



Financial Sustainability and Local Government Reform

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CERTIFICATE OF ORIGINAL AUTHORSHIP

I, Dana Kathleen McQuestin declare that this thesis, is submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the Faculty of Design, Architecture and Building at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of the requirements for a degree at any other academic institution except as fully acknowledged within the text. This thesis is the result of a Collaborative Doctoral Research Degree program with Tokyo Metropolitan University.

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ABSTRACT

Financial pressure is increasing for local governments, exacerbated by the 2008 subprime mortgage crisis and Covid-19 pandemic. Given the potentially grave consequences which financial stress or collapse can engender on the wider community, financial sustainability has become paramount. To ensure local governments can continue to operate in the long term, various reform programs targeting financial sustainability improvements have been employed. In Australia amalgamation is the preferred policy instrument.

To effectively target improvements in financial sustainability, the determinants of financial sustainability must first be identified. Although existing literature has analysed the effects of size, resident deprivation, and external operating environment, many non-conventional internal and external factors have received less scholarly attention.

Following this, the success of previous reforms programs must be critically evaluated. To facilitate the learning process, both the processes and outcomes of reforms should be examined. Although a sizable corpus of literature exists on municipal reform, more needs to be done in Australia, particularly with respect to the 2016 New South Wales (NSW) amalgamations.

Finally, alternative reform instruments should also be scrutinised. This will enable policymakers to identify if other alternatives exist which may represent a more efficacious, less expensive, or less disruptive solution.

This thesis aims to address these gaps in the literature and satisfy the needs of various local government stakeholders. To do so five analyses were conducted, through three key themes relating to (i) the association between non-conventional factors and local government expenditure, (ii) the success of the 2008 Queensland amalgamations and the more recent 2016 NSW 'Fit For the Future' reforms, and (iii) the efficacy of shared service arrangements as an alternative to amalgamations.

Results suggest the importance of non-conventional factors – political structures and budget accuracy – to financial performance. Moreover, evaluations of the large-scale forced amalgamations in Queensland and NSW cast doubt on the efficacy of amalgamations to address financial sustainability concerns. In addition, a commonly endorsed alternative to amalgamation (shared services) was also found to be wanting.

In sum, it was found that conventional reform instruments are unlikely to materially improve financial sustainability. Indeed, it appears that they have only further exacerbated matters. The results emphasise the importance of engaging with academics and the scholarly literature to ensure that the cost savings referred to in policy documents are actually achievable in practice. Moreover, future attention should carefully consider non-conventional approaches, given the significant associations identified.

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