



AUSTRALIAN  
LOCAL GOVERNMENT  
ASSOCIATION

2020-21 Pre-Budget Submission

# STRONGER SAFER TOGETHER



20 December 2019

The Hon. Josh Frydenberg MP  
PO Box 6022  
House of Representatives  
Parliament House  
Canberra ACT 2600

Dear Treasurer,

The Australian Local Government Association (ALGA) is pleased to present this submission outlining budget initiatives the Morrison Government may like to consider supporting in the 2020-21 Federal Budget.

It is our view that the initiatives we have presented will support at the local level your Government's priorities to keep our economy strong, to keep Australians safe, and to keep Australians together.

Developed on behalf of the 537 councils across Australia and the state and territory Local Government Associations, these initiatives will collectively deliver much needed additional economic stimulus in local communities, improve local services and infrastructure, and support strong communities.

Local services and infrastructure delivered and managed by local government provide the social and economic foundation for rural, regional and metropolitan communities and make everyday life easier for all Australians. However, while local governments are responsible for 33% of public infrastructure, including 75% of roads by length, they only raise 3.4% of Australia's taxes.

Councils and the communities they serve appreciate every dollar of funding they receive from the Commonwealth. Local Government has shown time and time again that it is a reliable, professional and cost-effective partner in delivering Commonwealth programs. For example, the sector has delivered over 60,000 projects in partnership with the Commonwealth since the creation of the \$6.3 billion Roads to Recovery Program in 2001.

ALGA recognises the fiscal challenges facing the Commonwealth and the need for ongoing fiscal sustainability. Councils, communities, businesses and households across Australia face these same challenges. It is in that context that the Commonwealth may like to consider the real benefits that can be realised by working with Local Government.

We believe that investing in, and partnering with, Local Government on the initiatives outlined in our submission is an efficient and effective way to keep the Australian economy strong, to keep Australians safe, and to keep Australians together.

I commend this pre-budget submission to you.

Yours sincerely,



Mayor David O'Loughlin  
President

# Executive Summary

The Budget is on track to return to surplus for the first time in 12 years, but with the economy continuing to face strong economic headwinds due to international and domestic circumstances, strategic investment to support further growth of the economy and jobs is critical.

Local governments are perfectly positioned to work in partnership with the Australian Government and with their local communities and local businesses to deliver projects that will help address the current weakness in the economy, drive down unemployment, push up wages, and improve the lives of all Australians.

In partnership with the Australian Government, we can provide the services and essential infrastructure that Australians rely upon in their day-to-day lives and support the real and perceived feeling of safety and security in communities. Of all tiers of government, Local Government is best placed to understand the complexity and diversity of communities and can work with the Australian Government to deliver local community-owned solutions to local challenges. Cumulatively this will result in a stronger economy, and a safer and a more cohesive community – stronger, safer, together.

Local governments have a demonstrated track record of working in partnership with the Australian Government and stand ready to assist the Government to meet current and emerging challenges. We can ensure that any funds provided flow to regional areas giving a much-needed boost to these communities and to metropolitan areas to support liveability and ensure they remain the envy of the world.

The strengths we bring to such a partnership are that we have a footprint on the ground across Australia, we have strong connections to local communities and can identify and deliver local, place-based solutions. Local governments are accountable to their communities, have expertise spanning 394 occupations, and are invested in ensuring the best outcomes for their communities.

Local governments however are financially constrained, raising only 3.4% of Australia's total tax revenue. In contrast, the Australian Government raises over 80%. On behalf of the local government sector, we are calling for a phased return of the Financial Assistance Grants to a level equal to 1% of Commonwealth Taxation Revenue as follows - **an additional \$830 million per annum over two years on top of the base quantum starting from the 2020-21 financial year, followed by an additional \$200m per annum from 2022-23 until 1% of Commonwealth taxation revenue is achieved.**

Local governments are responsible for 75% of the nation's roads by length, spanning metropolitan, rural, regional and remote communities. To tackle congestion and to get people home sooner and safer and freight moving more efficiently, we propose **a strategic local roads investment program of \$300 million per annum over five year to address first and last mile issues and congestion on local roads and increasing Roads to Recovery to \$800 million per annum to more sustainably manage Local Government's component of the national road network and boost road safety.** In addition, we request that the Bridge Renewal Program and the funding to address the South Australian local road funding anomaly be made permanent.

