



AUSTRALIAN
LOCAL GOVERNMENT
ASSOCIATION

2018-19 Federal Budget Submission

INVEST IN AUSTRALIAN
COMMUNITIES
MAKE IT LOCAL

December 2017

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600
By email: prebudgetsubs@treasury.gov.au



15 December 2017

Dear Treasurer

ALGA 2018-19 Budget Submission

The Australian Local Government Association (ALGA) is pleased to present this Submission to highlight Local Government's priorities for consideration in the lead up to the 2018-19 Federal Budget.

ALGA acknowledges the challenging fiscal environment facing the Australian Government, Australian businesses and local communities throughout the nation. ALGA also acknowledges the Government's commitment to return the Budget to surplus by 2021.

ALGA believes that the 2018-19 Federal Budget should prioritise programs, projects and support that boost national productivity and invest in the future of local communities.

Australian society and its national economy must, more than ever, be thought of as the combination of connected and interdependent communities, cities, towns and regions. The emergence of cities as an economic force within our national economy requires all governments, and more particularly, local governments to act and respond to challenges that are different to those of last century, or even a decade ago. Rural and regional communities and their economies are faced with challenges and opportunities that can best be addressed locally and regionally, as they require local and regional vision, innovation, flexibility and investment.

The initiatives ALGA has proposed in this Submission are investments that not only support communities directly, but will boost Australia's economic competitiveness. ALGA has commissioned the National Institute of Economic and Industry Research (NIEIR) to model the economic and employment benefits of the proposals included in this document. The outcomes clearly demonstrate that there are strong benefits to the national economy from the initiatives proposed by ALGA. In aggregate these initiatives will add more than \$9.5 billion to Gross Domestic Product and more than 24,000 new jobs with economic benefits distributed across the entire country.

The 2018-19 Budget should include a commitment to:

- Helping to maintain living standards and local economic growth by restoring the quantum of the Financial Assistance Grants to a level equal to at least 1 percent of Commonwealth tax revenue;
- Realising the productive potential of Australia's freight routes by establishing a Local Freight Productivity Investment Plan, funded at \$200 million per annum for five years, to ensure that first mile/last mile and freight connectivity issues are addressed;
- Improve the safety and management of local roads by doubling Roads to Recovery funding;
- Improving the safety and management of local bridges by making the Bridges Renewal Program permanent;

- Addressing the particular disadvantage of South Australian communities arising from an unfair anomaly in existing funding by permanently restoring the additional local roads funding for South Australian councils of \$20 million per annum;
- Achieving more sustainable local communities by funding community infrastructure at a cost of \$300 million per annum for four years to stimulate growth over the longer term and build community resilience;
- Supporting communities by maintaining Natural Disaster Relief and Recovery funding at a level that provides councils with certainty and acknowledges the need for betterment funding;
- Improving community resilience and reducing the cost of disasters by investing in a targeted Disaster Mitigation Program at a level of \$200 million per annum;
- Supporting Local Government to play its part in efforts to limit global warming and reduce the impact of climate change by investing \$200 million over four years to support local councils' capacity to manage their own unique climate risks;
- Improving the general health and well-being of communities by supporting a Local Government Place Based Preventative Health Program of \$100 million over four years;
- Fostering Indigenous well-being and prosperity by continuing to invest at least \$5.5 billion over the next decade to support a new National Partnership Agreement on Remote Indigenous Housing (NPARIH);
- Transforming Australian cities and towns and improving the delivery of Local Government services by building on the Smart Cities and Suburbs Program and supporting a Smart Communities Program of \$100 million per annum, complemented by;
- a Digital Local Government and Rural/Regional Telecommunications Program of \$100 million for four years to increase the community benefits of improved connectivity, coverage mapping, technology and innovation.

ALGA understands the fiscal challenges facing the Commonwealth and the need for fiscal responsibility but ALGA notes that the economic benefits post mining boom are unevenly distributed across the nation and that there is a strong argument, indeed necessity, for the Government to focus on community priorities as well as to invest in productive infrastructure. Recent cuts to Financial Assistance Grants through a pause in indexation have accelerated a decline in overall grant funding to local government placing growing and unsustainable demands on local communities, particularly the largest beneficiaries of federal funding – regional, rural and remote councils who have least ability to raise replacement funds locally. ALGA believes that funding local government to deliver infrastructure and services is one of the most efficient and effective mechanisms to achieve the goal of increasing national competitiveness, equity and sustainability and is appropriate in the current fiscal environment.

I commend this Budget Submission to you.

Yours sincerely



Mayor David O'Loughlin

President

BUDGET OBJECTIVES

Preamble

The 2017-18 Federal Budget Overview outlines the Australian Government's objectives and ambitions for last year's Federal Budget. Its opening statement being:

'The right choices to secure the better days ahead. The Government is focussed on boosting the economy and helping households, to ensure all Australians can benefit from the nation's growth story. The Budget is based on the principles of fairness, security and opportunity. It builds on the strengths of the 2016-17 Budget and seeks to create more opportunities for Australians and businesses, to guarantee essential services and create more jobs and better paying jobs'

The Australian Local Government Association (ALGA) believes that the 2018-19 Federal Budget should build on these aspirations. Specifically, the 2018-19 Federal Budget should prioritise programs, projects and support that boost national productivity and invest in the future of local communities, in particular through investments in:

- Restoring General Purpose Funding to Local Government to adequately fund local services;
- Strategic investments in local and regional infrastructure and community assets; and
- Investments in selected programs to build community resilience, social inclusion and prosperity.

The Government is to be congratulated for maintaining Australia's extended period of national economic growth. In last year's budget Treasury estimated economic growth in 2017-18 at 2¾ percent increasing to 3 percent in 2018-19. However, these growth rates may be revised downward taking into account continued low domestic interest rates, low inflation, subdued wage growth, underemployment and softening of the Australia dollar over time. In the medium to longer term, the implications of improving global economic conditions on Australia's international competitiveness, the Chinese Government's focus on its One Belt, One Road initiative and subsequent focus on trade into Europe and East Asia, and efforts to stimulate domestic consumption need to be fully assessed and taken into account.

