to the question of whether economies of scale could in fact “generate increased resources” for the benefit of residents, as assumed by the panel. The DEA demonstrated that 20 of the 23 amalgamations proposed at the time would result in lower levels of technical efficiency arising from

⁶*Fit for the Future* defined efficiency as expenditure per capita when in fact it should have been measured as the conversion of inputs (staff and capital) into outputs (disaggregated number of residential, farm and business assessments plus length of council maintained roads). The approach taken by the Office of Local Government implicitly and incorrectly asserted *inter alia* that the costs of servicing properties was linearly associated with the number of individuals residing in the property, that the costs of servicing individuals living on rural properties was the same as servicing individuals living in town and that councils spend no money on roads (when in fact this is the single largest item of council expenditure). .

diseconomies of scale, thus suggesting that, far from providing a benefit to residents, the proposed reforms represented an imminent burden.

Attention then turned to the effect of unfinished business on the reform program. The panel (ILGRP 2013a, b) had made some sound recommendations to reform the extant tax limitations, address the poorly targeted intergovernmental grant allocations and implement measures to increase assurance around accounting estimates used in five of the six FFTF self-assessment PIs. These recommendations were largely neglected in the rush to execute amalgamations. Abelson and Joyeux (2015) demonstrated that the tax limitations which had been in place in NSW since 1977 largely explained the financial weakness in the sector, and argued convincingly that rate capping should therefore be reformed prior to any boundary changes. Drew and Dollery (2015a) also argued that intergovernmental grants (sourced from the federal government but allocated by the state government due to (presumed) constitutional constraints; see Chap. 7) were poorly targeted, had never been allocated according to the enabling legislation and therefore explained much of the financial weakness in rural and regional local government, and they urged adoption of a robust empirical methodology. The same paper addressed the large disparity in residential revenue effort—the quantum of local government taxation as a proportion of income accruing to residents in the area—which ranged from 0.209 to 2.497%, and cited this as evidence of the need to amend rate capping prior to assessing council financial capacity (see also Drew and Dollery 2015c). The corrosive effect of inconsistent approaches to accounting estimates used in producing five of the seven PIs was also demonstrated in two academic papers (Drew and Dollery 2015a, c), and calls were made to have the accuracy of the data improved before using it to make decisions on forced amalgamations.

The ethics of amalgamation were also examined by Drew et al. (2016b; see also Chap. 9). In particular, questions were asked about whether it was morally licit to dilute democratic representation and impose the debt of neighbouring councils onto residents without first allowing voters to have a direct voice in affairs through a referendum. The authors argued that significant reductions in representation associated with various merger proposals had the potential to entirely disenfranchise minority groups. For instance, it was shown that the ILGRP-proposed North Sydney group would result in a reduction in representation of at least 75% owing to legislated caps on the maximum number of council representatives. Moreover, the authors demonstrated the scale of inequity arising from the oft-overlooked effective imposition of debt by showing that the proposed amalgamation of Oberon and Bathurst councils would transfer \$94 million of additional debt (or \$1441 per assessment) onto the residents of Oberon. In particular, Drew et al. (2016b) questioned whether it was ethical to impose a debt onto an individual related to expenditure for benefits already consumed by others. Certainly, in common law one cannot, in the ordinary course of events, impose a debt onto an individual except for the case of a bona fide obligation (such as child support).

The final piece of research to note is Drew et al.'s (2016a) analysis of the rhetoric employed in the *Fit for the Future* saga. In 1991 Albert Hirschman proposed that public policy debates were shaped by “imperatives of argument, almost

regardless of the desires, characters or convictions of the participants” (p. x). The authors reviewed the major rhetorical manoeuvres of the proponents and opponents of the NSW amalgamations and found that the typology established by Hirschman did indeed explain most of the arguments put forward by the various actors. Table 10.2 details the typology along with examples of how the rhetorical devices were employed. However, Drew et al. (2016a) did conclude that Hirschman’s typology was deficient in a few respects, most notably in relation to the use of empirical rhetoric (which introduces additional constraints on rhetors as a result of complexity and high information costs). Two examples of the use of empirical rhetoric in the council amalgamation debate were provided by the authors in order to explicate matters. The first example related to the evidence that the proposed amalgamations were likely to give rise to diseconomies of scale. Drew et al. (2016a) argued that the scholarly analysis received little attention in the media owing to: (i) the complexity of analysis which went beyond the level accessible to the general media and (ii) the deliberate refusal of amalgamation proponents to engage in the empirical debate, which deprived it of oxygen. The second case of empirical rhetoric examined by the authors centred on the Minister’s claim that the reforms were essential in view of the desperate predicament of NSW local government—specifically “an incredible \$1 million daily loss for local councils ... [that] cannot be sustained” (Toole 2014). This claim was repeated many times to justify the introduction of *Fit for the Future*. However, it later appeared that the claim was based on a distortion of accounting data—to arrive at the million-dollar-a-day loss the NSW Government deleted an entire line of revenue from local government financial data (grants provided for capital purposes) without matching the item to the appropriate expense (Buckingham-Jones and Robertson 2015). Apart from breaking a fundamental principle of double entry bookkeeping, the practice employed also created a more urgent picture of local government financial sustainability than might have been justified. Indeed, PriceWaterhouseCoopers (PwC 2006, p. 9) specifically discouraged the practice in their report, *National Financial Sustainability of Local Government*, noting that “capital grants are viewed as an ongoing and important revenue source, the exclusion of which can overstate the extent of sustainability difficulties of local government”. However, due to the high information costs associated with extracting data from the reports of 152 councils, it was some time before the story broke in *The Sydney Morning Herald* (Buckingham-Jones and Robertson 2015). When the story did finally break it failed to gain traction largely because readers needed a good grasp of accounting concepts in order to appreciate the significance of the distortion. The government once again settled on a response of “silence”—since the time the story broke in the media the government has ceased to use the argument to justify the need for municipal amalgamations.

We now apply the hard-won lessons of the *Fit for the Future* reforms to the question of how one might design a morally licit amalgamation program which maximises the chances of positive economic outcomes and minimises the chances of financially ruinous de-amalgamation.

Table 10.2 Hirschman (1991) typology and progressive and reactionary rhetoric in the NSW amalgamation debate

Progressive position	Reactionary position
<i>Imminent Danger Thesis and Synergistic (fallacy)^a</i> Emphasises the danger of passivity and the need to act to avoid impending disaster Example: “In the next 20 years a further two million people will make the city their home, and most of them will settle in Sydney’s west ... To cope with this growth and Sydney’s emerging role as a global city, we need a modern, more connected system of government” (Toole 2015, p. 3)	<i>Jeopardy</i> The program involves unacceptable consequences of one sort or another Example: The diminished political representation argument: see Silmalis (2015), “Amalgamate or perish: You’re Fired an end to revolting councils”
<i>Desperate Predicament Thesis and Fracasomania^b</i> The old order must be smashed and the new rebuilt regardless of possible consequences Example: “More NSW councils in deficit as state government urges amalgamation” (ABC 2015a)	<i>Perversity</i> Unintended consequences from reform including effects opposite to the proposed goal Example: DEA evidence produced by Drew et al. (2015) to suggest that diseconomies of scale will result from proposed amalgamations
<i>Futility of Resistance Thesis</i> Appeals to the historical inevitability of the proposed reforms Example: “[M]any of our growing suburbs are constrained by boundaries that date back to the horse and cart days” (OLG 2014, p. 4)	<i>Futility</i> Proposed reforms will not improve the circumstances at which they are aimed; they are a smoke screen for a political agenda Example: Alan Jones (2015): <i>Fit For the Future</i> is a smokescreen to push through developer interests against community will

Adapted from Wallis and Dollery (1999)

^aThe synergistic illusion is the claim that the proposed reform complements previous reforms (Hirschman 1991)

^bFracasomania is the related claim that ‘because all previous attempts to improve the situation have failed it is no longer reasonable to expect that improvement through gradual change is possible’ (Drew et al. 2016a, p. 5)

10.4 Boundary Change 101: An Introduction for Aspiring Amalgamation Architects

One could be forgiven for concluding that the authors of this book are anti-amalgamation crusaders—and, indeed, this charge has been levelled at both parties at various times. The characterisation could hardly be further from the truth. Grant describes himself as an amalgamation agnostic, whilst Drew, who takes responsibility for most of this chapter is, in fact, in favour of structural reform—provided that other options are first exhausted and that the amalgamations are carried out in a competent manner. As to the first of Drew’s caveats, Chap. 7 canvassed a number of important reforms which should be explored and enacted before regulators even consider the Australian default position of amalgamation

(which seems on the whole to be a product of intellectual laziness). With regards to the second caveat, it is clear from the history of Australian local government boundary reform that we are still waiting for a competent execution: this final substantive section is aimed at remedying this deficiency by outlining basic principles and techniques required to bring about positive change through amalgamation.⁷

The first step in any competent boundary change program would be to address deficiencies in local government finance. In particular, it is clear from Chap. 7 that much can be done to improve the equity and efficiency of local government revenue structures by removing tax limitations, using an appropriate base for calculating taxation, practising benefit pricing and reforming intergovernmental transfers so that they go some way towards achieving the legislated objective. Likewise, on the expenditure side of the ledger, changing political representation structures, eliminating cost-shifting, introducing hard budget constraints and redressing information asymmetries could all reduce the cost of local government goods and services. Finally, it is incredibly important that any public policy reform be informed by a comprehensive suite of PIs which have been shown to be relatively free from distortion. Only after all of these matters have been addressed can reliable decisions be made regarding (i) the need for boundary change and (ii) the detail of any necessary change.

The second step in a competent boundary reform program is to build a strong case for the desirability of reform. Such a case would depart significantly from the methods employed by the architects of *Fit for the Future*. What we propose is that a case be built upon *rigorous* and *comprehensive evidence* related to current performance, as well as the likely benefits arising from the proposed reforms. For instance, current performance would be assessed by a comprehensive suite of quantitative and qualitative evidence more akin to the Victorian PI system (which comprises 71 quantitative and 24 qualitative PIs) rather than the 10 ratios based on distorted data employed by TCorp (2013). In like fashion, evidence of the benefits of reform might be supported by a rigorous functional analysis of economies of scale and a detailed empirical assessment of the outcomes from earlier amalgamations. This sort of evidence would contrast starkly with the unsupported *assumptions* of the ILGRP (2013a, b) or the blithe qualitative analysis of just five of the earlier NSW amalgamations based entirely on the hearsay of current employees who had benefitted from the said amalgamations (see, for instance, the report by Jeff Tate Consulting (2013) produced for the ILGRP). The case for change should be actively made to the residents of the state, rather than bound up in the production of a passive set of bulky documents destined to be read only by industry, academics and the otherwise terminally bored. As we will see later, if the entire program of boundary reform is conceived in terms akin to this framework, politicians would be

⁷From this point on we will use the term “boundary change” rather than “amalgamation”, given that we strongly recommend that new entities are constructed without any regard to previous council boundaries.

motivated to genuinely engage with the community on the basis of comprehensive and robust evidence from the outset, in the knowledge that any changes would need to be carried by a majority in a referendum. It should go without saying that evidence which is not robust can make the community vulnerable to great downside risks, expose the proponents of reform to academic and public ridicule, and generally elicit a cynical response from the sector and public at large.

The third stage of a competent boundary reform would involve planners, entirely repudiating “existing boundaries that are largely historically and culturally determined and that may make little sense in terms of economic and geographical realities” (Oates 1999, p. 1130). Instead the focus would be on drawing boundaries which could “encompass, in a spatial sense the relevant benefits and costs” (Oates 1999, p. 1122) in the smallest possible area under the constraint of maximum homogeneity (see our discussion of economics of place in Chap. 4). This could be readily addressed through both quantitative and qualitative processes, but would ideally involve both categories of methodologies. Because of the detailed analysis required, boundary reform should be considered on the basis of one clearly defined region at a time. This staged approach not only ensures that workloads are manageable but also means that lessons learned from each implementation can be incorporated into latter projects. Good reform shouldn’t be rushed and a genuine consultative approach based on sound evidence need have no fear of allowing opponents to mobilise resources. Indeed, a truly consultative approach to boundary reform will welcome the debate of those yet to be convinced, recognising the importance of dialogue in achieving both economically optimal *and* ethical reform. The optimal outcome would be a local government boundary that maximises economic welfare (as a result of adhering to Oates’s Decentralisation Theorem) and also minimises spill-over effects.⁸ Put differently, what we are looking for is a group of taxpayers with similar tastes who, as far as possible, pay taxation which reflects their consumption of local government benefits. In particular, we would seek to avoid the mismatch between benefits consumed and taxation paid which seems to dominate existing boundary structures—for instance, satellite towns where the residents regularly commute to other local government areas to work and shop (thus using local government services for which they have not paid).⁹ Starting from scratch not only maximises economic welfare and minimises the free-rider problem (the source of much inefficiency and inequity), it also creates the conditions necessary for building a cohesive community. Old local government identities are eliminated entirely, thus ensuring that there is no destructive “bloc voting” by representatives banding together according to old council allegiances. In addition, entirely new boundaries remove the threat of financially catastrophic de-amalgamation activism: first, because it will be nigh on impossible to

⁸This includes environmental spill-overs such as those which currently occur when an upstream local council draws water (and often also releases effluent) from a river source upon which a downstream council also relies.

⁹We acknowledge that externalities are sometimes unavoidable. Such cases can be addressed through carefully constructed grant transfers.

unscramble the egg and, second, because the homogeneity achieved is likely to result in superior outcomes for the vast majority of residents in any case.

At this point a short note on the number and size of local government entities is probably warranted. As noted in Chap. 4, the presence of economies of scale, in itself, need not suggest larger council boundaries if doing so would increase the heterogeneity of communities or materially alter the fiscal equivalence. The far greater concern is where diseconomies occur. In this case proposed boundaries should be decreased in size so that they better approximate optimal efficient production. In general, the framework proposed herein is likely to result in a larger number of local governments (particularly in metropolitan areas). In addition to increasing welfare through matching public goods to the preferences and conditions of communities, a number of other benefits are likely. A greater number of small local governments reduces the costs of “exit” and is therefore likely to increase allocative efficiency and act as a constraint on a potential Leviathan. Moreover, smaller government increases the probability that a vote will influence policy and hence provides an incentive for political participation (Feld 2014).¹⁰

The next step addresses the moral dimension of public policy reform. First, measures must be taken to mitigate differences in each assessable property’s share of net financial liabilities.¹¹ It is also important to ensure that the cost of local government boundary reform is not shifted onto residents. In the case of *Fit for the Future*, the state government was prepared to put on offer a substantial quantum. However, the government chose to present the major portion of funding as an incentive for communities in the form of an untied Stronger Communities Fund for the provision of new infrastructure. This was a rather unfortunate public policy decision; it failed to address real financial inequity arising from amalgamation and created both an initial point of conflict for the new council (with respect to where and how the windfall grants funds should be spent) and an ongoing financial burden (through ongoing maintenance costs and depreciation accrual expenses). It would be far better to use the funds to ensure that local government taxpayers would be placed in, as far as possible, an equal position after the amalgamation as they had been prior to amalgamation. It is a complex calculation, but one that is not beyond the efforts of local government reform architects genuinely interested in achieving welfare-optimising outcomes through morally licit means.