As the nation remains in the grip of drought and grapples with the onset of an early and extreme bushfire season, it is vital that we build community resilience. To help achieve this we propose a **targeted disaster mitigation program at a level of \$200 million per annum for four years and a Local Government Climate Response Partnership Fund of \$200 million over four years.**

A strong nation requires not only a resilient community but also a cohesive community. To strengthen and support community cohesion, we propose a **Local Government Community Infrastructure Program of \$300 million per annum over four years.** Social cohesion is also important for physical health and psychosocial wellbeing and can be further supported through a **Local Government Place-based Health and Activity Program of \$100 million over four years.**

Similarly, appropriate housing plays a vital role in physical health and psychosocial wellbeing. For Australia's First Nations People the provision of secure appropriate, affordable housing as a pathway to better lives is critical. Consequently, we propose that the Australian Government should **continue to provide funding of at least \$4.8 billion over 10 years to address the needs of Indigenous communities particularly in the areas of overcrowding, homelessness, and poor housing conditions.**

A stronger economy must always strive towards identifying new opportunities and innovation. The China National Sword policy and the subsequent COAG ban on the export of waste plastic, paper, glass and tyres provide an opportunity to develop a circular economy in Australia. To support this, we propose a **\$300 million per annum funding program over four years to develop the circular economy through improved collection processes, strategic infrastructure investment and market development.**

Our proposed initiatives are described in more detail in our submission. It is our view that the initiatives we have presented will support at the local level the Australian Government's priorities of keeping our economy strong, keeping Australians safe, and keeping Australians together.

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# Introduction

The 537 Councils in Australia have a fundamental role in achieving economic prosperity, social well-being and liveability in our metropolitan, regional and rural communities. Local governments have a demonstrated track record of working effectively in partnership with the Commonwealth Government and have a presence in almost every part of the country.

Local governments ensure that local communities function effectively on a daily basis and are provided with the basic services and facilities that Australians expect to find in suburbs, towns and rural areas. Local governments have a critical role in building local identity, community wellbeing and social cohesion and contributing to local, regional and national economic productivity.


However, local governments face substantial fiscal challenges to address a \$30 billion local infrastructure backlog<sup>1</sup> and plan and deliver services and infrastructure to meet the needs of a growing population. All communities and the next generation are vulnerable if this backlog is not addressed, or if local infrastructure is not provided to new growth areas.

Australia's population is expanding at a faster rate than most other advanced nations. This growth has put pressure on infrastructure and services in our cities and regional centres and is impacting on the liveability and sustainability of our communities. Liveability and sustainability are essential to attracting and retaining people and ensuring the efficient and productive operation of our communities. Liveability is intrinsically linked with economic growth and plays a key role in population management.

While in aggregate, local governments raise more than 80 percent of their own revenue, individual councils have widely differing abilities to raise revenue, based on location, population size, rate base and the ability to levy user charges. This diversity has important implications for the ability of local councils to provide services and local infrastructure to respond to changing demographics and population growth or decline.

Of the three levels of government, local government has the largest relative infrastructure task in terms of asset management. Yet local government has the smallest revenue base of all the tiers of government. In total, Local Government has responsibility for more than 75% of the nation's roads. The financial circumstances of many local governments make the job of keeping the country moving more difficult due to inadequate funds to maintain and expand existing roads or build new roads.

As the Federal Treasurer has noted, the economic outlook is not without its challenges. Drought is continuing to be a major economic and social challenge with over 95 percent of New South Wales and two-thirds of Queensland affected. Farm GDP was down about 14 per cent in 2018-19, reducing national GDP by around 0.2 percentage points. The challenges posed by our hot and dry continent have been made all too clear by the recent bush fires ravaging parts of New South Wales, Queensland, and Western Australia. Falling housing investment is also reducing overall growth after making strong contributions to growth between 2013 and 2017. And global political and economic uncertainty is affecting business investment and growth<sup>2</sup>.