Restore Financial Assistance Grants to at least 1 percent of Commonwealth tax revenue

TAX SHARING

A RANGE OF INITIATIVES FOR THE 2018-19 BUDGET

COMMUNITY RESILIENCE PROSPERITY & INCLUSION

Health and well being preventative measures and programs

New National Partnership Agreement on Remote Indigenous Housing

Improve digital transformation, connectivity and support smart communities and innovation

ASSETS & INFRASTRUCTURE

Fill identified gaps in transport assets, knowledge and planning

Strengthening the Roads to Recovery and Bridges Renewal Programs

Stabilise roads funding across states and territories, including South Australia

Betterment programs and certainty around Natural Disaster Relief and Recovery funding

Climate change asset adaptation and mitigation

Community infrastructure investment to stimulate growth

While Australia's overall economic performance has been credible compared with international standards, it is important to acknowledge that economic performance across the States and Territories and Australia's regions varies widely as the economy transitions from its high reliance on mining, particularly mining construction. These circumstances create challenges for a Commonwealth government committed to ensuring that all Australians share the benefit from national growth and that no community is left behind.

The Federal Budget therefore must now focus on investment to ensure global competitiveness of the Australian economy as well as investment in local communities, particularly through local governments, to ensure equity and sustainability.

In this Budget Submission, ALGA proposes a range of initiatives for the 2018-19 Budget which reflect the immediate priorities of Local Government and will achieve both objectives.



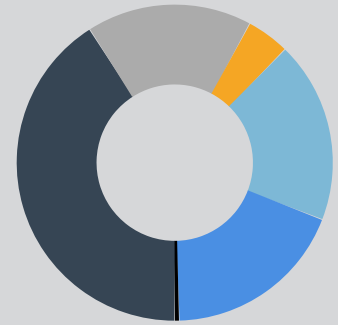
Australia's LOCAL GOVERNMENT

Facts

LOCAL GOVERNMENT nationally employs just under **187,000 Australians**, owns and manages non-financial assets with an estimated written down value of **\$408 billion** (2015-16), raises around **3.6 percent of Australia's total taxation revenue** per annum, and has an annual **operational expenditure of around \$35 billion** (2015-16).

Assets

| | |
|-------------|------|
| Roads | 41% |
| Buildings | 17% |
| Parks | 4% |
| Stormwater | 19% |
| Waste Water | 19% |
| Airports | 0.8% |



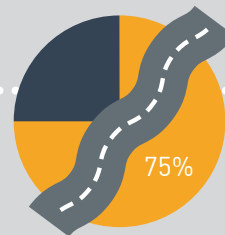
Statistics



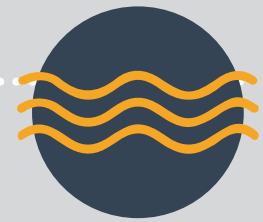
187,000
Workforce



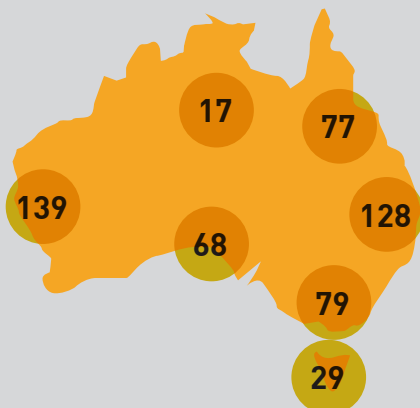
6,600
Councillors



657,000km
Roads



\$408 billion
Infrastructure



537 Local Councils

- 128 New South Wales
- 17 Northern Territory
- 77 Queensland
- 68 South Australia
- 29 Tasmania
- 79 Victoria
- 139 Western Australia

The Well-Being of Every Australian

Australia is one of the most urbanised and successful ethnically diverse societies in the world. It is a comparatively safe, prosperous and dynamic society. The lives and day-to-day experiences of every Australian are shaped by the places in which they live and work. Local governments are responsible for the streetscape, the operating environment for the cafes, restaurants and local business across municipalities. They provide individuals and families with access to public libraries, internet cafes, art galleries, museums, men's sheds, community halls, sports grounds, parks and gardens, showgrounds, individual properties and local businesses. Councils manage municipal waste, provide local roads, run local airports and aerodromes in rural communities and sustain transport links for passengers and freight. They manage stormwater services, and in some states councils provide and manage access to clean drinking water and waste water services. In short, they manage the cities and towns in which people live and work and the well-being of local communities.

Independent research commissioned by ALGA in 2012 shows that a majority of Australians agree that local councils play an important role in their lives.¹

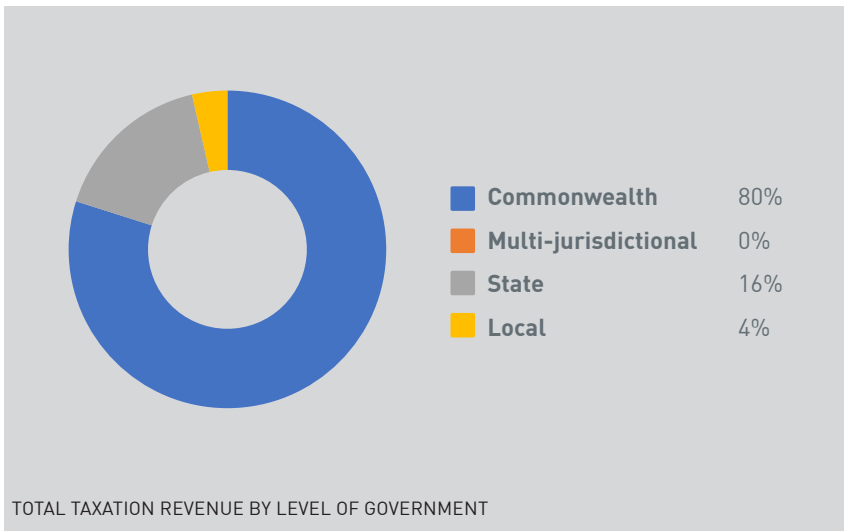
According to the OECD, Australia performs very well in many measures of well-being relative to most other countries in the Better Life Index. Australia ranks at the top in civic engagement and above the average in income and wealth, environmental quality, health status, housing, jobs and earnings, education and skills, subjective well-being, and social connections.