The matter of rate and fee harmonisation, which has plagued previous attempts at structural change in Australia, is largely irrelevant under the proposed model, given that benefit pricing should have already been implemented in the revenue reforms in step one and that taxation reform—ensuring equal revenue efforts—combined with selection of homogenous groups would mean that resident liabilities would alter very little, if at all. However, if there is a gap associated with

¹⁰We acknowledge that there will continue to be a need for horizontal fiscal equalisation grants under the proposed framework.

¹¹There are various definitions for net financial liabilities. Here we refer to the difference of liabilities (including implicit liabilities such as infrastructure maintenance backlogs) and assets. .

harmonisation then the nett present value of the gap should be included in compensatory allocations. It is also important, for ethical reasons, that affected residents are genuinely engaged with throughout the process and that full information is provided in an accessible form. Service level harmonisation—responsible for many local government amalgamations failing to deliver on promised savings—should not be a particular problem under the boundary change framework described in this section. This is because the program's entire emphasis would be on tailoring local government products to the particular tastes of the homogenous group of residents against a framework which repudiates historically determined boundaries divorced from economic and geographic realities. Throughout the exhaustive consultation process the emphasis should be placed on aligning local government goods and services to the particular preference of the homogenous groups, rather than the level of services previously consumed, and the chosen mix of municipal products should form the basis of the empirical modelling. It is also important that a clear commitment be given—and legislated if possible—for a comprehensive and rigorous assessment of the boundary reforms after an appropriate period of time has elapsed. This goes to building trust in the process and ensuring that unanticipated outcomes are mitigated wherever possible and lessons implemented for later boundary changes (recall that a staged process is advocated).

The final and critical strategy to a moral implementation of boundary reform is for the state government to facilitate an informed referendum of affected residents. If a strong case for reform has been made, in addition to a genuine effort to consult with the community, state governments should have no fear of allowing the residents affected by the proposals to have a direct say. Moreover, a referendum which allows matters to be settled by democratic process tends to offer the greatest chance for closure on the matter (and thus removes one of the motivations for de-amalgamation activism).

It is also important for state governments to do as much as possible to assist in the success of the new municipal venture. In particular, Axelrod's (1984) Co-operation Theory would seem to suggest that a longer inaugural term accompanied by more frequent and accessible council meetings will increase the chances of building a cohesive community. This stands in stark contrast to the proposal recently made by the NSW Government to shorten the inaugural term by six months and reduce the number of council meetings in rural areas (ABC 2015b). Moreover, it is important that regulators ensure that they do not build up unrealistic expectations amongst residents prior to boundary reforms. For instance, the NSW Government has made repeated claims that amalgamations will result in lower rates, new infrastructure and better municipal services. Clearly these sort of "sales pitches" present a threat to the financial sustainability of new local government entities and increase the chance of de-amalgamation activism stemming from disappointment when the lofty claims are not realised. It would seem far better to instead make prudent projections for the welfare benefits of boundary change based on rigorous empirical evidence.

No doubt some readers will find points of contention in the above framework. However, if we are to ever break free of the destructive cycle of ineffective

amalgamations conducted according to morally suspect methods then it is clear that a complete change to the way we conceive of structural change is in order. The framework presented above involves a lot of careful empirical work and calls for genuine and honest consultation with communities. If it is objected to on the basis that it involves too much work, then we are afraid this suggests to us that the perceived benefits are too few. If it is objected to on the basis that a referendum is unlikely to be carried, then this suggests to us that the proponents of structural reform either (i) don't believe that there are benefits for residents arising from reform, (ii) don't believe state politicians are capable of communicating the benefits or (iii) don't believe residents are capable of judging matters accurately. If the former proposition is held then clearly reform should not proceed; if the latter two propositions are held then it is perhaps time for change amongst the ranks of state politicians. If however, readers object to the framework on the basis of a perceived flaw, then we encourage them to commence a dialogue with us on the matter. After all, great advances are always founded on genuine dialogue; boundary reform frameworks (as well as boundary reform itself) can be no exception.

10.5 Observations and Implications for Public Policy

For too long Australian public policymakers have relied upon crudely constructed local government amalgamations to do the heavy lifting in the quest for a more sustainable sector. Irrespective of the particular spin employed to sell reforms, all modern Australian municipal reforms programs have centred on the largely erroneous belief that "bigger is better". Instead, economic evidence suggests that the size and shape of council boundaries alone may not be the most relevant criteria for decision making. What is important is that council boundaries reflect the economic and geographic realities of the present—that they enclose relatively homogenous groups who, as far as possible, pay taxation which reflects their consumption of local government goods and services.

In addition to creating the conditions for optimising economic welfare, it is essential that any boundary reform also attends to two other critical elements: rigorous empirical evidence and a morally licit process. Unfortunately, little consideration seems to have been given in the past to providing robust empirical justification for amalgamation or for committing to crucial robust and independent post-amalgamation evaluations. Without evidence, assumptions underpinning the "sale" of most amalgamation programs are little more than guesses. Without an iron-clad commitment to post-amalgamation evaluation, there is no political accountability and no lessons are learned. However, simply addressing economic and geographic realities, and combining this with rigorous empirical evidence, will not achieve "good" public policy. Rather, good public policy must also recognise that there is a tension between the economic must and the ethical ought. It must see residents as people rather than simply consumers of local government goods who also pay tax. This requires a commitment to genuine consultation and compensatory

mechanisms to ensure residents are left no worse off as a result of the changes. Moreover, morally licit public policy must provide residents with an informed voice—it is simply not good enough to treat citizens as if they are incapable of making accurate judgements on the merit of a given set of proposals.

In order to rectify the various deficiencies evident in municipal reforms over the last quarter of a century or so, we have developed a framework for executing morally licit, welfare-maximising boundary change. The framework commences with a careful calibration of local government finance—tuning the revenue, expenditure and performance monitoring aspects of local government to elicit the peak performance possible under extant boundary structures. Next, a strong case for reform must be built which emphasises robust evidence and genuine consultation. The third step in the framework is to repudiate historical boundaries entirely and instead identify homogenous groups of residents according to the economic and geographic realities of the present. Finally, the moral dimension must be specifically addressed, and this involves yet more genuine consultation along with compensatory mechanisms to ensure that residents, as far as possible, are not placed in a worse position as a result of the reforms. Moreover, it is critical that an appropriate avenue is provided for informed democratic voice on the matter.

Good public policy reform is an exhausting and time-consuming process. However, if we are to finally break free of the destructive and morally suspect cycle which has dominated Australian local government reform for too long, a new approach is clearly required. In short, a sustainable future for local government seems only possible if we are prepared to break with the mistakes of the past.

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Chapter 11

The Global City Thesis in the Australian Context: A Case Study of Sydney Global City

Abstract In line with the comparative lack of scholarly interest in local government in Australia generally, the politics of metropolitan areas has historically been under-researched, particularly in mainstream political studies. However, recognition of cities as drivers of prosperity within an increasingly internationalised economy has seen the development of the “global cities” discourse, from which Australian scholarship and public policy have not been immune. This chapter briefly investigates the global cities thesis as it pertains to Australia’s two contenders for global city status, Sydney and Melbourne. We argue that, while the dominant mode of analysis is both comparative and competitive, as a consequence of under-theorisation it lacks predictive capacity. We then focus on Sydney perceived through the global city lens. Tracing the development of global cities discourse in the work of the “Committee for Sydney”, we argue that what ought to be a multi-faceted policy reform agenda for local government has largely been reduced to a debate about municipal amalgamation. The role of the newly created Greater Sydney Commission is described and possible tensions are explored. We reflect on how the imperative for “city politics” rests within the Australian federation and how the cities research agenda meshes (or indeed otherwise) with local government studies.

Keywords Amalgamation • Committee for Sydney • Global cities • Greater Sydney Commission (GSC) • Melbourne global city • Metropolitan governance • Sydney global city

11.1 Introduction

Chapter 2 provided an account of the development of local government systems in the colonies, then sovereign states of Australia and its territories, noting the way that the individual jurisdictions for the most part have struggled unsuccessfully with the introduction of metropolitan-wide government. This chapter revisits the theme

of metropolitan government by examining the “global cities” argument as it pertains to Sydney and Melbourne and Sydney in particular.

Arguably, the idea of “city politics”—that is, of the city as a distinct political entity worthy of academic inquiry—has historically been extraordinarily nascent in Australian political studies. This nascence is exemplified by a perusal of Rhodes’ (2009) edited collection *The Australian Study of Politics*, a volume published by the Australian Political Studies Association (APSA). The book is divided into four parts. *Part I: The Institutional Context* examines the study of politics in Australian universities, discussing the growth of the discipline in the inter-war years and provides a history of the Australian Political Studies Association. *Part II: The Sub-fields* includes discussions of political theory, political history, political biography, the Australian Constitution and the judiciary, executive studies, parliaments, federalism, elections and electoral behaviour, political communication and the media, pressure groups and social movements, public policy and public administration, political economy, comparative government and politics as a distinct field, Southeast Asia, international relations theory, foreign policy and security and international political economy. *Part III: Themes* is somewhat less predictable, containing chapters on radical approaches, Indigenous politics, women and gender, environmental politics and political psychology, while *Part IV: Then and now* contains reflections on changes to the sub-disciplines of political theory, Australian Government and politics, public administration and international relations.

In essence, the 528-page volume aimed at being comprehensive. Yet noticeably absent are the sub-fields of, first, local government studies and, second, city politics or (more generically) urban studies. As pointed out by Halligan and Paris (1984a, b, p. 58) in comparative contexts this simply would not be the case. For instance, many of the contemporary professoriate in Australia holding positions in political studies and public administration have made substantial contributions to local government studies in the British context and more generally (see, for example, Evans et al. 2013; Pratchett 2004). Similarly, in the US context a volume of the type edited by Rhodes (2009), which lacked several sub-sections about urban politics and (in particular) city government, is nonsensical. In fact, the sheer quantum of scholarly work in the US concerned specifically with urban studies is enormous and the quality of it is venerable: journals such as *Journal of Urban Affairs*, *Urban Affairs Review* and *Urban Studies* have an esteemed history and large professional associations (see, for example, UAA 2015).

However, despite the comparative lack of city politics in contemporary Australian political studies, more recently cities have attracted an increasing amount of attention from both sides of politics at the federal level—although not in a bipartisan way. For instance, in 2009 under the (then) Rudd Labor Government, the Reform Council of the Council of Australian Governments (COAG) initiated research into strategic planning systems of Australian cities, publishing its *Review of Capital City Planning Systems* (CRC 2011) that inter alia placed a heavy emphasis on the relative economic contribution of Australia’s cities to the national economy. Since 2010, the Department of Infrastructure and Regional Development

has published several iterations of its *State of Australian Cities* reports and related research (see, for example, DIRD 2015).

The ensuing Abbott Government distanced itself from sub-national public policy generally, abolishing the Department of Regional Australia, Local Government, Arts and Sport, with responsibility for local government being subsumed by the (then) Department of Infrastructure and Transport (Philipson 2015). The Abbott Government also abolished the Major Cities Unit then housed in the Department of Infrastructure and Transport (Thistleton 2013). Yet following the ousting of Prime Minister Abbott, the Turnbull Government appointed a Minister for Cities and the Built Environment in September 2015 (Flitton 2015). For its part, the current Shadow Cabinet is upholding the long-standing Labor interest in urban and regional development discussed in Chap. 3 (see Kelly et al. 2009) and includes cities, infrastructure and transport, and tourism within the portfolio responsibilities of former Deputy Prime Minister Anthony Albanese (Labor Party 2016).

What we are suggesting here—and in this chapter generally—is that “cities as politics” is *de rigueur* in Australia, and that political studies as a discipline has much to learn from other, related disciplines, not the least of which is urban studies. Indeed, the question of whether urban politics ought to be taught as part of mainstream political studies courses—as an element to regionalism or area studies, for example—is one that forms part of the backdrop of our discussion. Of more pressing concern is our examination of how Australian local government, conceived “traditionally”—that is, as the “poor cousin” in Australia’s democratic polity, but also (arguably) as an element of political science—is being affected by both the idea and the policies of the “global cities agenda”.

This chapter is divided into five main parts. Section 11.2 examines the place of Australia’s two principal contenders for the title of “global city”, Sydney and Melbourne within the global cities academic literature, using as an entry point work by Hu et al. (2013). We argue that, while the global cities literature is both comparative and competitive, it can be found wanting in terms of the depth of analysis it provides and, as such, in its predictive capacity. Nevertheless, we also assert that the comparative and competitive discourse—and indeed the *imperative* of achieving and maintaining “global city status”—has made a large contribution to driving a particular public policy agenda that has as its principal requirements as both larger local governments *and* metropolitan governance structures. We hasten to add that, a priori, there is nothing intrinsically wrong with this agenda. As we emphasised in Chap. 10 of this book, we are not social scientists standing at the proverbial gates of small local governments decrying the march of modernity and in fact in Chap. 12 we suggest a *regional* future for both local government and Australia’s federation. However, it is important that the narratives and the imperatives that form the basis of dominant public policy agendas are critically examined and their cogency tested.

The remainder of the chapter examines how this has played out in Sydney in the quest for global city status. Section 11.3 considers the advocacy literature of “Sydney global city”, in particular the rhetoric of the Committee for Sydney (CfS) and how this group has been informed by the global city thesis such that they have pursued a particular public-policy agenda for local government. Section 11.4

examines what has been the tumultuous field of local government inquiry and reform in NSW from 2011, tracing its origins in local government reform conceived of *as such* and describing its developments in light of the global cities thesis. Section 11.5 critically reviews these processes. We suggest that any discussion of “Sydney global city”, “Melbourne global city” and the global city thesis in Australia should acknowledge the relationship between the city as a source of fiscal, and increasingly political, power on the one hand and the sovereign jurisdictions that are the individual states on the other hand. The question of how local government studies sits with this changing environment is also briefly canvassed.

11.2 Inside the Bubble: Sydney, Melbourne and the Global Cities Discourse

Despite the relative immunity that political studies in Australia has traditionally exhibited to urban studies and city politics, a substantial and growing body of literature pertaining to global cities in Australia is now observable. We move directly to discuss this literature below; nevertheless it is worth underscoring that there are significant crossovers between the academic literature and both the literature advocating global cities—including a significant body of commissioned work—and the artefacts of public policy generated in the processes of inquiry and reform. This chapter deals with all three types in turn, and initially we examine the academic literature.

For our purposes this literature can be divided into two types. First, what we will label a dominant narrative, the central concern of which is to compare and place cities within the global cities rankings (see, for example, Hu 2012a, b; Lepani et al. 1995). Second, a quantum of work grounded in urban studies, political economy and geography which is decidedly critical of the dominant narrative. For example, McGuirk (2007, p. 179) takes issue with the global city narrative, arguing *inter alia* “In this logic the political construction of city-region formation by forces that are other than global in scale fades from view” ... “[T]he theory’s ability to theorise the relationship between ‘necessity’ and ‘contingency’ at lower levels of scalar abstraction is compromised” (see also Bell 1997; Halligan and Paris 1984a, b; Harvey 1989, 2013; McGuirk 2003, 2004, 2008; Mitchell 2003). The observations derived from our analysis in this chapter largely (although not completely) concur with the views of McGuirk (2007) when viewing the city-region from the perspective of local government studies. As such, this chapter is concerned principally with the dominant narrative and Australia’s two largest cities vying for the title of “global city”, namely Sydney and Melbourne, particularly Sydney.