Local governments therefore support the Commonwealth Government's agenda of boosting productivity in these uncertain economic times by investing in vital infrastructure projects, supporting drought relief and managing population growth. The Australian Local Government Association (ALGA) believes that increased economic productivity will be enhanced if the Government's priorities include a focus on partnering with Local Government to invest in local services and infrastructure that strengthen community wellbeing, social cohesion and local economies.

The resilience of local communities depends in part on the financial sustainability of their local governments and that sustainability can be greatly advanced by restoring the quantum of Financial Assistance Grants (FAGs) to at least 1 per cent of Commonwealth taxation revenue. Investment at the local level through a partnership with Local Government is vital to boosting national productivity and meeting the challenges associated with population growth and demographic change.

Restoration of funding to local governments through an increase in the FAGs – along with investment in transport, communication and community infrastructure and social services, and community resilience – has clear economic, social and environmental benefits which justify the inclusion of local government initiatives in this year's Budget.

The Morrison Government has been a strong advocate of Australians earning more and keeping more of what they earn. Funding for local government initiatives helps to ensure that the money Australians contribute in tax can benefit them directly in their local communities.

This pre-budget submission demonstrates the significant scope of Local Government's roles and responsibility and councils' importance in achieving community wellbeing, social cohesion and stronger national productivity. This submission is consistent with ALGA's previous budget submissions and our 2019 Federal Election priorities. It reflects the needs and wants of local communities and ensures that investment in our communities will make them fit for the future. In partnership with the Commonwealth Government this investment, will help to keep the economy strong, keep Australians safe and keep Australians together.

# Keeping our Economy Strong

Economic prosperity is important at both a national and local scale, enabling communities and individuals to improve their future. A strong economy is also essential to creating more jobs and improving business and community confidence in investment.

Local governments are a key driver of local economic prosperity and are perfectly positioned to work with their communities and local businesses to deliver projects that will help address the current weakness in the economy, drive down unemployment, push up wages and improve the lives of all Australians.



# Stronger Local Economies Supporting Stronger Communities and National Prosperity

## Recommendation

To support stronger local economies and communities, increase the quantum of the Financial Assistance Grants to Local Government as follows:

- An additional \$830 million per annum over two years on top of the base quantum starting from the 2020-21 financial year; and
- An additional \$200m per annum from 2022-23 until 1% of Commonwealth Taxation Revenue is achieved.

Local Government's funding as a share of Commonwealth Taxation Revenue (CTR) is declining but demand for council services and infrastructure is increasing.

Constrained local government funding and expenditure undermines the chances of a swift economic recovery nationwide. In contrast, an increase in local government funding will not only help stimulate the economy nationally but also help shore up funding for local services and infrastructure and guarantee the essentials Australians rely on.

Local Government's expenditure now totals \$37 billion raised through fees and charges and the only local government tax – property rates. Local Government raises only 3.4% of Australia's tax revenue. In contrast the Australian Government raises more than 80%.

Funding from the Commonwealth through the Financial Assistance Grants accounts for about 7% of local government revenue. This funding is vital for providing local services and infrastructure. General purpose funding in the form of the Financial Assistance Grants assists Local Government to perform its functions, often providing services that should be funded by other levels of governments or the private sector if the market was functioning effectively.

In relative terms, funding for local governments from the Commonwealth Government through the Financial Assistance Grants has been falling, from 1% of CTR in 1996 to 0.53% in 2018-19, despite an annual average growth rate in Australia's gross domestic product of 3.47% from 1960 until 2017. The fall in funding has been compounded by the indexation freeze in the 2014/15 budget resulting in local communities missing out on hundreds of millions of dollars in funding for services and infrastructure. The biggest impact has been, and continues to be, felt by councils and communities in regional and remote Australia.

When indexation was reinstated in 2017-18 the annual funding base was estimated to be about 10% lower than it should have been without the impact of the freeze.