These attributes are the culmination of the work of all Australian governments, its people and the natural and built assets, and are experienced by individuals in the places they live and work.

To date, the partnership between the Commonwealth and Local Government has been critical to achieve fairness and equity. It has facilitated an enabling environment for local industry and business to thrive, to boost local and regional economies and to help households by ensuring equitable access to services and infrastructure that will ensure all Australians can benefit from the nation's growth story.

‘ Commonwealth support for a strong and sustainable Local Government sector is in the national interest ’

1 Unpublished research 2012.



There are 537 Local Government authorities in Australia which serve almost every community across the nation. Local Government is the third democratically elected level of government in the Australian Federation. Councillors are elected from within their local community and are directly accountable for the planning, coordination, facilitation and delivery of council service and infrastructure to all residents within their municipality. It is in the national interest that the Commonwealth supports a strong, vibrant and sustainable Local Government sector across the nation.

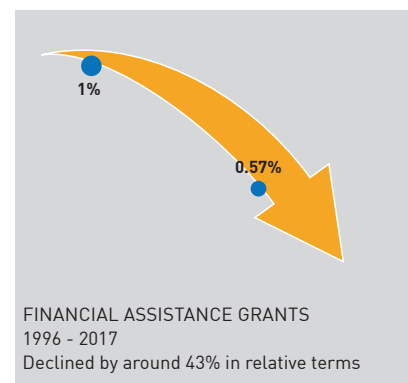
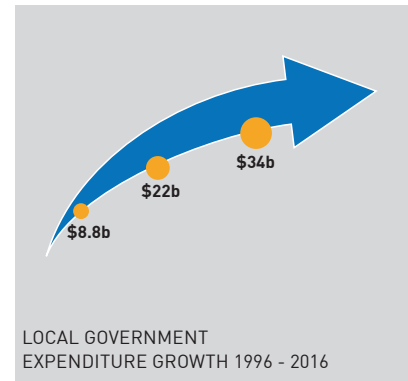
Federal Financial Relations

The Commonwealth collects around 80 percent of taxation, however responsibility for service and infrastructure delivery falls to states/territories and local governments. This is known as Vertical Fiscal Imbalance and requires an effective system of intergovernmental financial transfers.

The current funding arrangements for all levels of government including Local Government, are no longer fit for purpose. ALGA notes the on-going work of the Commonwealth and states and territories on Federal fiscal reform. However, this work must be broadened to acknowledge the needs of local communities and their local governments.

The emergence of cities as an economic force within the Australian economy requires all governments, particularly local governments to act and respond to challenges that are different to those of even decades ago. Rural and regional communities and their economies are also faced with challenges and opportunities that can best be addressed locally and regionally. The roles and responsibilities are changing, and it is imperative that government funding arrangements be reformed.

The 2018-19 Federal Budget provides an excellent opportunity to commence real reform that will help to support Local Government's role in maintaining and improving community well-being in this nation. The principles of Local Government funding reform, supported by ALGA are in Appendix 1.



TAX SHARING

Restoration of Funding Assistance

The challenges and opportunities created by the nation's growth story over the past 50 years must be addressed at the local level.

Additional investment through Local Government is essential to help maintain Australians' living standards by fostering the equitable provision of Local Government services and infrastructure and maintaining local economic growth.

Restoring the quantum of Financial Assistance Grants to at least 1 percent of Commonwealth taxation revenue should be a priority in the 2018-19 Federal Budget.

In the Australian Federation, the majority of taxation revenue (80 percent) is collected in an efficient way by the Australian Government. This centralised model of tax collection requires a robust and sustainable system of intergovernmental transfers.

Nationally, Local Government spent \$34 billion in 2016. The Commonwealth provides around \$2.3 billion in Financial Assistance Grants (FAGs) to Local Government, or just under 7 percent of annual expenditure.

On average, Local Government is relatively self-sufficient, raising more than 90 percent of its own revenue, primarily through rates (the only source of Local Government tax) and fees and charges.² However, as the Australian Government has noted in the Local Government National Report³, averages can mask the true situation of specific local councils, with individual councils having different revenue-raising capabilities.

The Productivity Commission confirmed that while some councils could increase their effort slightly to reach their theoretical own revenue-raising potential⁴, a significant number of local councils, particularly in rural and remote areas, remain dependent on grants

2 Productivity Commission report *Assessing Local Government Revenue Raising Capacity* (April 2008), Finding 5.4, p.xxxvii (herein referred to as the 'PC report').

3 Australian Government *National Local Government National Report 2008-09*

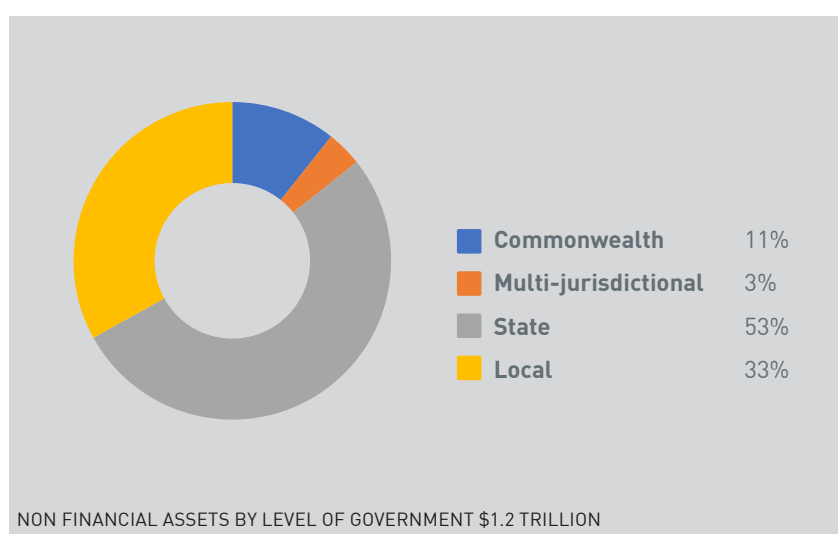
4 It should be noted that, while the basis and methodology of raising rates is different, council rates contribute to total tax burden on Australians.

from other spheres of government to meet current expenditure. The Commission further concluded that some councils will always remain highly dependent on FAGs, notwithstanding they might have fully utilised their own-source revenue raising capacity.⁵

The Australian Government's funding to Local Government through FAGs is critically important. Untied in the hands of councils, the FAGs supplement the capacity of councils to provide a mix of services and infrastructure appropriate to their local circumstances. They help equalise the level of services across local governments particularly in rural, regional and remote areas, and they help fund the growth in demand for local government services in line with population and maintain the well-being of communities. They fund services such as public libraries, public open space, parks and gardens, recreational opportunities, community relations, community welfare, as well as fostering local business development and innovation.