A convenient point from which to examine this dominant narrative is Hu et al. (2013; see also Hu 2012a, b, 2013). In their discussion of global cities literature generally, Hu et al. (2013, p. 436) make three primary observations. First, they note that “the term ‘global city’... was coined to capture both the dispersion *and* centralisation of processes of economic activities in an integrated global economy”

(emphasis added). Second, Hu et al. (2013, pp. 437–438) challenge the overtly economic approach of much of the global cities literature, and are critical of studies by the Globalisation and World Cities (GaWC) program at Loughborough University. Third, Hu et al. (2013) note that their questioning of the “economy-centric” approach to global cities concurs with other scholarship that emphasises the importance of non-economic factors (see, for example, Florida 2002; Landry 2008). It is on this basis that they develop the alternative approach to modelling global cities depicted in Table 11.1.

Examining Table 11.1, the model is designed to measure the general comparative phenomenon of “urban competitiveness” (at left) as measured by the six “Dimensions” in Column 2 (“Liveability and Attractiveness”, “Governance”, “Creativity and Diversity”, etc.). These criteria are in turn composed from three specific indicators (Column 3) resulting in 18 indicators for the model in total. Hu et al. (2013, p. 439) note that two ideas guided the construction of the model: first, standardisation and measurability of the data across a diverse range of contexts globally; second, being able to integrate economic and non-economic dimensions (for the complete list of measures and data sources for the indicators in Column 3, see Hu et al. (2013, pp. 449–450).

In this model cities are compared by aggregating scores for the six dimensions comprising three scores (from 1 to 10), one for each indicator. Thus (for example) “Governance” comprises scores for “Governance innovation”, “Governance structure” and “Business friendliness”, the total for which gives a “dimensional score” for the Governance for each city. Some of the indicators are ingenious. For example, the measure for “Governance innovation” is “digital governance capacity: digital government (delivery of public service) and digital democracy (citizen participation)” as measured by Holzer and Kim (2008). Alternatively, “Government structure” is measured by calculating “governance consolidation and fragmentation: number of local governments by 100,000 population and 1000 km², collected from

Table 11.1 An integrative model of Sydney global competitiveness

Urban competitiveness	Dimensions	Indicators
	Liveability and attractiveness	Cost of living; health and sanitation; International visitors
	Governance	Business friendliness; government structure; governance innovation
	Creativity and diversity	Innovation capacity; world class universities; cosmopolitanism
	Connectivity	Physical connectivity; virtual connectivity; metro access
	Enterprise hub	Global service firms; financial flow; cultural industry
	Environmental sustainability	Air quality; energy consumption; private vehicle ownership

Source Adapted from Hu et al. (2013, p. 439)

government websites of case cities”; for “Business friendliness” it is “ease of doing business: legal and political framework, supporting services, banking support, investor protection, corporate tax, enforcing contracts” as measured by MasterCard Worldwide (2008) (Hu et al. 2013, p. 450).

Following this method, the city with the highest value (or best performance) is weighted at 10, while the city with the lowest value (or worst performance) is weighted at 1, with the remaining cities weighted in the range in between (Hu et al. 2013, p. 439). Otherwise stated, the scores are *relative* rather than absolute. Further, the model calculates composite measures for both urban competitiveness and integrative competitiveness. The results of the comparison are represented in Fig. 11.1, with the six composite criteria for “urban competitiveness” stacked and compared across the cities chosen.

Examining Fig. 11.1, Hu et al. (2013) choose to compare the two contenders for global city status in Australia, Sydney and Melbourne, with an assortment of cities globally, including London and New York, alongside regional competitors—Singapore, Hong Kong, Shanghai; San Francisco and Los Angeles. Intuitively, it is tempting to assess the rankings of the cities by considering where one would rather live and question the findings on this basis (for instance, “How can London possibly be better than Sydney?”; “What does Frankfurt have that Melbourne does not?”). However, glancing at the key to Fig. 11.1 (at right) we are reminded that “Liveability and attractiveness” is only one dimension of Hu et al.’s (2013) determination of global competitiveness, which includes “Governance” alongside (for example) “Connectivity” and “Environmental sustainability”.

In order to burrow down to a finer level of analysis and as a way to critically reflect upon the methodology of the model, the comparative results for Sydney and Melbourne are represented in detail in Table 11.2.

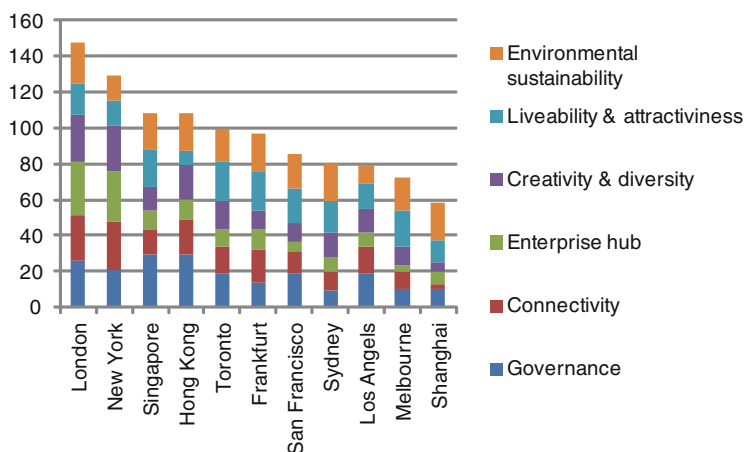


Fig. 11.1 Ranking the urban competitiveness of global cities. *Source* Adapted from Hu et al. (2013, p. 422)

Table 11.2 Sydney and Melbourne: scores of indicators and dimensions of competitiveness

Governance	Business friendliness	Government structure	Governance innovation	Score	Rank
Sydney	6	1	2	9	11
Melbourne	6	2	2	10	9
Connectivity	Physical	Virtual	Metro transport	Score	Rank
Sydney	3	7	1	11	9
Melbourne	2	7	1	10	10
Enterprise hub	Global service firms	Financial flow	Cultural industry	Score	Rank
Sydney	2	4	2	8	7
Melbourne	1	1	1	3	11
Creativity and diversity	Innovation capacity	World class universities	Cosmopolitan	Score	Rank
Sydney	3	4	7	14	5
Melbourne	1	4	6	11	8
Livability and attractiveness	Cost of living	Health + Sanitation	International visitors	Score	Rank
Sydney	7	8	2	17	7
Melbourne	10	9	1	20	4
Environmental sustainability	Air quality	Energy consumption	Private car ownership	Score	Rank
Sydney	9	8	4	21	2
Melbourne	10	6	2	18	8

Source Adapted from Hu et al. (2013, p. 439)

Examining Table 11.2, we need to be mindful that the score and the rank are inversely related—that is, the higher the score (the addition for all three indicators) the better, while the *lower* the rank the better—and that the ranks are relative to the other cities. Thus, the worst possible rank is 11 and the best 1, although across several indices cities are equally ranked (Singapore and Hong Kong both score 1 for governance, for example).

With this in mind, the comparative results for both Sydney and Melbourne are varied: both cities are ranked poorly for “Governance” (11th and 9th, respectively) and “Connectivity” (9th and 10th, respectively). Sydney also scores poorly across several other indicators—“Enterprise hub” (8, in equal 7th place with Los Angeles); “Liveability and attractiveness” (in 7th place, beaten by London, Frankfurt and Toronto); and “Creativity and diversity” (5th);—reaching its peak for “Environmental sustainability” (in 2nd place behind London). Melbourne fares similarly, in last place for “Enterprise hub” and in 8th place for “Environmental sustainability”.

Yet the results are in many instances counterintuitive. For instance, the dimensional score for “Creativity and diversity” is based on the indices for (in turn) “innovation capacity”, “world-class universities” and “cosmopolitanism”, with Sydney and Melbourne ranking 5 and 8, respectively. Yet we are entitled to ask how both cities rank so poorly on the indicator of “Creativity and diversity” when they are the two largest cities in what is intuitively one of the most successful multicultural societies on the planet. The answer is that the “innovation capacity” index drags the scores for both cities down. But why is “innovation capacity” included as an indicator for “Creativity and diversity”? Similarly for “Environmental sustainability”: how can Sydney rank 2nd (behind only London) and Melbourne 8th when Sydney is infamously gridlocked by private cars? Both cities score well on “Energy consumption” (8 and 6, respectively, out of a possible 10) but surely this would depend on how that energy is generated and, if it’s by coal-fired power stations, why is the ranking so high? The general point we are making here is that ranking global cities is a vexatious methodological task, and while Hu et al. (2013) have detailed and defended their particular method admirably, this does not imply that it ought not to be subject to criticism.

Moving to politics—or what the model labels “Governance”—as we have already noted Singapore and Hong Kong receive top marks, with Hu et al. (2013, p. 441) observing: “[t]heir unique jurisdictional structure (special administrative region or city-state) is sometimes thought of as an attributing factor of efficient and effective urban management, controversial notwithstanding”. Despite Hu et al. (2013, pp. 441) underscoring this “controversy”, it is notable that governance in the model is reduced to merely one of several criteria for assessing the relative merits of global cities. Further, as we have seen, it is composed of scores for the indices of “governance innovation”, “governance structure” and “business friendliness”. There is no discussion of the value, or indeed otherwise, of comparative levels of democratic representation or engagement—elements of local government that we have emphasised throughout this book, in particular in Chap. 4. Indeed, in what we have identified as the dominant narrative of “Global cities” discourse, governance is conceived in what is, arguably, a technocratic, rather than political way, devoid of even less moral authority than implied by those who, for a time at least, advocated the supremacy of “governance” over “government” discussed in Chap. 4 (see, in particular, Stoker 2011).

It must be emphasised that the problems associated with ignoring these elements of governance arrangements (democracy; legitimacy) are not merely political in a normative or moral sense. For instance, the year after Hu et al. (2013) published their article, Hong Kong endured civil unrest for a sustained period (see, for example, Li and Lau 2014). Further, the extent to which Singapore is a desirable place politically depends very much upon who is asked (see, for example, James et al. 2013a, b). Nor ought we to think of the protests in Hong Kong or the political situation in Singapore as mere aberrations—events outside the “global city” model and, as such, events to be conveniently placed to one side in the account of the “governance” of global cities. On the contrary: a reasonable account of politics must be able to accommodate an account—an explanation, but also ideally,

a reasonable capacity to *predict*—these types of events. To this assertion proponents of the dominant global cities discourse might assert that in order to achieve said predictive capacity they simply “switch theories” to (say) political economy. However, the extent to which the dominant perspective becomes *increasingly dominant* is the extent to which this predictive capacity is increasingly marginalised.

Further, one does not have to be a bleeding-heart liberal to assert that this is important. For the purposes of the deployment of international capital, for example, it *does* matter if a city is prone to civil unrest, and for more important reasons than merely inconveniencing the shopping habits of wealthy expatriates. At this level, the question of (for instance) how many local governments a particular city has is reduced to a triviality. Yet it is precisely this indicator—“governance structure”—that forms an important element of this particular model.

11.3 Advocating Sydney Global City

Arguably, precisely this type of “global city” academic literature has assumed a dominant position—at least rhetorically—in the context of local government reform in Sydney and in NSW more generally. In this guise, the question of *local government reform* transforms into, or at least is thought of as one element to, the question of *metropolitan reform* in the way that it has been historically in Australia as we documented in Chap. 2, not just in the case of Sydney (see Larcombe et al. 1981, pp. 136–137) but also in Melbourne (see, for example, Bowman 1981, pp. 250–252) Brisbane (Tucker 1981, pp. 382–384) and Perth (Wood 1981, pp. 655–657). Before conducting an examination of the rhetoric of one of the most vocal stakeholders in the “Sydney global city” public policy space, it is necessary to recognise that the fraught debate about reform in Sydney (discussed in detail in Sect. 11.4 immediately below) has attracted the vocal attention of an array of interests, not the least of whom are local governments themselves (see, for example, Drew et al. 2016a, b). Nevertheless, we think that it is the “global city” rhetoric of the “Committee for Sydney” that has been most salient.

The Committee for Sydney (CfS) describes itself *inter alia* as “an independent think tank and champion for the whole of Sydney, providing thought leadership beyond the electoral cycle” (CfS 2016a). CfS is governed by a board, the members of which are notable for their prominence across corporate and government organisations (see CfS 2016b). What is of importance in this context is how this organisation conforms to the Sydney global city narrative, how this has shaped the organisation’s rhetoric and in turn how the Sydney global city narrative shapes the policy options that have been pursued.

Since 2012 CfS has produced a range of policy documents, all of which conform to the “global cities” discourse exemplified by Hu et al. (2013). For example, the commissioned report prepared by SGS Economics and Planning *Benchmarking Sydney* (SGS 2009) selects comparison cities (Hong Kong, London, Los Angeles,

New York, San Francisco, Shanghai, Singapore, Tokyo and Vancouver) and uses 31 indicators for five dimensions of competitiveness: Governance; Connectivity; Enterprise, Innovation and Creativity; Culture and Diversity; and Liveability. The “four key messages” from *Benchmarking Sydney* are, first, that “[g]overnance [focusing on fragmentation] in Sydney is a major obstacle to economic competitiveness”; second “[c]onnectivity [focusing on public transport usage rates] is not up to global city standards”; third, “[t]here is scope to improve enterprise innovation in Sydney” and fourth “[L]iveability and cultural diversity remain Sydney’s key strengths” (SGS 2009, pp. iii–iv).

Similar arguments are evidenced in the more recent *Priorities for 2013*. This document records a tightening of the relationship with state government, stating inter alia: “The NSW Government itself has identified the Committee for Sydney as a ‘renewed’ organisation and as a trusted policy-rich partner” (CfS 2013a, p. 3). Specific infrastructure projects are endorsed: new light rail planned for central and Western Sydney, North and South West Rail Links, “WestConnex” (a multibillion expansion of the central road corridor from the city centre to the west), as well as several development projects funded by both public and private capital.¹ This policy agenda is accompanied by the recommendation of “a more strategic local government structure”, alongside inter alia more housing and a metropolitan strategy for the city (CfS 2013a, p. 4). *Priorities for 2013* also states that “(i)n 2013 we will ensure that the NSW Independent Local Government Review [discussed below] leads to radical reform, with fewer, larger, more strategic councils with the capacity to manage Sydney’s growth and maximise its opportunities” (CfS 2013a, p. 7; emphasis added).