Local governments across the nation are calling for a graduated return of the Financial Assistance Grants to 1% of CTR starting with a return over two years of the funds forfeited due to the 2014-15 indexation freeze (an additional \$830 million per annum over two years on top of the base quantum starting from the 2020-21 financial year) followed by an additional \$200m per annum until 1% is achieved.

The return of the funds forfeited due to the 2014-15 indexation freeze over a two-year period would provide immediate and generalised support to the economy and expenditure would be dispersed across the country to both cities and regions.

Across metropolitan, rural, regional and remote Australia, local governments require \$30 billion<sup>3</sup> to renew and replace ageing infrastructure across seven asset classes – roads, bridges, buildings, park and recreational facilities, stormwater, water and wastewater, airports and aerodromes. Every \$1 spent on maintenance services could result in 3.5 direct jobs compared with only 2 direct jobs for major road and bridge infrastructure projects<sup>4</sup>. The jobs would also be spread geographically and help to absorb people from the building construction industry where underemployment is close to hitting an all-time high of 811,000 workers or 6.9% of the workforce<sup>5</sup> due to the impact of the nation's economic slowdown. This affects numerous trades and demand for all Australians involved in the property industry. The flow on effects are considerable.

Local governments across the nation can roll out and implement infrastructure maintenance and minor building projects immediately, ensuring that the increased funding through the Financial Assistance Grants will help address the weakness in the economy in a timely and targeted manner. These projects will make the economy stronger, the nation safer, and support community wellbeing and social cohesion.



# Strategic Investment in Local Road Infrastructure to Bust Congestion and Drive Productivity Gains

## Recommendation

- Design and deliver a strategic local roads investment program of \$300 million per annum over five years to address first and last mile issues and congestion on local roads.

Congestion is one of the biggest challenges facing Australian cities and regions. It affects our liveability and productivity, directly impacting on drivers, passengers and cargo of cars, trucks and buses. Indirectly it affects all Australians.

Infrastructure Australia's 2019 Infrastructure Audit<sup>6</sup> forecasts that by 2031 the total annual cost of road congestion will reach \$38.8 billion per annum. Congestion is expected to increase in all Australian cities between 2016 and 2031 despite the significant investments in new transport infrastructure across our largest cities, particularly freeways and arterial roads in Sydney and Melbourne.

The Audit found that in Sydney congestion was occurring beyond the motorway, freeway and arterial network with local roads, particularly in the suburbs of the inner west, regularly impacted by significant congestion during peak periods. Unlike Sydney, Melbourne's congestion is still largely limited to motorway, freeways and arterials. However, by 2031 arterial roads and local roads to the east of the CBD are forecast to have more congestion.

Congestion on local roads also impacts on the quality of life of residents, with local streets and local activity centers adversely impacted by the movement of vehicles to and from major transport corridors and motorways. Funding in these areas is required to ensure that these are safe and attractive environments for pedestrians, cyclists and residents and that vehicle movements are controlled to reflect the location.

Congestion on local roads can have a cumulative and flow-on effect across the broader network. In addition to impacting on commuting times, growing congestion impacts the timeliness and costs of moving freight. This problem will worsen with the forecast doubling of Australia's freight task over the next 20 years.

Local roads play a critical role in the nation's transport infrastructure and the issue of first and last mile access is an important factor in the productivity equation. There is a need to unlock local and regional productivity improvements through investment that improves access for freight vehicles and connectivity between local roads and preferred state and national freight routes.

A primary barrier to addressing congestion problems and first and last mile issues stemming from local roads is the significant infrastructure 'deficit' facing most Australian local governments. Budgetary constraints faced by local governments mean that the funding available to address these issues is significantly limited. This is compounded by the fact that of the three tiers of government, Local Government raises only 3.4% of Australia's total taxation revenue but manages 75% of the road task. Unlike other governments, we have no direct mechanism to raise funds of any significance through fuel sales, road user charges, registration or other road or transport-related fees or charges.