FAGs were equal to around 1 percent of Commonwealth taxation revenue in 1996. However, despite an annual growth rate in Australia's Gross Domestic Product of an average 3.47 percent from 1960 until 2017, FAGs have declined by around 43 percent in relative terms over the past 20 years, and now amount to approximately 0.57 percent of Commonwealth tax revenue.

This must be corrected as the fall in real funding to Local Government has reduced the capacity of councils to develop and maintain services and infrastructure and risk reducing standards of living across the nation. Any review of the FAGs system must include restoration of the quantum of revenue.



5 Op. cit

South Australian Road Funding Anomaly

While FAGs are untied in the hands of councils, they are comprised of two components: a General Purpose Component and an Identified Roads Component.

For many years there has been an anomaly in the level of funding to South Australian councils' Identified Roads Component. ALGA welcomes the Australian Government's decision to reinstate supplementary road funding for South Australia at the rate of \$20 million per annum for two years (2017-18 and 2018-19). While this is welcome, it is a temporary fix to a demonstrated problem, and ALGA believes the additional funding should be made permanent. This could be achieved by adjusting the Identified Roads Component of FAGs. Restoration of FAGs to at least 1 percent of Commonwealth taxation revenue as a fair share of Commonwealth taxation is, ALGA believes, the "right choice to secure the better days ahead", to "boost the economy and helping households, and to ensure all Australians can benefit from the nation's growth story".

‘ Financial Assistance Grants help equalise the level of services across Local Governments ’

ASSETS AND INFRASTRUCTURE

Building Productive Capacity through Freight Productivity Investment

To realise the productive potential of Australia's freight routes, invest in first and last-mile solutions that will improve heavy vehicle access on local roads.

As part of a package of transport reform, the 2018-19 Federal Budget should invest in a Local Government Higher Productivity Investment Plan (Freight Strategy) starting at \$200 million per annum over five years.

ALGA strongly supports the Australian Government's focus on improved productivity through investment in infrastructure. The efficient movement of freight is essential in a national economy. Targeted investment and regulatory reform across the different transport modes is important to ensure that our freight moves in a timely way and by the most appropriate mode.

As the owner and manager of 75 percent of Australia's road network by length, Local Government believes priority should be given to helping councils maintain the local roads network and, importantly, providing additional investment to improve the productivity of key road freight routes, in particular through addressing first and last-mile issues. The first/last-mile problem typically refers to a local road network which is not of the same standard as the major arterial network. This can result in bottlenecks and pinch points that increase the time it takes for freight to travel from sender to receiver.

ALGA welcomes the Commonwealth's current National Freight and Supply Chain Inquiry. Australia needs a comprehensive national freight strategy that takes an "end-to-end" approach to supporting business supply chains. However, work on the known challenge of first and last-mile issues should commence immediately, given the extent of the problems that currently restrict freight.

Generally, local government roads and bridges were designed and built decades ago, and are no longer fit for purpose. As a result, vehicle access to parts of the local road network may be more limited as road providers try to balance access with protection of the road assets from vehicle damage. Limited access frequently requires high productivity vehicles to “break down” to smaller configurations at the start or end of the journey, requiring drivers to depart production facilities with only one trailer attached, drive to suitable assembly point adjacent on approved high productivity road before returning to collect subsequent trailers, and then assemble all in a double or triple configuration. This inefficient process can also occur at journey’s end. This process negates some of the benefits of higher mass limit reforms.

“The first/last mile challenge needs to be addressed to improve heavy vehicle access to the road network. Road providers need to make targeted investments to remove restrictions to access for high productivity vehicles at key locations.” National Transport Commission, Heavy Vehicle Charging and Investment Project, July 2013).

ALGA proposes that the Australian Government should invest in a Local Government Higher Productivity Investment Plan (referred to as the Freight Strategy). This strategy is specifically designed to address the first/last mile issue in strategic high production localities. The ALGA Freight Strategy identifies four key gaps in current freight transport arrangements, including first/last mile issues.

‘ Targeted investment and reform will ensure our freight moves in a timely way ’



System Gaps

Currently, the system for managing Australia's total road network is not appropriately linked, and access consent is difficult to coordinate. A key enabler of timely access to local roads is a fully interoperable system between the National Heavy Vehicle Regulator (NHVR), jurisdictions and industry.

The NHVR and ALGA are currently working with councils to develop a better understanding of transport demand across all jurisdictions and councils. ALGA will continue to support the NHVR on the development of tools to assist councils with understanding state and national freight routes and how they interface with council roads.

Planning Gaps

The current system of planning, including freight route identification to meet industry needs, is ad hoc. Local Government is committed to regional transport planning, including route identification and prioritisation in consultation with jurisdictions and industry to improve the alignment of needs and priorities – subject to resources.

ALGA proposes that the Commonwealth incentivise councils to undertake regional transport plans, including demand forecasting on key freight routes.

Knowledge Gaps

Currently, the system for consenting to access on local roads requires councils to make decisions on the capacity of roads and other key assets such as bridges in order to undertake the task. These decisions take into consideration engineering conditions, asset management plans and financial management plans. Where councils have limited, inadequate, or no current data on the engineering conditions of such assets, formal assessments may be required.

However, councils often do not have the resources to undertake these assessments in a timely manner. Local Government is committed to accelerating appropriate asset assessment in a timely manner, particularly on identified priority freight routes, subject to resources.

However, councils need adequate funds to undertake appropriate engineering assessments of key strategic assets on key freight routes.

‘ Boosting the economy and helping households, ensures all Australians can benefit from the nation's growth story ’

Funding Gaps

The current system of funding of local roads is designed primarily to meet property access needs in line with local community expectations and councils' long-term financial management plans.