Two other documents from the Committee for Sydney are of note. A fourth issues paper, *Sydney: Adding to the dividend, ending the divide* (CfS 2014a), co-commissioned from SGS Economics and Planning, PriceWaterhouseCoopers and the University of Western Sydney, emphasises the case for Sydney as an element to the Australian economy. Thus inter alia: “[W]e highlight the following: Sydney’s renewed momentum and importance to national economic performance; the massive contribution Sydney makes to the Federal treasury [and] the need for a new national urban compact and a ‘new deal’ for Sydney to ensure it has the infrastructure investment it needs to carry on playing its nationally significant economic role” (CfS 2014a, p. 3). Again, SGS Economics and Planning data are deployed to demonstrate inter alia that “82% of Sydney’s taxation revenue goes directly to the Commonwealth” (CfS 2014a, p. 6)²; “The businesses located in the

¹The projects listed were the developments coming at Barangaroo, Darling Quarter, the new Convention Centre, Circular Quay, Green Square, the Turf Club’s Randwick and Rose Hill courses, the “sports precinct” at Moore Park, Macquarie Park, Moorebank, Sydney Olympic Park and Parramatta Square, and the Arts Precinct at Walsh Bay and the renewal of the Opera House (CfS 2013a).

²The fourth issues paper recognises that “much is returned to fund health, aged care and education services” (CfS 2014a, p. 7). However, the contribution of monies to local governments under the *Financial Assistance Grants Act [1975]* to individual local governments (see, for example, DIRD 2014) is not discussed.

CBD generate almost one-quarter of Greater Sydney's income" (CfS 2014a, p. 14) and that "[a] genuinely polycentric Sydney" ought to be a principal policy goal (CfS 2014a p. 20). The inference is clear: Australia no longer rides on the sheep's back, nor does it ride on the back of the mining boom; Australia rides on Sydney's back.

The second CfS document of note evinces a strong commitment to Western Sydney as an element to the future prosperity of Sydney. In *Parramatta: Investing in Western Sydney* (CfS n.d) the Committee draws together the two sides of the city: its home in the East and its future in the West (CfS, n.d, p. 3). At the time the West had 13 councils of relatively large size and population; the East had 27 considerably smaller councils that were targeted for consolidation by the Independent Local Government Review Panel and the NSW Government (discussed below). The document underscores the innate advantages of the West: The fifth-largest economy in Australia after Sydney, Melbourne, Perth and Brisbane, accounting for 60% of Sydney's and 25% of the nation's population growth in the next 25 years (CfS, n.d, p. 4).

Highlighting the rhetoric of the Committee for Sydney as we have done demonstrates several points. First, the quantum and detail of policy work undertaken by an "independent think tank". Second, it is clear that the policy trajectory follows that of the "global city" argument: economic prosperity—for all Australians, not just the city—ought to conform to a policy agenda that includes metropolitan governance reforms, in particular amalgamations of local government. Third, a level of inclusivity is clearly evident, with the emphasis on Parramatta underscoring this. What happens to local government in this scenario, particularly if we take into account the arguments advanced in Chap. 4 of our discussion, forms our central concern in Sect. 11.4 where we examine contemporary processes of reform.

11.4 Local Government in Sydney Global City: Contemporary Processes of Reform

Concurrent with the activities of the Committee for Sydney documented above, local government in NSW has undergone a tumultuous period of inquiry from 2011 and is currently experiencing a vexatious reform process. At the time of writing the outcomes of these reform processes are only beginning to firm up and we can only detail events as they now stand in precisely the same way that Larcombe et al. (1981, pp. 138–139) qualified their own account 35 years ago. Further, in Chap. 10 examining local government amalgamations in Australia generally we provided an account of the reform process in NSW in relation to Hirschman's (1991) theory of "progressive" and "reactionary" rhetoric. Again we again traverse these events, but with an eye to the global city agenda, providing detail of the processes of inquiry and putative reform processes. In essence, we argue that despite commencing with a

very broad brief, these processes have, as it were, largely (but not solely) been reduced to an argument about local government amalgamations. In so doing, we are interested in demonstrating the influence of the “global city” *concept* on contemporary processes of reform before moving to assess these outcomes in Sect. 11.5.

Before we survey what Grant et al. (2015b) label the “enduring sites of institutional conflict” of local government reform, it is informative to highlight the recent observations of the former Minister for Local Government, Don Page, in his reflections on the reform process from 2011 to 2014. Page (2015, p. 117) stated that when he was appointed as Minister in April 2011 he “became aware of several challenges in the portfolio”. First, that “the relationship between state and local government had deteriorated to a point where it could accurately be described as toxic”; second, that “the financial situation for councils was unsustainable”, due in large part to an infrastructure backlog, to the extent that services were threatened; third, that local government was focused more on “compliance rather than performance” in carrying out its responsibilities (Page 2015, p. 117). The former Minister also noted that the O’Farrell/Stoner Liberal/National Party Coalition Government had been elected on a platform that included no forced amalgamations of local government (Page 2015, p. 117).

Further, it is interesting to observe the former Minister’s own reflections upon how much reform was embarked upon from 2011 and to note that, arguably, these processes were encased within local government conceived in *traditional* terms, that is, as administrative units of the state government, with the option of wholesale municipal amalgamation *restrained* and with the Sydney global city rhetoric *nascent*. Thus, Page (2015, pp. 118–127) concisely reminds us that state and local government undertook the two-day *Destination 2036* conference in Dubbo, NSW, in which all 152 NSW local governments participated and which resulted in the comprehensive *Destination 2036 Action Plan* (OLG 2012). Further, it was at this point that the Independent Local Government Review Panel (ILGRP; discussed below) was initiated by the (then) Minister Page at the request of the Local Government and Shires Associations of NSW. Moreover, a new Intergovernmental Agreement was brokered between the NSW Premier, Minister Page and the heads of the Local Government and Shires Associations aimed at focusing on the reforms required. Additionally, under Minister Page the Local Government Acts Taskforce (LGAT) was established to revisit both the *Local Government Act 1993 (NSW)* and the *City of Sydney Act 1988 (NSW)*, alongside the NSW Treasury Corporation (TCorp) undertaking a financial analysis of all local governments. This analysis highlighted “that 25% of councils ... were then currently in a ‘weak’ or ‘very weak’ financial position” and an alarming 46% expected to be in similar straits in three years “if the status quo was maintained” (Page 2015, p. 121). As well, a Local Government Infrastructure Renewal Scheme (LIRS) was initiated, which facilitated individual local governments applying for loans at a reduced rate of interest based upon the state’s AAA credit rating, of which Page (2015, p. 121) states: “I knew LIRS was a winner. Councils knew it was a success”. Voluntary amalgamations were canvassed; a new Model Code of Conduct was introduced in March 2013; and in June 2013 “early intervention” legislation was introduced that in essence

provides for ministerial intervention (suspension of councils) in instances of poor performance (see, for example, Drew and Campbell 2016). Our point is that, according to former Minister Page (2015), significant reform was being undertaken *before* the processes we now move to document took effect and, arguably, the Sydney global city rhetoric was to have a major effect.

11.4.1 Independent Local Government Review Panel (ILGRP) (2012–2013)

As we noted in Chap. 10, following from the 2011 “Destination 2036” conference documented above, NSW embarked upon a major review of local government operations conducted by the Independent Local Government Review Panel (ILGRP). In their observations concerning the ILGRP, Grant et al. (2015b, p. 53) make four primary points. First, the ILGRP was initiated by (then) Minister Page in 2011, “to draw on independent expertise to help tackle issues and identify how councils can best govern and be structured to support the future wellbeing and prosperity of NSW communities” (Page, in Grant et al. 2015b, p. 53). Second, the three-person panel (ILGRP 2013a) explicitly recognised that putative reforms were to be seen within the broad framework of the economic development of the state (Grant et al. 2015b, p. 53; see also ILGRP 2013b). Third, the Terms of Reference (ToRs) directed the Panel to consider seven “Key Actions”, including options for increasing council own-source revenue, alternative governance arrangements (including extending the option for directly elected mayors) and developing models for structural reform (Grant et al. 2015b, p. 53; see also ILGRP 2013b). Fourth, the Panel was also directed to be mindful of the (then) government’s pre-election pledge of “no forced amalgamations” (Grant, et al. 2015b, p. 53; see also ILGRP 2013b).

The panel undertook its work from March 2012 to October 2013, producing three substantive reports (ILGRP 2013c; see also Page 2015, p. 119). The Final Report, *Revitalising Local Government* (ILGRP 2013c), contained no less than 65 recommendations and reflected many of the concerns of the *Destination 2036 Action Plan* (OLG 2012). Grant et al. (2015b, p. 53) observe that: “Despite the raft of reforms contained therein, both media attention and public policy ... subsequently focused upon the process of consolidation recommended by the Panel” (see also Drew et al. 2016a). In this guise, 32 councils in the greater Sydney region would be reduced to approximately 14 (ILGRP 2013c). Otherwise stated, the panel placed to one side the government’s policy of “no forced amalgamations”, arguing that “Sooner or later amalgamations will have to be part of the package (ILGRP 2013c, p. 7; see also Grant et al. 2015a, p. 25; Grant et al. 2015b, p. 53).

11.4.2 NSW Government “Fit for the Future” Reform Program (2014–2016)

The response by the government was to endorse the panel’s observations about council amalgamation, alongside offering financial incentives for councils that chose to follow this avenue of reform. It assembled a reform package labelled “Fit for the Future”, announced September 2014 (Grant et al. 2015b, p. 53). Under this package, all NSW local governments were required to submit self-assessments for improvement in the form of templates provided by government, conforming to one of three options: (i) Council Merger Proposal; (ii) Council Improvement Proposal (including the option to remain a stand-alone council) or (iii) the Rural Council Proposal, designated for low-population density rural councils that would have found it impractical to merge (Grant et al. 2015b, p. 53; see also OLG 2014). The government then appointed a statutory authority, the Independent Pricing and Regulatory Tribunal (IPART), to assess the proposals of councils (Grant et al. 2015b, p. 53). Notably, the government directed IPART to follow the criteria put forward by the ILGRP (2013c) in terms of the “scale” and “capacity” of councils (both of which the ILGRP (2013c, p. 32) had defined broadly) alongside the three more financial criteria, namely (i) sustainability; (ii) effectively managing infrastructure and delivering services for communities; and (iii) operational efficiency (Grant et al. 2015b, pp. 53–54; see also IPART 2015a, pp. 5–6; Drew et al. 2015).

11.4.3 Independent Pricing and Regulatory Tribunal (IPART) (2015)

The IPART then set about its work. Of the activities of the IPART Grant et al. (2015b, p. 54) make five principal observations. First, it consulted with the public. This took two forms. In April 2015 it called for submissions to its proposed methodology for assessing councils, to which 171 submissions were made, principally by councils, but also by other stakeholders including Regional Organisations of Councils (ROCs), political parties and professional associations (Grant et al. 2015a, b, p. 54; see also IPART 2015a). It also held several public forums aimed at explaining the methodology in May 2015 (Grant et al. 2015b, p. 54). Second, it then released its revised methodology on 5 June, requiring all councils to submit their proposals by 30 June (IPART 2015b) by which time it had received 139 submissions from 144 of the 152 councils across the state. Of these a mere four had opted for the “Council Merger Proposal” (Grant et al. 2015b, p. 54; see also IPART 2015c).

Third, following from this consultation and the submission process IPART released its *Assessment of Council Fit for the Future Final Report* on 20 October (Grant et al. 2015b, p. 54; see also IPART 2015d). This report assessed groups of inner metropolitan councils clustered in seven geographic regions (Inner West,

West Central, Lower North Shore, Northern Suburbs, Northern Beaches, South West, Southern) and nine outer metropolitan councils, alongside the City of Sydney. Fourth, Grant et al. (2015a, b, p. 54) note that the assessment for *all* inner metropolitan councils, inclusive of the City of Sydney, was “not fit” on the basis of the “scale and capacity” criteria, while the *majority* (seven of nine) outer metropolitan councils were assessed as “fit”.³ Fifth, on this basis IPART recommended that the inner metropolitan councils—including the City of Sydney—be amalgamated, while all nine outer metropolitan councils “stand alone” (Grant, et al. 2015b, p. 54; see also IPART 2015d, pp. 39–60). The IPART’s recommendation for the City of Sydney council was for a “Global City Council”, although it did note that on the basis of financial criteria alone Sydney was fit to “stand alone” (IPART 2015d, pp. 5–7).

Grant et al. (2015a, b, p. 54) also note that the *Assessment of Council Fit for the Future Final Report* (IPART 2015d) included a consultant report prepared by Ernst & Young (marked “Confidential”) that modelled the long-term economic benefits of the ILGRP’s preferred mergers (IPART 2015d). Grant et al. (2015a, b, p. 54) note that:

Ernst & Young was not requested to model the long-term economic prognosis of Council Improvement Proposals (the “stand-alone” option provided for in the “Fit for the Future” package) or compare these with the preferred options for mergers—and it emphasised this in its report (see also Ernst & Young 2015, p. 3).

Further, Grant et al. (2015b, p. 54) underline that Ernst & Young reached two noteworthy conclusions about amalgamation: first, “[T]he available empirical evidence on the extent to which local council amalgamations will yield net savings in costs is mixed and tends to vary by activity”, adding that: “[e]conometric analysis does not provide strong support”; second, that “the costs associated with amalgamation are large and often under-estimated, particularly costs associated with new systems, cultures and operating structures” (see also Ernst & Young 2015, p. 5). Otherwise stated, the independent report by Ernst & Young (2015) on the independent assessment of councils conducted by IPART (IPART 2015d) did not demonstrate a great deal of faith in the claim that efficiencies could be gained from amalgamations and noting that in all probability there would be significant costs involved.

11.4.4 NSW Legislative Council “Local Government (Inquiry)” (2015)

The general observation that we are making is that the debate about local government reform in NSW had, by this point, fallen down a “forced amalgamation

³In the overwhelming majority of cases, the assessment as “not fit” was based *not* on the financial situation of individual councils (metropolitan councils the overwhelming majority were assessed as financially robust) but on the basis of the more subjective criteria of “scale and capacity”.

rabbit hole”—and, possibly, a “Sydney global city forced amalgamation rabbit hole”—and that this hole had begun to assume the dimensions of an abyss. Yet there was political resistance to the government’s wholesale pursuance of this objective. Outcry over the truncated time which councils had to prepare their submissions (from 5 June to 30 June) saw the opposition parties combine in the Legislative Council (the Upper House in NSW) to introduce a Bill for an inquiry into the process. This inquiry commenced on 27 May 2015 (Legislative Council 2015a) with extensive Terms of Reference (ToRs) (Legislative Council 2015b), perhaps indicative of the level of dissatisfaction with the process of reform.

Of the Legislative Council inquiry Grant et al. (2015b, p. 55) make five observations. First, the inquiry followed standard procedure: submissions were called for; again they were received from a range of stakeholders, particularly local councils (Legislative Council 2015c). Second, the inquiry also held public hearings and forums (Grant et al. 2015b, p. 55). Third, it published its “Final Report” on 29 October 2015, inclusive of 17 “Recommendations” and nine “Findings” (Grant et al. 2015a, b; see also Legislative Council 2015d). Fourth, the “Recommendations” pointed to steps to assist local government, such as approaching the federal government to reverse its decision to not index grants to the sector; yet the “Findings” were more critical, asserting, for instance, that the IPART did not possess the “demonstrated skills or capacity” to assess councils beyond their finances (Grant et al. 2015b, p. 55; see also Legislative Council 2015d, p. xxiv).