Local government owners of transport infrastructure face multiple and competing demands on their limited financial resources. Ratepayers are often left to fund transport networks for non-ratepayers, particularly where local roads provide for significant arterial and through traffic or have economic significance beyond the access interests and responsibilities of the council.

Despite their best efforts and commitment, local governments do not have the required resources to bust congestion or realise the productive potential of Australia's freight routes by addressing first and last mile issues. We propose that the Australian Government establish a strategic local roads investment program. This will ensure our key freight roads efficiently connect to ports, airports and other transport hubs by addressing first and last mile issues and capability and capacity issues at a local level, thus providing opportunities for greater regional employment and business growth. It will also improve access in our metropolitan areas whilst maintaining liveability and delivering substantial social and economic benefits, including congestion busting.



# Digital Transformation Creates More Prosperous Communities

## Recommendation

- Invest in a Smart Communities Program of \$100 million per annum to ensure that the benefits of smart technologies are fully realised nationwide and that local governments can improve people's experience of and access to council services; and
- Continue to boost digital connectivity in regional Australia by making the Stronger Regional Digital Connectivity Package permanent ensuring equitable access to the benefits of the digital economy.

Digital connectivity is critical to Australia's economic prosperity now and into the future. The nation's ability to adopt technological advances will influence future productivity gains and living standards. It will enable the growth of industries, enhance people's access to health and education services, and ensure more efficient use of resources and transport systems.

All communities, whether in metropolitan, regional, rural or remote areas of Australia, need to be ready to harness new technologies and the benefits of the knowledge economy, including improved access to online services from all tiers of government. Unfortunately, there are still areas in Australia which lack access to reliable connectivity with telecommunication black spots still affecting large parts of regional, rural and remote Australia. These areas are likely to continue to be disadvantaged under 5G.

Telecommunication services should be delivered equitably to all Australians no matter where they live. Without additional funding there is a risk that the economic and social benefit of smart technologies will not be fully realised across the nation. Local councils and communities in regional Australia welcomed the Government's Stronger Regional Digital Connectivity Package announced in the 2019-20 budget (\$220 million over four years) and ALGA seeks a commitment that this funding will be made permanent to ensure that telecommunications services are delivered equitably to all Australians no matter where they live.

Many councils and their communities need support on their digital transformation journeys. The Smart Cities and Suburbs program was welcomed by Local Government and supported the delivery of innovative smart city projects that improved the liveability, productivity and sustainability of cities and towns across Australia<sup>7</sup>. Building on this program through a \$100 million per annum Smart Communities Program would ensure that the benefits of smart technologies are fully realised nationwide and that local governments can improve people's experience of and access to council services.

# A Strong and Growing Circular Economy

## Recommendation

- Deliver a \$300 million per annum over four years funding program to develop the circular economy through improved collection processes, strategic infrastructure investment and market development which will create a sustainable domestic recycling industry and facilitate the achievement of the COAG waste export ban.

In January 2018 China began to stringently enforce restrictions on the importation of recycled material under its National Sword Policy. This policy impacted the global market for recyclable materials including those collected across Australia. By the middle of 2019 other countries such as Malaysia and Indonesia moved to ban contaminated waste imports from developed countries.

At the 9 August 2019 Council of Australian Governments (COAG) meeting the Prime Minister obtained the agreement of First Ministers and the President of the Australian Local Government Association to a ban on the export of waste plastic, paper, glass and tyres, while building Australia's capacity to generate high value recycled commodities and associated demand. Leaders agreed a response strategy to enact the ban must seek to reduce waste, especially plastics, decrease the amount of waste going to landfill, and maximise the capability of our waste management and recycling sector to collect, recycle, reuse, convert and recover waste.

This ban provides a significant opportunity to stimulate the development of the circular economy which prioritises the collection, recovery and re-use of products, reducing emissions and increasing the efficient use of natural resources (including energy, water and materials). It will reduce Australia's reliance on international resource commodity markets related to recyclates.