External funding for road reconstruction and maintenance has not increased to keep pace with industry and community needs. Councils are struggling to maintain the status quo and generally have very limited capability to self-fund demand for improvements flowing from advanced safety technologies or higher productivity freight configuration.

Given that many local roads and key transport assets were not designed or constructed to suit the modern transport fleet, priority routes need to be significantly enhanced to meet increased demand. Life-cycle funding is required to improve the standard of these local roads and key assets to meet current and future transport demand.

While up-front capital funding is required, recurrent funding must also be increased to assist councils to maintain these roads effectively. Local Government is committed to working with industry and other levels of government to coordinate additional investment on key freight routes.

ALGA proposes the Commonwealth provide Local Government with funding to invest in strategic first and last-mile elements on key freight routes.

ALGA is proposing this plan be funded at \$200 million per annum over five years. ALGA's analysis indicates that this investment would have a cumulative Gross Domestic Product benefit by year three of \$1.07 billion and create up to 2,300 new jobs.

‘ Life-cycle funding is required to improve the standard of local roads and key assets to meet current and future transport demand ’

Asset Maintenance, Safer Roads and Communities

As part of a package to achieve sustainable transport reform, the 2018-19 Federal Budget should increase investment in local roads and bridge maintenance and safety by:

- Increasing the Roads to Recovery Program funding (R2R) to \$800 million per annum to more sustainably manage the Local Government component of the national road network; and
- Making the Bridge Renewal Program permanent to more sustainably manage council bridges.

The cost and social impacts of road transport are nationally significant and impact all Australians. The cost of road crashes in Australia is estimated at \$27 billion annually⁶. Fifty percent of road crashes are on local roads.⁷

Local Government owns and manages around 75 percent of the national road network (by length). The State of the Assets Report (2015) estimates the total replacement cost for these roads and other transport assets such as bridges is about \$180 billion.

Maintaining the local road system is one of local Government's major tasks. In most councils, it is the single largest item of expenditure. Total annual expenditure on local roads by councils is estimated to be in excess of \$7 billion.

However, the State of the Assets Report (2015), commissioned by ALGA, estimates that around 11 percent of local government transport assets with a replacement value of around \$20 billion, are in poor or very poor condition, and in need of urgent maintenance and or renewal. Inadequately maintained, particularly poor and very poor roads can have serious road safety outcomes.

Successive studies commissioned by ALGA, including from PriceWaterhouseCoopers (2006), JRA and Associates (2010, 2013 and 2015) consistently show an infrastructure backlog and an underspend within the Local Government sector of at least \$1.2 billion per annum.

⁶ BITRE 2013.

⁷ Queensland Transport and Main Roads.

The Roads to Recovery Program (R2R) is a true partnership between the Australian Government and Local Government. R2R has provided important funding to assist Local Governments to maintain their transport assets as well as improve road safety outcomes. Recent Australian Government announcements of a one-off doubling of R2R funding and allocating revenue raised from fuel excise indexation recognise both the important role and the strength of that partnership.

R2R is a much-needed and extremely popular program. Additional investment in R2R funding will enhance the capacity of Local Government to address this backlog.

Additional investment of around \$400 million per annum (ie, a doubling of R2R funding) will accelerate improvement in local roads maintenance and accelerate social and economic development locally and regionally – ultimately lifting national productivity as a whole. This should be in addition to the very important Black Spots Program which ALGA believes should also be maintained and improved.

The State of the Assets Report (2015) shows councils own timber bridges with a replacement value of \$3.9 billion. Of these bridges, 22 percent are in poor or very poor condition, with many owned by councils which have little capacity to make the necessary improvements. ALGA strongly welcomed the much-needed Bridges Renewal Program of \$380 million over five years, aimed at helping councils address this very substantial problem, particularly in regards to timber bridges. However, given the magnitude of this infrastructure management task, ALGA believes the Australian Government should look to make this program permanent to allow greater productivity benefits to be realised.

ALGA's analysis indicates that this investment would have a cumulative Gross Domestic Product benefit by year three of \$1.71 billion and create up to 4,000 new jobs.

‘ R2R is a much-needed and extremely popular program. Additional investment in R2R funding will enhance the capacity of Local Government to address this backlog ’

Community Infrastructure

As part of a package to achieve sustainable communities, the 2018-19 Budget should invest in a Local Government Community Infrastructure Program of \$300 million per annum over four years.

Well located, well-designed and properly maintained community infrastructure is critical for strengthening the well-being of local communities.

Local Government's community infrastructure provides citizens with access to libraries, town halls, art galleries, museums, men's sheds, sports grounds, parks and gardens, showgrounds, transport services through airports and aerodromes, stormwater management services as well as access to clean drinking water and waste water services.

Local Government is responsible for local and regional community infrastructure. The State of the Assets Report (2015) estimates that local government non-road assets have an estimated replacement value in the order of \$260 billion.

The State of the Assets Report (2015) shows that 11 percent or \$28.6 billion of this infrastructure is in poor or very poor condition, despite the sector's intensive focus in recent years on strategic asset management.

There is a need for resources to ensure that local community infrastructure across a range of activities can be appropriately maintained and brought up to a standard which allows equitable access for all, including people with disability, women, and older people (a growing issue as our population ages). For example, many traditional sports grounds need facilities to be adapted to support the growing number of female participants in sports such as football.

Much of this community infrastructure provides multiple benefits such as health, fitness and social inclusion outcomes.

After consultation with state and territory local government associations, ALGA established a Community Infrastructure Ideas Register in September 2017. Within weeks, councils had identified more than 285 projects with a value of more than \$951 million of shovel-ready community infrastructure projects.

The 2018-19 Federal Budget provides an excellent opportunity to support Local Government in restoring and rejuvenating aging community infrastructure. New investment in the maintenance of community infrastructure will create jobs, support the lifestyles and living standards of hundreds of communities, and enable towns to attract and retain population, particularly in regional and rural communities. ALGA seeks funding at the level of \$300 million per annum over the next four years for a community infrastructure program.

ALGA's analysis indicates that this investment would have a cumulative Gross Domestic Product benefit by year three of \$1.41 billion and create up to 3,600 new jobs.