Fifth, Grant et al. (2015b, p. 55) underscore that a worrying outcome of the inquiry was the potential for legal challenges to forced amalgamations to be initiated: Commissioned legal advice was widely circulated at the time suggesting that any government decision to forcibly amalgamate councils could be successfully challenged (Shoebridge 2015). Nevertheless, despite the findings of the Legislative Council’s inquiry, the Minister for Local Government subsequently proposed 35 mergers of local governments across the state, 16 in the metropolitan region (NSW Government 2016a). These were joined by an additional 10 proposals for mergers initiated by councils themselves (NSW Government 2016c). These 45 merger proposals were then referred to the Chief Executive of the NSW Office of Local Government for examination, who (in turn) appointed “Delegates” to “examine and report on merger proposals”, inclusive of the option for calling for submissions in response to the proposals (NSW Government 2016c). On 19 May the Government announced the creation of 19 new councils from the 45 merger proposals, with a further nine proposals given “in principle support” by the government but pending the outcome of legal action presaged during the Legislative Council Inquiry (NSW Government 2016d). In the interim, all councils have been placed under administration (in common parlance, their elected arms were “sacked”) until the next local government elections scheduled to be held 9 September 2017 (NSW Government 2016d). In the event, and despite the fact that it was found to be “not fit for the future” according to the “scale and capacity” criteria deployed by IPART, the City of Sydney council was not forced to amalgamate with adjacent councils, with the former Chair of the ILGRP expressing exasperation at the result (see, for example, Saulwick 2016).

Despite this fervent level of activity, in order to examine local government and the Sydney global city phenomenon it is imperative that we also consider contemporary reforms for metropolitan governance that derive from the direction of planning, namely the Greater Sydney Commission (GSC).

11.4.5 *Greater Sydney Commission (GSC) (2015)*

If we recall our discussion of the types of attempts at metropolitan governance in Sydney in Chap. 2, the GSC can be viewed as the latest attempt at metropolitan-wide planning powers for the city. Again, the continuing impacts of these reforms are still very much being ironed out. Grant et al. (2015b, pp. 54–55) trace the process of reform from 5 June 2015, when the NSW Department of Planning and Environment (DPE 2015) stated:

The NSW Government is establishing the Independent Greater Sydney Commission to oversee the Implementation of *A Plan for Growing Sydney*.

The Government is currently working with local councils and other stakeholders on how the Commission can best work with them and the community to get good outcomes for Sydney.

The Commission will work closely with local councils and local communities, helping Sydneysiders get the most out of their neighbourhoods and suburbs (DPE, in Grant et al. 2015b, p. 55).

In their examination of *A Plan for Growing Sydney* (DPE 2014) Grant et al. (2015b, p. 56) make four principal points. First, the document states that the plan “‘is to be read in conjunction with the government’s *Long Term Transport Master Plan* and [the] *Rebuilding NSW—State Infrastructure Strategy 2014*” (Grant et al. 2015b, p. 56). In other words, there is a complexity of planning structures for the city. Second, akin with the first plans introduced for the Eastern seaboard *writ large* in 1842 (see Chap. 2) *A Plan For Growing Sydney* organises Sydney in terms of six districts, that have been devised in partnership “‘between State Government, local councils and the community” and which sit underneath the three aforementioned plans (DPE in Grant et al. (2015b, p. 56). Third, the GSC sits atop *all of these plans*, occupying a strategic role. It is “‘a dedicated new body with responsibility to drive delivery of the new plan” (DPE in Grant et al. (2015b, p. 56) representing “‘the first time a metropolitan entity will take ownership of the delivery of a metropolitan plan” (DPE in Grant et al. 2015a, b, p. 56).

Fourth, Grant et al. (2015b, p. 56) note that: “[i]n addition to these strategic oversight and delivery roles, the authority of the GSC also affects the broad policy areas discussed in *A Plan for Growing Sydney*”, including employment, housing, education and health—otherwise stated the Commission will be more rather than less intricately involved in strategic decisions about the delivery of services that cut across a swathe of functions traditionally reserved for state government departments.

Yet the GSC is a metropolitan governance *mechanism*, not a *bona fide* metropolitan government. As we shall see directly below, it contains some elements of representation, but of a particularly elite type.

On 3 March 2016 the *Greater Sydney Commission Act 2016* was assented. The Act has specified the final structure of the Commission (NSW Government 2016b). It comprises:

- Six District Commissioners representing Sydney’s geographic districts. These individuals are nominated by local government. As at 3 March 2016 four had been appointed;
- Three “discipline-based” Commissioners—an Economic Commissioner, an Environment Commissioner and a Social Commissioner—with the Economic Commissioner at present being the Deputy Chief Commissioner. Arguably, the discipline Commissioners are privileged in the legislation as they enjoy full-time membership on the GSC’s various sub-committees. Alternatively, the District Commissioners are part-time members who will play a role on the various sub-committees as they affect their own districts;
- The heads of the Department of Planning and Environment, Department of Transport for NSW and the NSW Treasury, all of whom are ex-officio Commissioners;
- A Chief Commissioner, the first of whom is Lucy Hughes Turnbull, former Chair of the Committee for Sydney (DPE 2016).⁴

Further, the GSC has a CEO and “is supported by” (i) a Finance and Governance Committee, (ii) an Infrastructure Delivery Committee, and (iii) a Strategic Planning Committee (DPE 2016).

In addition to the role of the GSC as specified in *A Plan for Growing Sydney* discussed above (DPE 2015), six roles have now been specified: “finalising district plans for each of Sydney’s districts”; “conducting regular reviews of councils’ Local Environmental Plans”; “conducting all decision-making and plan-making on rezoning proposals currently undertaken by the minister (or delegate)”; “taking on the current determinations on development applications and plan making functions of the Sydney Joint Regional Planning Panels, including rezoning reviews”; “monitoring and reporting to Government on implementation of actions in ‘*A Plan for Growing Sydney*’”; and “requiring councils to give effect to district plans (or the regional plan if a district plan is not in place) when amending their local plans” (DPE 2016).

The question of what, precisely, local government will have left to do that is of any consequence—aside from complying with the requirement of the GSC—is an interesting one that we now move to discuss.

⁴Lucy Hughes Turnbull is also a former Lord Mayor of Sydney and wife of the current Prime Minister of Australia, Malcolm Bligh Turnbull.

11.5 Observations and Implications for Public Policy

Before putting forward some general observations and drawing out the implications for public policy it is important that we flag two significant limitations of our discussion, particularly in our account of Sydney global city. First, we have not presented an account of the relationship between the State of NSW and its councils historically and the question of metropolitan governance (although see, for example, Grant et al. 2015b, 2016; see also Parkin 1984 and Chap. 2 of this book, in particular Sect. 2.4.3). Nevertheless, we assert that the public policy issue of metropolitan governance and how this is reconciled—or indeed otherwise—with the legislatively inscribed role for local governments *and* the relationship between the state government is Sydney’s intergenerational “eternal return” [see, in particular, Grant et al. (2015b)]. Further, any in-depth consideration of this topic would have to necessarily measure the legitimacy of particular offices, in particular, we suggest, the minister for planning, in relation to, first, the government that they are a part of; second, the city—however it is institutionally represented (whether this be a council of mayors, a powerful Lord Mayor of the city, or indeed, a powerful lobby group like the Committee for Sydney); third, local governments *writ large* (in particular the relevant local government association/s) and, fourth, and by no means least, the minister’s own department.

Second, we have not provided an account of what might be labelled “the winners and losers” in the Sydney as global city picture, in particular the inequalities as measured spatially across Sydney’s vast metropolis. It is important to note also that whether or not these inequalities are *inequitable* is another, more difficult, question. In this sense our account of Sydney global city has followed the debate down the amalgamation rabbit hole—guilty as charged.

With these limitations firmly in mind it is still possible to be critical of the comparative global cities academic literature *and* the way that it has come to dominate both rhetoric and (arguably) policy. It ought to be recognised that both the prescriptive relevance and (in particular) the predictive capacity of these kinds of exercises are of limited use. As scholars of local government are wont to remind us, each global city (read: place) is path-dependent and place-specific. As such, for example, suggesting metro-level governance for Sydney global city *a la* London (see, for example, Williams 2015) denies the different points of authority in Australia’s (written) Constitution and—as we emphasised in Chap. 2—the unwritten constitutions that comprise each individual jurisdiction. Comparisons with cities from North America and other federal systems may or may not be more useful; yet *prima facie* they have more legitimacy methodologically. How city and state governments interact is a comparative question of immediate relevance to both the Sydney situation and the situation of other major cities in the Australian federation.

We hasten to add that this is not to be critical of the Committee for Sydney; we have demonstrated in the discussion above that the Committee has been at pains to be inclusive, endorsing and championing the development of Western Sydney and

Parramatta in particular. Metropolitan governance might be the organisation's touchstone in the call for reform but there is more to their agenda. Yet the bridge between the two types of academic discourse pertaining to cities—what we have labelled the dominant discourse and the alternative, critical one—is broad indeed and grounded in the politics of analysis.

The strategic policy implications that arise from our examination of the global cities thesis in the Australian context are important because Sydney is the premier city and, as such, the experience in Sydney can, to a degree, inform the experience of other Australian cities. It is clear, for instance, that the issues of local government reform on the one hand and metropolitan governance on the other have hand been driven by two different elements of state government: the Office (read "Department") of Local Government and the Department of Planning and Environment. Notwithstanding the possibility that the two policy agendas may eventually mesh—that larger local governments and metropolitan-wide planning powers vested in the Greater Sydney Commission might result in a happy marriage—it is still evident that the two policy agendas have not been sold as the one case for reform. Nor is this merely a matter of "conceptually elegant" (but more importantly, publically justifiable) policy. It may also be an issue in the determination of which level basic services—for example, transport, water and waste-water, local planning powers—are decided. However, given the remit held by the GSC, it may also *not* be an issue; the GSC can simply decide, albeit in a "consultative" fashion.

Still, arguably it is difficult to intertwine the imperatives for both amalgamation and a powerful metropolitan authority: why do we need larger local governments if we have a commission that has such broad-ranging powers *over* local government? Certainly the argument for efficiencies being inherently accrued by larger local governments has essentially been dispensed with. Otherwise stated, could not a city have "the best of both worlds": local governments that are cherished for being precisely that—local—with an authority for strategic planning such as the Greater Sydney Commission?

This optimal scenario can easily be replaced with a dystopian one, namely where the GSC, as a "star-chamber" fourth tier of governance in Sydney, cannot elicit cooperation from the state government departments. Compared with local government, these bureaucracies (health and education in particular, both of which are not represented on the Commission as Treasury and Planning are) could prove very difficult to deal with.

Most importantly, there are significant strategic implications for democracy under new "global city" arrangements. While *prima facie* the idea of being "strategic" about "democracy" might feel counterintuitive (isn't strategy about instrumental things?) we are strongly suggesting that there is room for some strategic thinking about the future of global cities as an element to Australia's democratic fabric generally. These implications involve much more than a mere lament about a loss of "local voice and local choice", although they certainly involve this issue. On the contrary, what the experience of Sydney global city has borne out is the *perceived* comparative democratic *illegitimacy* of the state

government as a seat of democratic authority set against its *de jure* authority. Arguably, the way that the state government has been perceived during the process is not a result of the governance failings of particular recent administrations (see Grant et al. 2015a). Rather, it points to lack of political legitimacy that the states possess when compared with national *and* local tiers of government.

This perceived lack of legitimacy at the state level suggests two other strategic issues: first, what is the relationship between Australian global (capital) cities and the rest of their political jurisdictions, which in many instances is vast? There are important issues of *ideational inclusion* here: if cities do indeed become more economically important and continue to grow in population, in particular *relative to* the rest of the territory in the sovereign jurisdictions, what will the relationship between city people and regional people be, and how will this play out politically? Second, how will the relationship between these global cities and the federal government play out? Will these cities be restrained within the realm of sovereign state authority? We are not suggesting that radical reform is likely. However, if the importance of cities grows—and we saw at the commencement of our discussion that the present generation of leaders in federal politics thinks it ought to do so—how will this increased importance affect politics and intergovernmental relations in the federation?

We circle back to where we commenced our discussion, namely thinking about the implications of Australian global cities for the academic study of politics in Australia. It might be tempting to suggest that the global cities phenomenon can be placed in the tried-and-true category of regions and regionalism in the Australian federation. In one sense this is correct: Chaps. 2 and 3 demonstrated that city regions have always been part of what we labelled as the realism and the romance of regionalism in Australia. Yet given the outward-facing nature of the global cities rhetoric, it is possible that this will play out in a different way, with different categories of description and explanation and different normative parameters.

Where this leaves local government and local government scholarship are interesting questions. With respect to the former, it may signal the revitalisation of a “local-regional” agenda that we discussed extensively in Chap. 3 and provided a case study of in our account of the formation of the City of Greater Geraldton in Chap. 6. We move to suggest the normative basis for these types of developments in Chap. 12 to follow. With respect to local government studies, rather than confining itself to a lament over its traditional domain, it might have a crucial role to play in the re-thinking of local-regional and state and federal relations.

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Part IV

Future

Chapter 12

The Future of Local Government in Australia: Maximising Service Delivery with Political Voice

Abstract Throughout this book we have seen that the place and role of local government in Australia's polity has been a perennially vexatious issue, conceived as both an element to individual local government jurisdictions (initially as colonies, then as states and territories) and from the federal tier. Most recently, this has been reflected in the Reforming the Federation White Paper process that was initiated by (then) Prime Minister Tony Abbott in June 2014 but terminated at a meeting of the Council of Australian Governments (COAG) in March 2016. In this final chapter we revisit both the moral and economic arguments for decentralised government set out in Chap. 4, and use these to develop a more comprehensive theory of decentralised government. We then examine evidence that suggests that local government in Australia is developing towards having the administrative and functional capacity required for an expansion of its remit. In addition, we detail the changes necessary to provide local government with the fiscal capacity required for an expanded remit. Thus, with a moral and economic foundation in hand, we speculate upon a bold reform of the federation which envisions local government as the fundamental unit for delivery of government goods and services. We argue that such a system would result in more efficient, effective, sustainable and equitable delivery of government goods and services. We conclude by outlining a number of political paths to achieve this desirable end.

Keywords Australian federalism • Fiscal federalism • Intergovernmental transfers • Local government • Municipal finance • Structural reform • Theorem of decentralisation

12.1 Introduction

Throughout this book we have seen that the optimal place and role of local government, conceived as a structural element to Australia's polity, has been a more or less constant and vexatious issue since well before federation. Part I, Chap. 2 introduced us to the origins of this at the level of the individual colonies, noting the

tension between the “constitutionalist” understandings of local government dominant in particular jurisdictions, set against the “State-interventionist” perspective that predominated in the other colonies (Power et al. 1981, pp. 20–21). Chapter 3 provided an account of local government as an element of the debate leading to the drafting of the Commonwealth Constitution. Utilising the work of Brown (2008), Chap. 3 also documented the history of the failed attempts at constitutional recognition of local government in 1974 and 1988, before moving to consider the failed attempt at achieving a referendum on the issue that was scheduled to coincide with the 2013 federal election. In Chap. 3 we also encountered some of the plethora of work that has examined the optimal place and role of local government in Australia. This has ranged from more general inquiries, such as the six constitutional conventions in 1890s, as concisely documented by Aulich and Pietsch (2002), through to the Peden Royal Commission on the Constitution conducted in 1927–1929 and the federal parliamentary constitutional review committee of 1958, both of which were discussed by Brown (2006). These forums for debating the shape of Australia’s federalism have also included the more recent Senate Select Committee on the Reform of the Federation (SSC 2011). The quantum of work concerned specifically with local government is also large, ranging from (for example) *Local Government Systems of Australia* (Power et al. 1981) as an element of the Australian Council for Intergovernmental Relations (ACIR) to the more recent work of the Expert Panel on the Constitutional Recognition of Local Government (EPCRLG 2011).

