

City of Sydney  
Town Hall House  
456 Kent Street  
Sydney NSW 2000

Telephone +61 2 9265 9333  
Fax +61 2 9265 9222  
council@cityofsydney.nsw.gov.au  
GPO Box 1591 Sydney NSW 2001  
cityofsydney.nsw.gov.au

26 November, 2013

Our Ref: 2013/443873-02  
File No: S111407

Mr Tony Shepherd, AO  
Chair  
National Commission of Audit  
By email: mailto: [submissions@ncoa.gov.au](mailto:submissions@ncoa.gov.au)

Dear Mr Shepherd

The City of Sydney (City) welcomes the opportunity to inform the work of the National Commission of Audit as it undertakes a comprehensive review of the performance, function and role of the Federal Government.

### **Role of Cities to the National Government**

As a capital city council, we understand the importance of cities and the contribution they make to the delivery of national economic, social, cultural and environmental outcomes.

Australia's capital cities are home to approximately two-thirds of the Australian population (ACG 2013) and according to Infrastructure Australia (2010) contribute approximately 80 per cent of Australia's economic activity and are the centre of employment for 75 per cent of the national workforce.

Cities are sources of opportunity: for productivity gains through agglomeration economies; as centres for innovation and technological diffusion; and as the locus of the next wave of economic growth from knowledge economies.

These productivity gains translate into higher economic and employment outcomes nationally and greater national government revenue.

Cities also face challenges: congestion imposes unnecessary costs on business and government; investment in productive infrastructure has lagged in recent years and issues such as housing affordability will place pressure on community wellbeing as well as economic growth.

By their essence, cities concentrate productivity changes – both positive (innovation) and negative (congestion).

*city of villages*

For cities to function to their full capacity, whole of government planning is essential. No one level of government can do it on its own. The effective governance of cities requires collaboration between all levels of government across policy setting, infrastructure provision, program and service delivery and funding.

It also follows that decisions made by one level of government can have implications for, and can impact on, the other levels of government.

It is in this context that the City of Sydney is responding to the Terms of Reference for the National Commission of Audit.

The specific issues raised by the City are set out below under the relevant sections from the Commission's Terms of Reference.

### **Scope of Government:**

*Assessment of the current split of roles and responsibilities between and within the Commonwealth government and State and Territory governments, including areas of duplication.*

The City welcomes this assessment of roles and responsibilities, particularly if it leads to gains in the efficiency and effectiveness of government activity.

The City notes however that there are activities that involve all three levels of government; Federal, State and Territories and Local Government.

It is the view of the City that any examination of roles and responsibilities and potential areas of duplication should also encompass those instances where all three levels of government are directly involved.

Child care and early childhood learning is one such area that could benefit from an alignment of policy and funding priorities. The recent announcement of the Productivity Commission enquiry into future options for child care and early childhood learning is a welcome first step but there is an urgent imperative to ensure that infrastructure and service provision are aligned with the needs of parents and children.

There are numerous other examples where all three levels of government deliver policy, programs and funding and which would benefit from an alignment of policy, service provision and funding. Some of those areas include:

- Provision of infrastructure such as roads, public transport, energy, water and waste;
- Community services and infrastructure particularly those that focus on issues of affordable housing, homelessness, aged care, community transport, sport and recreation;



- Tourism infrastructure and services; and
- Arts and cultural infrastructure, audience development and support for organisations and events.

#### *Recommendation*

The City recommends that the Terms of Reference be expanded to enable the Commission to also assess the role and responsibility of Local Government and to identify potential areas of duplication in those instances where all three levels of government are directly involved.

*In relation to activities performed by the Commonwealth, the Commission is asked to identify whether there remains a compelling case for the activity to continue to be undertaken and if so whether there is a strong case for continued direct involvement of government, or whether the activity could be undertaken more efficiently by the private sector, the not-for-profit sector, the States or local government.*

As identified earlier, the cooperation of all levels of government is essential for the effective and efficient governance of our cities.

Local governments such as the City of Sydney can be effective partners of the other levels of government, the not-for-profit or private sectors and at times can deliver services more effectively and efficiently and achieve outcomes of national scale and importance.

At the City of Sydney, an example of this is the partnership the City has with major property owners who collectively represent over half the commercial office space in Sydney's city centre. With the shared vision of improving the energy, water and waste efficiency of existing commercial buildings, the property owners are saving the equivalent millions each year on electricity bills and have reduced their building emissions by an average three per cent each year from 2005/06 despite a 14 per cent increase in the amount of space leased over the same period.

However, the capacity and capability of local government differs across regions and across individual issues. It should also be noted that the revenue earning potential of local governments such as the City of Sydney are constrained by the "rate pegging" provisions of the Local Government Act. The expansion of service delivery potential is therefore also constrained by the limits to revenue growth.

If an aim of the Audit Commission is to reduce government expenditure, then any recommendation that merely shifts net expenditure to another level of government – cost shifting – is no solution.

However, if the aim is more efficient government policy towards the outcome of productivity gains and innovation leading to expanded national output, then this requires strategic collaboration between levels of government as well as an on-going commitment to outcome-based efficiency.

It is the City's view that engagement with local government early on in the work of the Commission will be essential to furthering their understanding of the capacity and capability of local government to deliver on any recommendations regarding the transfer of activities from the Commonwealth government.

*Recommendation*

It is recommended that the Commission adopt the principle and practice of engagement with local government throughout their work and prior to any recommendations being made about the transfer of government activity from the Commonwealth.

It is further recommended that an appropriate assessment of the capacity and capability of local government be undertaken by the Commission prior to any recommendations being made about a greater role the sector may take in government activity, formerly the domain of the Commonwealth.

Should you wish to speak with a Council officer about this submission, please contact [REDACTED] Executive Manager Research Strategy and Corporate Planning [REDACTED]

Yours sincerely

[REDACTED]  
Chief Executive Officer