‘ Many traditional sports grounds need updated facilities to support the growing number of female participant in sports such as football ’



COMMUNITY RESILIENCE, PROSPERITY AND INCLUSION

Natural Disasters and Mitigation

As part of a package to support communities and to mitigate the impacts of natural disasters, the 2018-19 Budget should invest:

- In the Natural Disaster Relief and Recovery Arrangements to ensure that Local Government is not worse off under current reforms;
- A targeted disaster mitigation program at a level of \$200 million per annum for four years.

Communities in Australia are profoundly impacted by natural disasters, and need appropriate and adequate relief and support to recover from these events.

Local Government has been a strong supporter of the Natural Disaster Relief and Recovery Arrangements (NDRRA) which are vital to assisting councils and communities to recover from major natural disasters. It is critical that the costs of restoring government infrastructure are shared across all levels of government, and that the Commonwealth remains committed to meeting up to 75 percent of those costs.

Equally important is mitigation, and ALGA strongly believes that preparing for and mitigating the impacts of natural disasters must feature higher in the Commonwealth's priorities for disaster management.

ALGA acknowledges the Commonwealth's commitment to an upfront model of disaster relief and recovery funding, and calls on the Australian Government to ensure that Local Government is not disadvantaged under such a model.

ALGA believes the capacity of communities to identify, mitigate and respond to natural disasters is critical. In the face of an increase in extreme weather events, rebuilding infrastructure to its original

specifications and condition is not sufficient. Betterment funding, or a small additional investment, will save millions of dollars in years to come by ensuring that infrastructure is rebuilt to withstand new climate-change realities.

ALGA is calling for political parties to commit to higher and more targeted mitigation funding, with betterment funding as a core element, to assist Local Government in strengthening the resilience of local communities. Specifically, ALGA is calling for a dedicated Natural Disaster Mitigation Program funded by the Commonwealth, states and territories, and Local Government on a 2:2:1 basis.

In its 2014 inquiry into natural disaster funding, the Productivity Commission noted the value of disaster mitigation expenditure and raised the idea of a \$200 million per annum mitigation program. ALGA strongly supports prioritisation of a Commonwealth commitment to higher and more targeted mitigation funding to assist Local Government to strengthen the resilience of local communities. The value of investment in mitigation was also highlighted by the Australian Business Roundtable for Disaster Resilience and Safer Communities in its 2013 White Paper.

ALGA's analysis indicates that this investment would have a cumulative Gross Domestic Product benefit by year three of \$620 million and create up to 1,500 new jobs. Note however, the performance outcome of this initiative also depends on the cost of disaster avoided to expenditure ratio.

‘ The capacity of communities to identify, mitigate and respond to natural disasters is critical ’

Climate Change

As part of a package to limit global warming and to adapt to the impact of climate change, the 2018-19 Budget should invest in a Local Government Climate Change Fund of \$200 million over four years.

Managing the effects of global warming requires effort by every level of Australian Government. The outcome of the Conference of Parties 21 (COP 21), held in Paris in December 2015 sets the scene for increased efforts to address climate change.

ALGA strongly supports the Australian Government's commitment, through COP 21, to holding the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change.

While much can be done to reduce greenhouse gas emissions in all parts of Australia, ALGA welcomes COP21's acknowledgement of the importance of sub-national governments, including local governments, in addressing and responding to climate change. This is an opportunity for partnership and collaboration that Local Government is eager to take up. In addition to funding which will assist local activities, ALGA hope that the Australian Government's Direct Action Plan can continue to be refined to increase Local Government participation.

The role of cities is particularly important. As one of the most urbanised countries in the world – with over 80 percent of Australia's population living in cities including large regional centres – the role of our cities and the role of councils within these cities in addressing climate change is hard to overstate.

Increased flooding from more severe storms and loss of permeable surfaces due to increased densification of cities and towns is going to require changes in stormwater management and adjustments to infrastructure to protect communities.

The increasing number of people wanting to access coastal and marine areas compromises the resilience of these areas. Our coastline has many old and ageing coastal protection assets such as sea walls and groynes. Many are no longer viable, and it is a struggle to maintain those that still have a purpose. Many need to be assessed and upgraded to ensure they can mitigate rather than contribute to future risks.

Increasing energy demands due to population growth, as well as increasing frequency and severity of extreme weather events and urban heat-sink effects, also point to the need for local governments to take into account the increasing impact on its communities and infrastructure, including potential new technological advancements in battery storage facilities under the National Energy Guarantee and Clean Energy Targets.

The impacts of climate change and extreme weather are not limited to the coastal zone. All councils and their communities grapple with extreme weather, heatwaves, drought, bushfires etc, and struggle to understand the full impacts of global warming on systems of production including in agriculture.

As the custodians of public infrastructure, all levels of government have obligations to plan for the future and have regard for policies which need to be implemented now to leave positive legacies for future generations.

‘ Local Government has a proven track record in addressing climate change ’



Collective effort and investment from all parts of government is therefore essential to protecting communities now and into the future.

Local Government has a proven track record in addressing climate change in our cities and rural and regional areas, and will play an important role in helping the Australian Government achieve internationally agreed climate change targets.

Many councils have responded by adopting proactive climate change strategies to reduce emissions and to adapt to unavoidable climate change impacts through climate change risk assessments and adaptation plans.

Having identified potential solutions to the range of challenges, many councils need additional help to implement local projects and innovative solutions.

For other, less-prepared councils, particularly smaller councils in regional areas, small grants could also be made available to support them to consult with their community, assess climate-change vulnerabilities and develop adaptation plans. Subsequently these councils could become eligible for funding to implement these plans.

These steps will assist communities in guarding against the worst impacts of unavoidable climate change, provide opportunities for local development, and increase local knowledge to contribute to the national response.

ALGA's analysis indicates that this investment would have a cumulative Gross Domestic Product benefit by year three of \$451 million, and create up to 1,100 new jobs.

‘ Collective effort and investment from all parts of government is essential to protecting communities now and into the future ’

Preventative Health and Well-Being

As part of a package to support communities, improve general health and well-being, and to help reduce national health expenditure, the 2018-19 Budget should invest in a Local Government Place Based Preventative Health Fund of \$100 million over four years.