At this point in our discussion it is also worth bearing in mind that in Chap. 3 we also saw that some of Australia’s most venerable political leaders, including (for example) John Curtin, Ben Chifley, Gough Whitlam, Bob Hawke, Kevin Rudd, Julia Gillard, and Tony Abbott and Malcolm Turnbull have all engaged with what we have labelled as the “realism” and the “romance” of regionalisation and regionalism in Australia. Further, several of these politicians (and, we note, those around them) were convinced enough of the case for local government that they were prepared to prosecute the case for constitutional recognition, with two (Whitlam and Hawke) actually overseeing a referendum on the issue (see Aulich 2015). It would be difficult to conclude that this quantum of political effort was motivated entirely cynically, by (for example) a desire to placate local government rather than pursuing a “genuine partnership” (Brown 2008) between the three tiers of the federation (see also Grant and Dollery 2011).

Indeed, the issue of how local government “fits” has loomed large at the federal level. In Part II, Chap. 4 of this book we suggested, following Wickwar (1970, p. 1) that this vexation is the result of what we regard as the *interminable question* of local government, namely: “Is local government self-government, or is it a creature of the state?” In Part III we saw how this question has formed the focus of particular policy issues in the individual local government jurisdictions. Chapter 5 centred on the issue of the autonomy of local governments when set against the authority of their state counterparts. In Chap. 6 we suggested that community and, in particular, locally-constructed regionalism utilising community engagement could be a way forward. The future of local government also formed an element to our discussion of

the financial sustainability and fiscal capacity of local government examined in Chap. 7 and of the models of democracy embodied in the institutional arrangements for leadership in Chap. 8. It also comprised an element of what can be labelled the *professionalism* with which those in local government choose to conduct themselves that we examined in Chap. 9. Certainly the size of local governments is broadly regarded as crucial to the future of local government and in Chap. 10 we examined this in some detail through the lens of the debate concerning amalgamation, with detailed reference to recent experience in New South Wales (NSW). In Chap. 11 state-city political tensions in Australia's most powerful state, NSW, were considered against the backdrop of precisely this same tension in several other jurisdictions (Victoria; Queensland; Western Australia) discussed in Chap. 2.

Beyond the discussions in the individual chapters of this book, both advocates for and scholars of local government have consistently argued for greater recognition of local government. For instance, Bell (2006) dismisses the simplistic approach to an enhanced role for local government (i.e., abolishing state governments and scaling up local governments to the regional level), pointing to the improbability of the states ever being expunged from the federation and the decided *lack* of success of forced or compulsory amalgamation programs. Instead, Bell (2006, pp. 176–179) argues for “fair funding” of local government from the federal tier, by way of an allocated and indexed portion of tax; for “fair treatment” of local government—in essence, arguing for a cessation of cost-shifting—and for “formal recognition” of local government, underscoring the federal parliamentary resolutions (i.e., House of Representatives; Senate) in 2006, the fact that “ALGA has enjoyed representation on 14 ministerial councils” (Bell 2006, p. 179), and advocating another tilt at constitutional recognition.

More recently, Aulich (2015), following ALGA (2007; see also Williams 2010), distinguishes between “formal constitutional recognition”, “institutional recognition” and “financial recognition”. Commenting upon formal constitutional recognition, Aulich (2015, pp. 163–166) argues that, following the failure of a referendum to coincide with the 2013 federal election and historically low support for the idea, the matter is essentially closed (see Chap. 3 of our discussion for an in-depth account). Aulich (2015, p. 166) also emphasises that, despite the granting of enabling powers to local governments in all jurisdictions, “the asymmetric power nexus between State and local government has remained largely unchanged” (for an extended discussion, see Chap. 5 of this book).

Commenting upon “institutional recognition”, Aulich (2015, pp. 166–168) notes that the perception of local government in Australia remains largely functional rather than constitutionalist (despite some signs that those citizens who value local government do so as precisely that—in other words, as *government*, as argued in Chap. 4). With respect to “financial stability and recognition”, Aulich (2015, pp. 169–171) argues that, despite the plethora of inquiries at both the national and state levels (see, for example, Dollery et al. 2013), and the fact that state and local governments are effectively hamstrung due to the high degree of Vertical Fiscal Imbalance (VFI), some signs of innovative funding for local governments in some states has emerged.

However, despite all of this conjecture and refutation, all of this inquisition, the political verve and the realism and romance of regionalism, we are still left with the question of what is to be done with local government in Australia.

Yet another iteration of this question was effectively opened—then unceremoniously closed—in the period June 2014 to April 2016. On 28 June 2014 the Office of the (then) Prime Minister, Tony Abbott, announced the White Paper on the Reform of the Federation (PM 2014). At the time, one might have been forgiven for thinking that the terms of reference for the White Paper were foreshadowing the expansion of the comparatively limited remit of Australian local government—or at least a robust discussion in this regard. In particular, the suggestion that the allocation of roles and responsibilities might be made with regard to the principle of “subsidiarity, whereby responsibility lies with the lowest level of government possible, allowing flexible approaches to improving outcomes” (PM 2014) seemed to point to a level of decentralisation far greater than that of the states and territories. However, the subsequent Discussion Paper (2015) devoted just half a page to local government’s position in Australia’s federal financial framework in a document spanning 121 pages (for a discussion, see Grant 2015). Moreover, the White Paper process was discontinued at the 42nd meeting of the Council of Australian Governments (COAG) held on 1 April 2016 and presided over by Prime Minister Malcolm Turnbull. The COAG (2016) Communique from that meeting states that the Council “agreed that this work, along with the work on broader opportunities for tax reform, including state tax reform, will be progressed by the Council on Federal Financial Relations, with a progress report to COAG at its next meeting”.

Contrary to the slighting of local government in the most recent White Paper documents, but commensurate with the account of subsidiarity offered in Chap. 4 of this book and with our account of the justifications for sub-national finance also offered in that chapter, our argument in this chapter is that Australian local government presents an optimal foundation for achieving the efficient, effective and equitable government services necessary to improve the standard of living and wellbeing of Australians. We recognise that this is a bold vision which probably does not have the requisite level of political support at this time. However, we do believe that it is important to put down the strong economic and moral arguments for expanding the role of local government. In so doing, we hope to contribute to the conversation about how the interests of Australians could be served by a genuine reform of the federation with local government firmly in mind. Otherwise stated, this chapter seeks to provide both the theoretical and empirical grounds for fully exploring what Dollery et al. (2006) labelled the “maximalist” option for local government as an element of the Australian federation.

Section 12.2 revisits the principle of subsidiarity—embodied in the (then) Reform of the Federation White Paper Terms of Reference (ToR)—and sets out a moral case for decentralised government. This culminates in the formulation of a theorem of decentralised *government*. In Sect. 12.3 we review the development of administrative and functional capacity in Australian local government which, contrary to the intent of public policy architects, seems to have led us to a more appropriate structure for a greater level of decentralised government. In Sect. 12.4

we examine the taxation and financial distribution options for achieving adequate fiscal capacity for decentralised government.¹ The chapter concludes with some brief remarks on how we might progress from Australia's current system of government to one which is more efficient, effective, sustainable and equitable.

12.2 Principle of Subsidiarity: A More Comprehensive Moral Justification for a Greater Level of Decentralised Government

Notably, the terms of reference for the 2014 Reform of the Federation White Paper listed “subsidiarity” as the first principle to be “applied when allocating roles and responsibilities between different levels of government” (PM 2014). However, the subsequent Discussion Paper (2015, p.14) backed away from the term “subsidiarity” in favour of a statement that reforms to the federation should seek “to improve the standard of living and wellbeing of Australians through better services”. We believe that this was something of a mistake, given the richness of the concepts embodied in subsidiarity. We thus provide a more comprehensive review of the concept before developing a theory of local government. Moreover, it is important to dispel minimalist interpretations of the term “subsidiarity” which plague the literature (see, for instance, Oates 1999)—the somewhat fallacious idea that “subsidiarity” simply means that services should be provided at the level closest to the people. Apart from stripping the concept of its Thomistic metaphysical² origins, this erroneous interpretation of subsidiarity is little more than a normative *preference*—it has about the same moral force as the principle of residuality (the idea that services should be provided at the level of central government unless a compelling case can be made for decentralised provision). We feel that it is important to revive the term's original moral force in order that it might be used in an informed manner for advancing the debate on local government's role in the Australian federation.

As we noted in Chap. 4, Deem et al. (2015, p. 421) argued that there are two prominent concepts of subsidiarity: first, that functions should be provided “at the ‘right’ level, not necessarily the lowest”; second, “that the functions of government should be performed [at the level] as close to the people as practical”. The distinction between the two concepts of subsidiarity can be understood in terms of the respective ethical motivations—the former (and original) concept is deontological (or duty-based), the latter consequentialist (or ends-based) (for a discussion, see Golemboski 2015).

¹Elements of these arguments appeared—in a much truncated and less developed form—in a Report prepared for the McKell Institute by Joseph Drew and Roberta Ryan (see Drew and Ryan 2016).

²Metaphysics refers to the study of facts outside of the realm of sensory experience. Thomistic metaphysics refers to the work in this field by Thomas Aquinas.

12.2.1 *Deontological Concept of Subsidiarity*

The deontological (duty-based) view of subsidiarity is most commonly expressed in the oft-cited proclamation of Pope Pius XI in *Quadragesimo Anno* in 1931, (pp. 79–80) which bears quoting at length:

As history abundantly proves, it is true that on account of changed conditions many things which were done by small associations in former times cannot be done now save by large associations. Still, that most weighty principle, *which cannot be set aside or changed, remains fixed and unshaken in social philosophy*: Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and *subordinate* organisations can do. For every social activity out of its very nature to furnish help to the members of the body social, and never destroy and absorb them.

The supreme authority of the State ought, therefore, to let subordinate groups handle matters and concerns of lesser importance, which would *otherwise dissipate its efforts greatly*. Thereby the State will more freely, powerfully and effectively do all those things that *belong to it alone because it alone can do them*: directing, watching, urging, restraining, as occasion requires and necessity demands. Therefore, those in power should be sure that the more perfectly a graduated order is kept among the various associations, in observance of the principle of “subsidiary function” *the stronger social authority and effectiveness* will be the happier and more prosperous the condition of the State (emphasis added).

Whilst relatively recent, this formulation of subsidiarity can be traced back to the 13th century writings of St Thomas Aquinas and is part of the Natural Law tradition. Moreover, since the formulation by Pius XI the teaching has been affirmed by successive popes—most recently in 2005 by Pope Benedict XVI, who stated that “subsidiarity is first and foremost a form of assistance to the human person via the autonomy of intermediate bodies”. It is also important to recognise the historical context of Pope Pius XI’s (1931) declaration—at a time not long after the declaration of the absolute sovereignty of the state (see, for instance, our discussion in Chap. 4) and during a period of great political upheaval. As such, Pius was advocating a third way, in contrast to communism and fascism, which were at that point tearing Europe apart.

At the heart of subsidiarity is the assertion that there is a duty-based set of competencies for individuals, families, associations and various levels of government (Beabout 1998). Indeed, as testified to by the extended quote from Pius, it is not a call for complete devolution (as is often asserted). Pius recognises a legitimate role for central government in regulating the affairs of the various associations, providing aid to the associations for the common good and even restraining “lesser” associations if required (including playing referee in “turf wars”).

Two points should be noted in relation to Pius’s formulation of the principle. First, it clearly recognises the role of central government in providing help when required. Indeed, the word *subsidium* is a neologism which has its origins in the term used to describe the Roman auxiliary troops which were employed only when

necessary and then withdrawn as soon as the help was no longer required (thus, subsidiarity has proved to be a tempting concept used by libertarians railing against the welfare state [see, for instance, Kenney 1955; Novak 1999; Sirico 2014]).

Second, Pius's (1931) formulation emphasises the moral claim of lesser societies in resolving problems, through both greater effectiveness and a stronger, bi-directional, moral empathy. The effectiveness claim arises from the more intimate knowledge of the problem held by "lesser" associations, and also from the greater incentive for such "lesser" associations to ensure *subsidium* achieves its objectives. The moral empathy arises from the greater transparency of relations between individuals and "lesser" associations. When *subsidium* is provided at closer proximity then it becomes clearer to recipients that donors have had to sacrifice in order that they could receive. This then creates a moral empathy which might be missing in, for instance, central government-funded welfare measures.

It should be noted that "voice" is crucial to the effectiveness claim—both the voice of those providing *subsidium* and the voice of those receiving same. It is by bringing donors and recipients into closer proximity that the dignity and voice of each party can be heard.

12.2.2 *Consequentialist Concept of Subsidiarity*

The consequentialist concept of subsidiarity focuses on the enhanced economic welfare which might be realised, largely as a result of greater allocative efficiency. Generally it is consistent with first-generation theories of fiscal federalism, outlined in Chap. 4. Under this concept of subsidiarity, "voice" is more about ensuring that public goods and services are tailored to the preferences of the constituents, and also that political leaders obtaining unreasonable perquisites are sanctioned for same. Added to "voice" is the threat of "exit" as the ultimate sanction to bureaucrats and elected representatives who do not provide the basket of goods and services at the price desired (Hirschman 2013; Tiebout 1956; Brennan and Buchanan 1980).

Oates's (1972) decentralisation theorem is often cited as the principal consequentialist argument for decentralised government. However, strictly speaking, it is only an argument for decentralised service provision; there is in principle nothing stopping a central government from tailoring goods and services to the tastes and circumstances of relatively homogenous communities through service districts directed by professional bureaucrats. Indeed this is precisely how state and territory governments *do* deliver education, health and many other services in Australia (discussed below). Oates's (1972) work is often misconceived or formulated in a manner which suggests that it is far more complex than it is. All Oates was asserting—in presenting the Decentralisation Theorem—is that more efficient and effective services can be provided if the level of service is set at precisely the level desired (and no higher) and that the benefit-cost test will yield different results for communities facing different circumstances.

It is important to note a number of caveats employed by Oates (1999). First, he recognises the need for central provision of some “national public goods”—such as defence, immigration controls, macro-economic stabilisation and redistribution of wealth—on pragmatic grounds. We need only look at the EU for a lesson in why macro-economic and immigration policy must be conducted by the federal tier of government. Moreover, re-distribution of wealth via progressive taxation, for instance, needs to be implemented by central governments if we are to avoid inefficient migration of labour and capital. This observation necessarily implies that local government will be left with a largely regressive tax levied on a relatively immobile base: land tax. As a result, it is neither feasible nor desirable for local government to be funded solely by own-source revenue. Oates (1999) recognises this limitation of federal systems of government and prescribes a system of predictable, relatively inelastic grants to: (i) correct for externalities in production, (ii) correct what he perceived to be an unavoidable level of vertical fiscal imbalance (wherein federal governments typically levy taxation in excess of their service responsibilities) and (iii) correct for horizontal fiscal imbalance (arising from unequal revenue raising capacity of federal units as a result in unequal distribution of wealth, industry and resource endowments).³ An additional—and important (for our purposes at least)—criticism of Oates (1999) is that it imbues elected representatives with a degree of benevolence which may be at odds with reality.

