

media release

Wednesday, 14 December 2016

Review finds smaller is better for local councils

Local communities are likely to be better understood and served by smaller councils which should be preferred in the interests of democratic government, according to a new paper by noted economist and Mosman Mayor Peter Abelson.

In reviewing the optimal size for local government the paper, *The Optimal Size of Local Government, with Special Reference to New South Wales*, looked at four main criteria for assessing size: capacity to work with state governments; economic efficiency (financial capacity); effective provision of preferred local services; and effective local democracy and social capital.

Providing an evidence-based critique of the NSW Government's program to reduce the number of local councils, the paper, which was published in the peer reviewed ANU Press journal *Agenda*, found that contrary to the plan's key pillar of scale and size, capacity to work with state government is not a substantive argument for larger local councils.

"The paper found that larger councils do not achieve the much-vaunted financial savings claimed by proponents," Dr Abelson said. "On the contrary, there may be significant costs (diseconomies) associated with large bureaucracies with unclear metrics and there is remarkably little evidence of economies of scale in local government jurisdictions.

"State Government arguments about criteria for strategic capacity, such as 'knowledge, creativity and innovation', lack definition and metrics and are more about facilitating state government objectives which can be met in other ways already within the NSW Government's remit."

NSW local governments have an average population of 50,000 - which is higher than the Australian average and large by most international standards - while the Independent Pricing and Regulatory Tribunal, following NSW Government-imposed terms of reference, concluded that most councils in NSW were "not fit for the future" because they lacked requisite scale of 200,000 people.

"Small councils can be competitive, motivated and creative in their approach, while increasing efficiency through sharing services with other councils," Dr Abelson said.

"Increasingly, many local government services are personal services, such as social support, cultural and recreational services, which are provided to individuals or small groups and it makes sense that they would be most effectively provided by smaller governing units."



Media contact

Manager Communications, Liz Bennett
l.bennett@mosman.nsw.gov.au 02 9978 4026 m: 041 978 4026