‘ Health and well-being must be a priority for all levels of government ’

Health and well-being of all Australians must be a priority for all levels of government. It is estimated that around 10 percent of Gross Domestic Product is spent on health care. The cost of health care is increasing and greater priority needs to be given to preventative health in an attempt to keep people well and reduce the burden on the hospital and primary health care systems.

Local Government has demonstrated that it is reliable, professional and cost-effective in achieving outcomes in partnership with the Commonwealth Government. Nationally, Local Government has been a partner in preventative health measures as they relate to planning, environment and infrastructure (Healthy Spaces and Places) and in delivering Commonwealth preventative initiatives such as Healthy Communities.

Councils understand the importance of healthy communities and creating spaces where people have the opportunity to be active.

As previously noted, Local Governments are responsible for around \$280 billion worth of community infrastructure located in every community. This infrastructure provides citizens with access to public buildings, arts and cultural opportunities, sport and recreation activities, parks and gardens for passive recreation.

Councils are in an excellent position to partner with other levels of government to achieve mutually beneficial outcomes.

In the past, councils have undertaken a range of preventative health programs and activities, including National Heart Foundation Walking Groups, community gardens, creating a network of paths and tracks for cycling and walking, outdoor gyms, sports carnivals, walking school bus, and a myriad of other initiatives to reduce overweight, obesity, diabetes, heart disease, and accidental falls.

ALGA notes the work of the Commonwealth on a National Sports Plan. This Plan seeks to identify how to maximise participation in sport, reduce barriers to participation, improve health and wellbeing through physical activity and respond to governance and sporting infrastructure issues.

As the owner of the vast majority of sporting infrastructure in Australia, Local Government would be pleased to partner with the Commonwealth to examine ways of implementing and delivering the four key pillars of participation, performance, prevention through physical activity, and integrity.

A Local Government Place-Based Preventative Health Fund could be targeted at communities in high need. The Fund could include two key elements:

- grants to councils to engage target population groups in physical activity and healthy eating programs and activities; and
- national program grants to councils and not-for-profit organisations across Australia to expand their current healthy lifestyle programs.

ALGA strongly urges the Commonwealth to establish a Local Government Preventative Health and Activity Program of \$100 million over four years, utilising Local Government's capacity and existing resources, and aimed at improving health outcomes through healthier eating and increased physical activity via programs delivered in or with men's sheds, sport and recreation facilities, and community groups – utilizing meeting spaces that are free and accessible.

ALGA's analysis indicates that this investment would have a cumulative Gross Domestic Product benefit by year three of \$292 million and create up to 1,600 new jobs.

Indigenous Australians

As part of a package to help Close the Gap and foster Indigenous well-being and prosperity, the 2018-19 Budget should continue to provide at least \$5.5 billion over the next decade to support negotiations and the development of a new National Partnership Agreement on Remote Indigenous Housing (NPARIH), to help address the needs in Indigenous communities.

ALGA calls for the renewal of the National Partnership Agreement on Remote Indigenous Housing (NPARIH), highlighting the need for increased local engagement and utilising local services and resources. This will increase the effectiveness of service delivery as well as the quality of those services.

Initiatives aimed at closing the gap between Indigenous and non-Indigenous Australians in the areas of housing, health, early childhood development, education, economic participation and remote service delivery are vital if our nation is to overcome the economic and social costs of entrenched disadvantage in our Indigenous communities. ALGA calls on the Australian Government to continue to provide at least \$5.5 billion⁸ over the next decade to address the needs in Indigenous communities particularly in the areas of:

- overcrowding;
- homelessness;
- poor housing conditions; and
- a severe shortage of housing in remote Aboriginal and Torres Strait Islander communities across Australia.

Family well-being is supported by Local Government in Indigenous communities, and is a major focus of municipal service and infrastructure delivery. To achieve the best outcomes for communities, appropriate resources must be provided for these service-delivery functions.

⁸ The National Partnership Agreement on Remote Indigenous Housing (NPARIH), which was made available to all states and territories to construct new homes, refurbish existing homes and provide employment and training opportunities. The Australian Government committed \$5.5 billion over ten years to 2018 to address the following issues: (a) significantly reducing severe overcrowding in remote Indigenous communities; (b) increasing the supply of new houses and improving the condition of existing houses in remote Indigenous communities; and (c) ensuring that rental houses are well maintained and managed in remote Indigenous communities.

Infrastructure Australia notes “Infrastructure is a critical issue in remote Indigenous communities, with many areas lacking even basic services. Improving the delivery of infrastructure to these areas can bring considerable social benefits in terms of access to services and economic opportunities and it is fundamental to the Government’s broader agenda of Closing the Gap in Indigenous Disadvantage”. (Infrastructure Australia, 2015, Australian Infrastructure Audit, Our Infrastructure Challenges, Report – Volume II, p.271).

Water and sewerage infrastructure provision has not kept pace with population growth in remote Indigenous communities. As a result, in some jurisdictions new housing or new buildings cannot be connected to services due to a lack of capacity. There are seven towns in the Northern Territory that are at capacity now, and others that are closely following.

“Essential services infrastructure, such as water storage and sewerage management, is not always adequate for the population it supports”. (Infrastructure Australia, 2016, Australian Infrastructure Plan, the Infrastructure Priority List – Project and Initiative Summaries, p95).

ALGA calls on the Australian Government to commit to taking urgent action to develop new arrangements for funding in Indigenous communities to ensure that services are meeting the needs to communities, including in cities and towns, and that there has not been a shifting of responsibilities and costs on to Local Government.

It is important that all parties commit to consult and work with elected Indigenous councils on policies and programs aimed at meeting the needs of local communities including, where necessary, the removal of barriers on land tenure for councils so they are better placed to provide services and maintain facilities and infrastructure in Indigenous communities. It is important that the Australian Government plays a key role in resolving this issue with the states and Land Councils so that Local Government is not hindered in performing these roles.

ALGA’s analysis indicates that this investment would have a cumulative Gross Domestic Product benefit by year three of \$1.66 billion and create up to 5,300 new jobs.