It has often been (erroneously) claimed that the Decentralisation Theorem is dependent on Tiebout-sorting (see Chap. 4). However, Tiebout-sorting merely enhances the welfare gains possible under the Decentralisation Theorem; it does not underwrite them. Tiebout (1956), in his now famous paper “A Pure Theory of Local Expenditures”, eschews “voice” entirely in favour of “exit”. According to Tiebout (1956), we are best able to perceive citizens’ preferences for local public goods by looking at their location decisions. Tiebout perceives residents to be like consumers, shopping around for a fixed basket of local public goods which matches their preferences for the price they are willing to pay. However, as noted in Chap. 4, the assumptions underpinning the model are heroic to say the least, in particular the assumption that residents are all living off dividend income (to avoid the messy problem of finding a job), that cultural, family and religious ties are of “no concern” in location decisions, and that the costs of moving are akin to the costs of travelling to do one’s grocery shopping. Under the current limited remit of Australian local government, it is unlikely that there would ever be sufficient disparity in the tax price of goods required to motivate residents to move in the first place. However,

³It is sometimes asserted that local government should be made to rely entirely on own source income to improve political accountability (see, also the report of the 1976 Layfield Committee; Lyons 2007). However, to do so would be to condemn local government areas of greatest need (owing principally to socio-economic disadvantage) to ever widening levels of disadvantage (because such areas would clearly also have lower revenue capacity) and perilous financial sustainability. Moreover, as noted in Chap. 7 it is essential to make efforts at horizontal fiscal equalisation to avoid inefficient migration of capital and labour, avoid wasteful lobbying, reduce opportunities for pork barrelling and prevent financial failure of local government areas.

the idea has taken such a firm hold on the imaginations of fiscal federalism scholars that it now appears to be somewhat *de rigueur*.

Brennan and Buchanan (1980) invoke a muted version of Tiebout sorting in their work on restraining Leviathan. They acknowledge that “location rents” arising from consideration of work, family, cultural and geographic factors will determine the coercive power of “exit”. Moreover, Brennan and Buchanan in no way discount “voice”. Instead they affirm the importance (if not sufficiency) of voice in restricting the growth of government. In addition, they advocate tax limitation measures. For Brennan and Buchanan (1980), federalisation offers an efficacious prospect for constraining a Leviathan-like government intent on extracting maximum taxation from its hapless citizens.

It should be clear that there are strong ends-based economic arguments behind the assertion that public goods and services can be provided more efficiently and effectively through decentralised *providers*. However, it is only when we come to the matter of “voice”—giving rise to greater levels of political accountability and political participation—that an *imperative* emerges for decentralised *government*. In theory, a benevolent bureaucrat could tailor public goods to local tastes and preferences and thus maximise welfare. Mobile units could also shop around for baskets of goods offered by professional bureaucrats at a set price. Even the threat of “exit” leading to restraint on budgets does not specifically call for decentralised government (after all, Buchanan (1975) also recognised the risk posed by budget-maximising bureaucrats). The need for decentralised government—rather than merely decentralised service provision—becomes evident only when we put a value on political “voice”. When political “voice” is valued we can no longer be content with decentralised service provision directed by bureaucrats, and we no longer have to move to make our preferences known.

12.2.3 A More Comprehensive Theory of Decentralised Government

We believe that the deontological and consequentialist concepts of subsidiarity can be combined to provide a moral *and* economic argument for decentralised *government*. The formulation of Pius suggests that superior moral force is exerted when *subsidium* is provided at close proximity: there is a better knowledge of the problem, a greater stake in ensuring that interventions achieve desired results and greater moral empathy between donor and recipient. A consequentialist concept of subsidiarity also emphasises the importance of “voice”; however, in this case “voice” makes tastes known, and provides an alternative to “exit” (although it should be noted that the threat of exit and actual exit are important for maximising economic welfare). Moreover, theories consistent with a consequentialist concept of subsidiarity do not rely on potential information value or moral obligation to listen to “voice”; instead, they recognise the inherent political power of “voice”.

If political leaders fail to heed the wishes of the citizens then citizens can find themselves a new steward.

It should also be noted that the benefits of decentralised government will increase as its remit increases. This simply reflects the fact that, as more services are provided by a decentralised government, the potential for greater price disparities (so crucial to the decision to move) increases. Thus, the threat of “exit” looms larger. Moreover, as additional services come under the remit of a decentralised government, the frequency at which residents are exposed to the decisions of decentralised government increases. Therefore, the incentive to exercise “voice” also looms larger. In sum, as the remit of decentralised government grows, there is simply more at stake and so more reason for people to become involved in politics at that level.

Taking cognisance of the matters discussed above, we propose the following theorem of decentralised government:

Decentralised government will result in higher levels of economic welfare, owing to the better tailoring of goods and services to the preferences and conditions of more homogeneous communities, the greater stake which political leaders have in ensuring subsidium is successfully deployed, and the higher level of transparency and moral empathy between donors and recipients of subsidium. Moreover, economic welfare is enhanced as a result of the greater moral and political voice, in addition to the sanction of exit. As service responsibilities at the decentralised level of government increase the restraining effects of exit, competition, moral empathy and political participation increase proportionally. A system of visible and inelastic grant transfers will need to be provided by a central government to ensure appropriate levels of subsidium based on need. National Public goods will also need to be provided by a central government.

We have now established both a moral and economic case for greater levels of government decentralisation. However, in order to prosecute a case for local government becoming the foundation of such a system, it is necessary to demonstrate that it could be competent in a sphere of expanded remit. This is the task which we now turn to in Sects. 12.3 and 12.4.

12.3 Competency: The Development of Functional and Administrative Capacity in Australian Local Government

The size of the benefits that decentralised government might bring will depend, in some measure, on the competence of decentralised units of government. This idea of competency (or capacity) is also at the heart of the principle of subsidiarity: Pius (1931, p. 79) is very clear that some tasks “cannot be done save by large associations”. Moreover, one does not need a moral theory to realise that there is nothing to be gained—and a lot to be lost—from devolving public goods and service provision down to a level of government that lacks the functional and financial capacity to deliver same. This section examines the developing nature of local

government functional capacity whilst Sect. 12.4 considers what must be done to facilitate financial capacity.

Functional and administrative capacity is often associated with size and it is asserted that as local governments become larger they can attract more experienced and qualified staff and accommodate higher levels of specialisation (Bodway and Shah 2009). Somewhat ironically, local government in Australia has for the most part been dragged, kicking and screaming, by state and territory authorities to a situation in which they are now starting to approach the administrative and functional capacity required for a regional approach to the federation—an approach which might ultimately make their state and territory masters rather redundant. Amalgamations, cost shifting and incentives to establish ROCs (regional organisations of councils, as discussed in Chap. 3) imposed on local governments has, in the immortal words of Adam Smith, “led by an invisible hand to promote an end which was no part of [the higher tiers’] intention” (Smith 2014, p. 243).

As we saw in Chap. 10 when examining local government amalgamations in the Australian context, the absolute number of local governments has diminished, while the average size (in terms of population) has significantly increased. Moreover, when one considers ROCs and other forms of local government cooperation (see, for example, Dollery et al. 2012; see also Chap. 3) it is apparent that local governments are developing towards a size and shape consistent with current Australian concepts of regionalisation (Brown 2007). Certainly, while the scale and shape of local government is not quite that which may be required for the “regional regionalism” that we encountered in Chap. 3 in the work of Brown (2006 p. 13), our point is that there is evidence that local governments *are* developing in a direction consistent with the administrative capacity necessary for an expanded remit, which is also more consistent with our theorem of decentralised government.

Notably, the size of municipal outlays also points to the functional development in local government: in the 1992–93 financial year Australian local government outlays amounted to A\$5,704 million; little more than two decades later (2013–14 financial year) the outlays reached A\$32,739 million. This is an almost six-fold increase (a compound growth rate of 8.7% per annum) (Australian Bureau of Statistics 2015). Moreover, as a proportion of *total* Australian government outlays local government outlays have risen from 4.25% in 1994–95 to 5.48% in 2013–14 (Australian Bureau of Statistics 2015). This is still relatively small and is reflective of *current* service delivery arrangements and (presumed) constitutional constraints. Yet in the context of fiscal federalism both increases are noteworthy. Further, as we saw in Chap. 8 in our discussion of the economics and finance of Australian local governments, much of the increase in municipal budgets has occurred as a result of the need to address market failure (particularly in rural areas where it is not viable for the private market to provide services such as aged care or child care), cost-shifting (where a higher tier of government mandates or vacates a service without completely funding same), and increased demand for *subsidium*. In particular, local government is expanding the functional scope of its operations. For instance, in 1992–93 spending in economic affairs was less than 1%, whereas it now accounts for 4% of spending. Spending in housing and community amenities

has increased from 16 to 25% during the same period, whilst spending in public order and safety has increased from 2 to 3% (Australian Bureau of Statistics 2015). In short, Australian municipal government is experiencing a rapid and sustained development in both its administrative and its functional capacity.

12.4 Achieving Fiscal Capacity in a System of Greater Decentralised Government

In Chap. 7 we defined the various categories of goods and services provided by local governments and the importance of this categorisation for expenditure and revenue decisions. Most of what we have had to say in this chapter relates to a special kind of public good—local public goods. Public goods are outputs which are both non-rival and non-excludable (the classic example is street lighting). By way of contrast, private goods are both excludable and rival (a local government private good is green waste compost). In between these two poles lie merit goods (goods which are deemed to have intrinsic virtue, such as exercise facilities) and goods with positive externalities beyond those able to be internalised by the consumer (such as sewage treatment) (see Chap. 7 for a discussion of these concepts).

12.4.1 *Benefit Pricing*

For local government to have the requisite fiscal capacity it is imperative that private goods are priced appropriately. As detailed in Chap. 7, private goods should be priced according to either the supply side (which ensures financial sustainability and equity) or the demand side (to avoid market distortion and achieve allocative efficiency). Unfortunately, these approaches are rarely applied to the pricing of local government private goods, as a result of inadequate accounting information systems and general lack of awareness of the need for benefit pricing (Carnegie and West 2010). However, if local government is to achieve equitable and sustainable service delivery, this will clearly need to change. We are not in any way suggesting that government shouldn't respond to political demands and citizen preferences. Rather, we assert that when the demands pertain to non-public goods or non-merit goods then the individuals receiving the benefit should pay for same. Failure to send an adequate price signal makes it difficult for local government to “know” the true nature of demand (demand is invariably muted when constituents are faced with the requirement to make a personal contribution), gives rise to inefficiently high levels of demand (after all, if individuals can receive private benefits at the expense or subsidy of their fellow ratepayers then we shouldn't be surprised if there is a strong response from resident consumers) and creates space for politicians to seek to convert local government expenditure into political capital (see, for example Drew and Dollery 2016).

Merit goods and goods exhibiting positive externalities require an entirely different approach. There are strong arguments for subsidising the provision of such goods; however, the decision regarding the appropriate degree of *subsidium* is a *normative* judgement. We note that decentralised government, using a deontological conception, implies the need for full disclosure of the level of *subsidium* (and rationale for same) to both donors and recipients. Full disclosure of levels of *subsidium* is also important to mitigate information asymmetries which might otherwise manifest in unhelpful ways. Failure to signal the level and rationale of *subsidium* does not respect the dignity and moral voice of the donor and might promote unhelpful behaviours (such as tax evasion or a call for tax limitations). On the other hand, failure to signal the level of *subsidium* to recipients risks individuals assigning an inadequate value to the good and service and thus encouraging inefficient levels of demand (in terms of both quantity and quality). It also fails to establish a moral obligation on the recipient to avail themselves of aid only for as long as required (and no longer), consistent with the deontological conception of subsidiarity. Unfortunately, accurate signalling of subsidies is rarely attended to, and this has serious implications for the sustainability of decentralised government.

12.4.2 Taxation

In Chap. 4 we outlined Olson's (1969) theory of fiscal equivalence, which sets out the desirability of matching (in a spatial sense) those who benefit from the provision of public goods with those who pay for them. A similar argument applies to the portion of merit goods and goods with positive externalities paid for out of the common tax pool (the *subsidium*). When this correspondence is observed then demands to expand the level of service at the margin might be tempered with considerations about willingness to pay. Regrettably, other instruments for financing public goods and subsidies have long since broken this important nexus: specifically, poorly targeted and priced fees for non-public goods, the injudicious use of debt and poorly targeted intergovernmental grants.

We have already noted the suitability of a land base for levying local government taxation—the principal advantage being its immobility (one can hardly send one's land to the British Virgin Islands). Moreover, in Chap. 7 we noted the arguments aired in favour of unimproved land value (ULV) on the occasion of Henry George's visit to Australia in 1890. Many things have changed since that time—most notably the advent of high-density housing and commercial property. For this reason we tend to favour the use of capital-improved value (CIV) as a base for calculating local government taxation. In addition, CIV has a better association with services consumed, a better association with capacity to pay (although we note the association is far from perfect) and a deeper and more active market for valuation purposes. Moreover, the claim that CIV is less economically efficient (as a result of distorting spending decisions) is more than a little overblown—CIV valuation would be based on key characteristics of a property (construction material,

number of bedrooms and bathrooms, and land size), and therefore most spending decisions after initial purchase (such as refurbishments) would be unlikely to result in any change to taxation imposts in practice.

A property tax based on CIV also has a greater possibility of revenue capture. Revenue capture was the buzz-word in federal politics at the time of writing (see, for example, Greber 2015). The idea is that changes in wealth accruing to individuals as a result of public spending should be “captured” through a levy of some type in order to: (i) increase financial sustainability and provide new sources of funding to address infrastructure backlogs; and (ii) provide equity for the community. However, this is far from a new idea and is in fact a prominent part of the thinking of Henry George. A land tax on CIV automatically captures unrealised capital gains; moreover, it also adjusts for the situation in which private wealth is destroyed as a result of public projects (such as a newly built airport runway directing aeroplanes over existing residential estates). Moreover, to adequately effect revenue capture it is important for land taxation to be levied at an appropriate (higher) rate, and for more frequent and accurate valuations to be conducted.

12.4.3 *Debt*

Those who advocate expanding the balance sheets of local government clearly overlook a number of very important problems with the use of sub-national debt. As we have already noted, the use of alternatives to taxation and appropriately set fees breaks the crucial nexus between demand and willingness to pay. Moreover, debt is not actually a source of revenue—it is really better conceived of as an instrument for bringing future revenues forward. At some stage the loan must be repaid. The main argument put forward for the use of debt is that it promotes intergenerational equity. This argument is generally prosecuted by referring to the fact that long-lived assets will still be in use many years after present residents (who paid for them) have moved on. However, this seems to ignore the fact that the current generation of residents enjoy infrastructure paid for by their predecessors (Bruekner 1997). Thus to effect “intergenerational equity” now we must necessarily impose inequity on previous generations. Therefore, the intergenerational equity argument seems to be one of convenient and extreme relativism—that is, the current generation seems to insist on the primacy of intergenerational equity *now*, whilst being quite content to have benefited from infrastructure gifted to them by *previous* generations! In addition, in most cases debt instruments are not available for the requisite terms (even if we could know with any certainty the life of assets yet to be built).