‘ Infrastructure is a critical issue in remote Indigenous communities, with many areas lacking even basic services ’

Smart Communities and Information Communication Technology

As part of a package to transform Australian cities and towns and improve the delivery of government services, the 2018-19 Budget should invest to:

- Build on the Government's approach to the Smart Cities Suburbs Program approach by providing a Smart Communities Program of \$100 million per annum; and
- Establish a Digital Local Government and Rural / Regional Telecommunications Program of \$100 million over four years to increase the community benefits of improved technology, connectedness and innovation.

ALGA strongly supports the adoption of new technology to better engage communities, increase productivity, and gain insights through sophisticated analytics. The Government's announcement of the \$50 million Smart Cities and Suburbs Program, made last year by the Assistant Minister for Cities and Digital Transformation, the Hon. Angus Taylor, recognises that many councils need support on their digital transformation journey.

Adopting new technology and better approaches to the capture and management of data, strengthening the skills of people, and leveraging the competitive advantages in all places across Australia is important. ALGA strongly believes that the Government's approach should be expanded to support a Smart Communities Program with funding of \$100 million per year for four years.

ALGA has examined the three pillars that underlie the Government's Smart Cities Initiative and believes that each of these pillars can apply to every community across Australia. They are: smart investment, smart policy, and smart technologies.

For Australia to optimise the benefits of investing in Smart Cities, cities and towns across Australia also need to be linked. All communities, whether they be in the major capitals or in regional towns need to be future-ready. Linked up smart communities will foster decentralisation and ensure equitable access to the benefits of the knowledge economy.

There are 537 councils across Australia – each of them is responsible for the good governance and development of their communities.

Without additional funding and a broadening of the Australian Government's Smart Cities and Suburbs initiative there is a risk the benefit of investments in smart technologies will not be fully realised. Many communities will be left behind and the full benefits of the digital economy will not be realised across Australia.

Whole-of-Government business transformation strategies that result in an interconnected government and collaborative citizen-centre approaches will underpin tomorrow's smart cities.

Rural and regional Australia and its telecommunications connectivity capabilities also underpins business transformation and interconnectedness. In line with the Commonwealth's Telecommunication Reform Package, ALGA proposes that the Commonwealth complement its investment in a Smart Communities program with a Digital Local Government and Rural/Regional Telecommunications Program.

The Digital Local Government and Rural/Regional Telecommunications Program would support councils in realising the service delivery and asset management benefits that technology will bring in both urban and non-urban settings. It would support the sector to complement and not compromise the Commonwealth's open government and open data initiatives, ensure Local Government has well-developed approaches to managing cyber risk and cybersecurity, and support the implementation of and adherence to national approaches to privacy protections.

Technology systems, people and communities need to be linked and integrated. Failure to prepare all communities to adapt to new technologies including, for example, autonomous vehicles, or to use the capability of big data to inform traffic flow and traffic management will limit the effectiveness of smart technology investments in some parts of the country. The Commonwealth should be supporting councils and their communities to realise the benefits and opportunities of new technologies.

ALGA's analysis indicates that investment in:

- **Smart Communities would have a cumulative Gross Domestic Product benefit by year three of \$242.3 million and create up to 700 new jobs, and**
- **Digital Local Government and Rural / Regional Telecommunications Program would have a cumulative Gross Domestic Product benefit by year three of \$98.1 million and create up to 300 new jobs.**

‘ Failure to prepare all communities to adapt will limit the effectiveness of smart technology investments in some parts of Australian ’

CONCLUSION

Local Government plays a key role in the strengthening the nation through:

- planning and developing cities and towns and the places in which people live and work;
- planning and coordinating services at the local and regional level;
- provision of municipal and essential services and infrastructure to every community across Australia;
- managing around 75 percent of the national road network that provide access to homes, farms and local business and linkages between communities, businesses and industries.
- providing most of the nation's social infrastructure such as sport and recreation facilities, parks and gardens, local cultural facilities, libraries, museums and venues for festivals and the arts;
- Stormwater management; and
- Environmental management and services including land use planning and control, waste management, food inspection and children's immunisation services.

Local Governments are playing an increasingly important role in:

- regional economic development;
- human services such as childcare, aged care, youth services, community relations;
- community safety including the security and protection of crowded places;
- technology and digital transformation of local communities;
- adaptation of transport infrastructure to address changing markets such as electrification of vehicles and autonomous vehicles;
- smart cities and smart communities; and
- climate change including emissions reduction and adaptation to climate change that is already built into the climate system.

However, external funding has been steadily declining for many years. Rate capping will serve to further limit Local Government's opportunities to survive and thrive and meet the needs of its communities.

Partnerships with the Commonwealth offer a proven pathway to higher levels of service to support productivity, safety, well-being and economic growth. National objectives can then be supported and delivered at the local level.

This Submission proposes a series of initiatives designed to support the provision of world-class services to our communities, especially for our most vulnerable, and to generate clear economic benefits for the nation.

APPENDIX 1

Principles

All levels of government agree on the need to better align funding with responsibility and on the need for a more effective mechanism to share tax revenue. The primary purpose of any reform of funding and roles should be to improve the efficiency and cost effectiveness of the delivery of services and infrastructure to Australians no matter where they live. Local Government must be part of reforms to our intergovernmental relations.

In implementing reform, the ALGA is committed to the following principles:

- All Australians, no matter where they live, should be entitled to a reasonable level of local services and infrastructure.
- Local Governments require certainty of funding if they are to effectively manage their significant asset base.
- Federal funding to Local Government should be provided primarily as untied grants but also, where appropriate, through tied grants.
- Financial Assistance Grants provided by the Australian Government to Local Government should remain untied and solely for the purpose of council recurrent expenditure.
- Additional Federal funding should be provided to councils to address infrastructure investment aimed at improving national productivity.
- In the medium to long term, the level of funding provided to councils through untied Financial Assistance Grants should be restored to an amount equal to 1 percent of Federal Taxation revenue.
- In the more immediate term:
 - Funding should be indexed annually in line with movements in a Local Government cost index which reflects the changes in costs of delivering local government services; and
 - total Commonwealth funding provided to councils by the Australian Government should not fall below 1 percent of Federal Taxation revenue.
- Any legal doubts about the ability of the Australian Government to directly fund Local Government to deliver services and infrastructure should be resolved.
- Any major reform of inter-governmental funding should include commitments by the Commonwealth and the states and territories to incorporate these principles.