The other important problem with local government debt is the moral hazard posed. First, a moral hazard is posed by the possibility of imposing debt onto future generations without their consent. This is particularly problematic when debt is accrued for operational expenditure (which necessarily implies the goods and services will have been consumed well before a future generation of residents arrive) or when an inappropriate portion of capital expenditure is passed on to future

generations. The second moral hazard relates to the apparently irresistible temptation for sub-national governments to raid the fiscal commons—the so-called soft budget constraints discussed in Chap. 4.

12.4.4 *Intergovernmental Grants*

Intergovernmental grants serve two major purposes. First, they can be used to internalise inter-jurisdictional externalities. Second, they can be employed for re-distributive purposes. As noted earlier, Olson's (1969) theory of fiscal equivalence suggests that decentralised government boundaries should be drawn so that those who benefit from public goods and *subsidium* would match those who pay. However, this ideal is unlikely to be realised in practice. For instance, local roads are often used by residents from adjoining municipalities. Unless a system of transfer payments is made, we have both an economic efficiency problem (arising from the absence of an incentive for decentralised governments to provide the requisite standard and level of services) and an equity problem (because individuals are using services to which they have not contributed). Thus there is a need for intergovernmental transfers to be set at the precise quantum required to internalise the externalities. Transfers for this purpose should be paid directly to decentralised governments.

Grant transfers are also required to correct for vertical fiscal imbalance (VFI—arising from federal governments generally collecting the major portion of tax revenues) and horizontal fiscal imbalance (HFI—arising from different decentralised units having differing revenue capacities; see Chap. 7). VFI will always be present in a federation, because as we have shown elsewhere, it is neither efficient nor feasible for subnational governments to levy progressive taxation. In similar vein, HFI is also a characteristic of federations and results from factors such as geography (including natural resource endowments), infrastructure placement and historical development preferences. Unless we are content to see ever widening levels of socio-economic disadvantage, pork barrelling, wasteful lobbying, inefficient migration and perilous financial sustainability for low socio-economic local government areas then some form of horizontal equalisation is clearly required. Financial assistance grants developed in response to VFI and HFI are currently paid directly to councils. However, this breaks the crucial nexus between demand and willingness to pay. The solution is relatively straightforward: grants for equalisation purposes should be paid directly to the residents.⁴

⁴One criticism of this proposal under a federation comprising decentralised governments with an expanded remit is that the quantum of transfers is likely to be large. However, this criticism ignores our calls for greater benefit pricing and relatively higher property taxes. Under these arrangements the grants would relate only to the quantum required for equalisation purposes. Moreover, the federal government already makes substantial “equalisation” payments of a kind, such as family tax benefit and location allowances.

The practice of paying the equalisation component of grants directly to residents also reduces the risk of soft-budget constraints inherent in elastic grant allocations (see Chap. 7). This is because there will be substantially fewer transfers made to decentralised governments under this recommendation. The transfers which are made (relating to the internalisation of externalities) should be allocated according to precise empirical formulae by an independent and transparent grants commission (need can be precisely estimated using time series econometrics by regressing factors known from the literature to be associated with local government expenditure and adjusting for revenue effort—see, for example, Ladd and Yinger 1989). Grants allocated in this fashion would be inelastic and therefore not liable to introduce soft-budget constraints. In addition, the allocation mechanism proposed would also be a more predictable revenue stream for decentralised budgeting purposes (because federal governments will not be so quick to manipulate grants—such as the current three year freeze on Financial Assistance Grants—for fear of alienating voters who receive grants directly).

12.4.5 Own Source Revenue

A lot of uninformed commentary has circulated of late in Australia regarding the primacy for councils to generate own-source revenue (see, for instance the Independent Local Government Review Panel 2013; Slack 2016). Those who argue this are clearly unaware of the fiscal federalism literature, believe in exposing residents to unconscionable risk, desire a widening of the gap in economic disadvantage, view the distortion of local economies as acceptable or a combination of all five of the above.

One of the principal arguments for own-source revenue is that it is more reliable than grant revenue. This point is debatable given that local economic shocks (such as the closure of a mine, abattoir or manufacturing plant) can clearly have a large effect on local government revenue raising capabilities (not simply from lost rates from the industry but also because the laid-off workers will likely experience hardship in paying rates). Moreover, under the revitalised local government presented in this chapter, horizontal fiscal equalisation (HFE) grant transfers will be more reliable because efforts to tamper with same by the federal government will be immediately transparent to voters (who will receive HFE payments directly). It bears repeating that most federations are characterised by horizontal inequity—unless we are content to live in a polity where government services are determined by one's postcode, where inefficient migration of capital and labour are encouraged, or where local governments frequently fail then it is clearly necessary to have some form of HFE transfers (Boadway and Shah 2009).

There is thus nothing intrinsically virtuous about a fiscal system that views own-source revenue as exclusively defensible and transfers as a type of necessary evil. Moreover, attempts to evaluate councils according to own source revenue benchmarks (as occurs in NSW and Victoria) encourage council executives to stray

into business enterprises rather than sticking to the *raison d'être* of government which is the provision of public goods and services, addressing market failure and the provision of merit goods.

A number of councils in Australia do now conduct commercial operations (including property development, retail management, aged care and child care) with the sole objective of raising revenue. When local government goes into business it distorts local economies—local governments do not need to make the same returns as private enterprises and can thus price goods below market price and local governments operate with implicit financial guarantees which result in unfair competition. Moreover, when local governments go into business it exposes residents to risk without mandate. The reason why returns on business investment are high is because there is a need to reward risk. However, residents—unlike investors—have not made any deliberate decision to take on risk and are probably completely unaware of the risk taken on in their names by local government.

Thus far we have outlined a theory of decentralised government which responds to both moral and economic arguments embodied in the principle of subsidiarity. We have also outlined the development of functional and administrative capacity, as well as a framework for developing fiscal capacity. The remaining question relates to the feasibility of establishing a more effective, efficient and equitable system of decentralised government in Australia.

12.5 Implications for Public Policy: More Effective, Efficient and Equitable Government

Various objections have been raised regarding the feasibility of reforming the Australian federation along the general lines that we have discussed here. A notable example of such a voice is Twomey and Withers (2007), who have asserted the following problems:

- The constitutional constraints.
- That decentralisation would result in a shift of power away from the people.
- That greater decentralisation would exacerbate vertical fiscal imbalance.
- That smaller regions would have higher transaction costs and therefore be unable to capture the benefits of decentralisation.
- The inability of regions outside of the capital cities to raise sufficient own-source revenue.

We examine these objections in turn.

First, one method of effecting a reform of the federation would clearly be to conduct a successful referendum on the matter. However, as noted in Chap. 3, previous attempts have not fared well. Yet Australians do support constitutional change from time to time. For example, as we also noted in Chap. 3, the 1967 referendum for including Indigenous people in the national census achieved a

90.77% “yes” vote (National Archives 2016). In that same chapter we were adamant that the moral gravity attached to achieving constitutional recognition for local government is far less than that involved in achieving recognition of Australia’s Indigenous peoples, and indeed may be less than that attached to the argument for constitutional change affecting an Australian republic. However, the point is that changing the Constitution by way of a referendum is achievable, and ought not to be wholly discounted in the medium-to-long term.

Moreover, as we discussed at some length in Chap. 3 and have emphasised at the beginning of our discussion here in this Chapter, strong political leaders do emerge on occasion to successfully advocate for such change *and* to capitalise on existing support for change. Recent evidence suggests that there is already strong support for removing the state tier of government (39%) or introducing a new level of regional government (42%) (Morris 2010). This does not deny the reality that the possibility of the states voting themselves out of existence is very remote indeed (see Saunders 2004). Nevertheless, if the right political leadership were to combine with political will for a more effective, efficient and equitable system of government, then the path to the constitutional recognition of local government could, given the right circumstances, appear viable. Alternatively, leaders of state governments could take the advice which they have freely dispensed to councillors resisting amalgamation, to “do the right thing for their communities” and step out of the way (see Baird 2015).

An alternative, incremental approach is also possible. The federal government already provides some funding directly to local governments (such as the Roads to Recovery grants). In addition, the Commonwealth has long held that it is entitled to attach conditions to funding. Therefore, one possibility may be for the federal government to align its services with existing regional organisations of councils (ROCs) and other local government groupings and insist that political accountability be aligned with ROCs for services such as health and education which are dependent on significant Commonwealth funding. As capacity develops and the federal-ROC relationship strengthens, then the federal government could attempt to fund the ROCs directly. At this point in time state and territory governments would become increasingly marginal. They would continue to exist as a *bona fide*, yet increasingly extraneous tier of government, or the case could be made to the public for constitutional reform in light of the demonstration of the efficacy of the proposed reform.⁵ Again, in Chap. 3 we noted the comparative lack of success of schemes akin to this in the past (see Kelly et al. 2009). Yet this does not proscribe the possibility of them occurring in the future.

⁵We note Twomey’s (2012, p. 161) objection that direct funding of decentralised government could be “vulnerable to constitutional challenge if anyone had the standing and motivation to take such an action”. In response we point out that the last 16 years of direct funding to local government via the Roads to Recovery program has not uncovered an individual with sufficient motivation or standing to take such action. Moreover, the parties most interested in mounting a constitutional challenge of this sort (the states and territories) would have a difficult time convincing the community that fighting to put an end to Commonwealth funding and political accountability and transparency was in the community’s interests.

Irrespective of the path taken—constitutional reform or allowing states and territories to become increasingly marginal—it would clearly be desirable to protect the expanded local government structure from encroachment or meddling by higher tiers of government. This suggests that another attempt at constitutional recognition of local government would at some point be optimal. However, we note that the debate in this case ought to focus more on the need to recognise local government in view of a bold reform to the federation, including a much more prominent role for local government yielding more efficient, effective and morally proximate government services, as opposed to merely (i) “financial” recognition; (ii) so-called “symbolic” recognition or indeed “institutional” recognition (see Aulich 2015; Brown 2008; Grant and Dollery 2011; see also Chap. 3 of this book).

The second, somewhat counter-intuitive claim by Twomey and Withers (2007) is that decentralised government would result in a shift of power *away from* citizens (from state-based seats of power to politicians in Canberra) seems to ignore how federal and state services are currently delivered. For instance, health in NSW is administered through 15 health districts run by public servants—not directly by politically accountable persons in Sydney (Health 2016). Similarly, local land services in NSW are administered through 11 newly-consolidated regional offices (see LLS 2016) and a range of federal services—environmental (see DE&E 2016), statistical (see ABS 2010) and regional development (see RDA 2016) are administered at a regional level, as they were when Brown (2006, p. 16) undertook his examination of regionalism. Thus, decentralised government would actually result in services being provided by politically accountable individuals in far closer proximity to citizens. The related criticism that 50 or more health and education systems would be unworkable neglects the fact that state governments are already tied to national frameworks and targets for the delivery of health and education services (see, for example, Discussion Paper 2015). It is hard to see how the national frameworks might suddenly cease to exist just because state governments were rendered increasingly marginal, or indeed if they were gradually dismantled in the medium-to-long term.

Twomey and Withers’ (2007) third objection to greater decentralisation is that it would exacerbate vertical fiscal imbalance. This is entirely incorrect and the argument fails to acknowledge that the root cause of VFI—progressive taxation—can only hope to be effectively implemented at the national level. Whether we have more or fewer tiers or units of government, VFI will always exist. Moreover, as we have already noted, own-source revenue is not exclusively virtuous; in fact, own-source revenue can be more susceptible to economic shock. It should also be remembered that our argument is not set against own-source revenue: the fiscal framework set out for decentralised government in Sect. 12.4 will increase the level of own-source revenue in any case.

Twomey and Withers’ (2007) fourth objection to greater decentralisation is that smaller decentralised governments will have higher transaction costs and therefore be unable to capture the benefits of decentralisation postulated in the literature. This objection is based on a fundamental misconception regarding returns to scale (the change in inputs relative to outputs as production increases) in public service

provision (see Chap. 7 for a thorough critique of the economies of scale debate). The fact is that there is no conclusive evidence that public services are subject to potential economies of scale (a reduction in long-run average total costs as output increases). Moreover, economies of scale are not some sort of magic pudding which continues to offer savings *ad infinitum*. If this were the case then clearly we should amalgamate all 570 odd-councils into one national council! Rather, economic theory postulates that where economies of scale do exist they tend to occur over a relatively short domain, followed by a relatively long period of constant returns to scale followed, in turn, by the emergence of diseconomies of scale (this latter part of the production function is characterised by *increasing* average total costs as production increases). The few functions which have been shown to exhibit economies of scale do so only at relatively low levels of production. Therefore, in all likelihood, greater decentralisation would result in fewer diseconomies of scale and lower transaction costs in some functions (and no change in other functions).

As we noted in Chaps. 4 and 7, diseconomies of scale are the elephant in the room of Australian (local) government—public policy architects seem to hold onto the fallacious idea that services can always be delivered more cheaply by making government bigger with what can only be described as religious fervour, but are completely oblivious to the fact that when output is too large unit costs can actually increase. Moreover, in all likelihood, many of the services currently delivered by state government could probably be delivered more efficiently by more decentralised government (the fact that many state services are delivered through health districts and the like is probably evidence of this).

Twomey and Withers' (2007) fifth objection to greater decentralisation is that the rural regions do not have sufficient fiscal capacity. This assertion, once again, stems from a fundamental misconception regarding the tax assignment problem. VFI and HFI will always exist in a federation and this is nothing that can't be addressed through carefully targeted grant transfers (including payments made direct to taxpayers). Moreover, if transfers are made in the manner described in Sect. 12.4, this need not introduce any problems such as soft-budget constraints or the erosion of the nexus between demand and capacity to pay. In addition, it must be noted that at present a good deal of regional wealth is exported to capital cities in the form of mining royalties which prop up discretionary infrastructure redevelopments (see, for instance, reports on the A\$1.6 billion investment by the NSW state government in three Sydney sporting stadiums at a time when many rural residents do not have town water, sewerage or sealed (bitumen) roads (Saulwick 2015)). Moreover, taxes paid by residents in regional areas go towards the 1.9 million public servants (earning A\$141 billion per year) who are located mainly in the capital cities (Australian Bureau of Statistics 2016). Decentralised government will result in a more even distribution of public servants throughout the country, thus improving the fiscal capacity of the regions.

In summary, there is a very strong economic and moral case for a greater level of decentralisation in the Australian federation. In addition, it is clear that local government is developing in the direction of adequate functional and fiscal capacity. What we now need is political leadership of the requisite calibre and

advantageous circumstances for the successful prosecution of the case. There is a clear developmental “bottom up” path to a more effective, efficient and equitable government based on local government structures. Our national prosperity awaits the advent of a political leader with the requisite vision and political courage.

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