The move to a circular economy will also support the development of new industries and jobs. The Centre for International Economics<sup>8</sup> in 2017 found that a 5% improvement in the effectiveness of recycling and resource recovery could benefit Australia's GDP by as much as \$24 billion. In addition, for every 10,000 tonnes of waste recycled 9.2 jobs would be created, compared with only 2.8 jobs when the same amount of waste is sent to landfill<sup>9</sup>. The South Australian Government<sup>10</sup> has estimated that 25,700 new full-time equivalent jobs could be created in South Australia by 2030 by adopting a more circular economy.

To realise these benefits of the circular economy for waste there are some precursors that need to be addressed. An analysis<sup>11</sup> of Australia’s municipal waste management and recycling in 2018 revealed that:

- improvements in access to municipal collection and recycling services across Australia are needed to improve waste management – particularly in regional and remote areas – and increase Australia’s recycling rates generally; and
- improving collection and processing infrastructure is necessary to better process co-mingled waste and reduce contamination in recycled materials and improve resource-recovery rates. This would also improve the quality and value of recycled materials, and improve access to markets for recycled materials, including international markets.

To support the implementation of the National Waste Action Plan and mitigate against any unintended consequences of the COAG ban on waste exports, ALGA proposes that the Australian Government fund a circular economy program of \$300 million per annum over four years including the following components:

- An infrastructure upgrade or development fund – that will bolster Australia’s collection, sorting and processing capability and increase capacity. This could include assisting Australia’s materials recovery facilities (MRFs) upgrade to sort co-mingled, highly contaminated municipal waste materials to a standard of sorted outputs that meet stringent export or market specifications and/or upgrade to process additional types of recyclable materials (e.g. all seven types of plastics); and
- A market development innovation fund to support investment in new products containing recycle and piloting to ensure these products meet technical specifications (where they exist).



# Strong, Healthy Communities

## Recommendation

- Promote healthier communities by investing in a Local Government Place-based Health and Activity Program of \$100 million over four years.

There is a lot of research and evidence supporting the links between people's overall physical and mental health and the environments in which they live<sup>12</sup>. For children, this can include having safe walking routes to school, areas for passive and active recreation, the ability to purchase healthy food in their neighborhoods, and places for social networks.

The daily lives and experiences of Australians are shaped by the places in which they live, work and play. Local governments are responsible for planning, building and managing many of these places. Local Government's contribution to addressing the obesity and mental health crisis is not from a medical perspective but rather from a preventative and community-based health approach.

On a daily basis, local governments plan, build and manage passive and active recreational facilities, pedestrian and cycling facilities, road networks and locations for major services and activities. However, for local governments to go beyond these day-to-day preventative health measures, targeted funding towards local initiatives is required.

Local governments understand the importance of healthy communities and for creating spaces and places where people can be active. Many councils work in partnership with the Commonwealth, State/Territory Governments and others, and have achieved notable preventative health outcomes.

For councils to be able to contribute significantly to this important health issue in our community, further funding assistance is critical. Shifting the health burden away from expensive medical interventions to a preventative health model is beneficial to all members of the community. Unfortunately, important health preventative initiatives such as the Healthy Communities Initiative, have now ceased.

Preventative health is an important focus for councils across the country and has the potential to have a significant impact on community health outcomes as well as assisting in reducing obesity-related health costs. We are proposing a new financial support package of \$100 million over four years to invest in a Local Government Place-based Preventative Health Fund. This Fund would utilise Local Government's capacity and resources aimed at improving health outcomes, for example, through healthier eating, increased physical activity for children, and programs delivered with sport and recreation facilities and community groups. Analysis undertaken on behalf of ALGA indicates this investment would create up to 1,600 new jobs.



# Keeping Australians Safe

All Australians, regardless of where they live, are entitled to feel safe in their homes, streets and communities. Local governments provide many services and essential infrastructure that support the real and perceived feeling of safety and security in communities. Often it is Local Government that the community turns to during a crisis reflecting our on the ground presence in nearly every community in Australia. However, local governments require financial assistance to the national focus on keeping Australians safe.

# Keeping Australians Safe on Local Roads

## Recommendation

Improve the safety of local roads and reduce the road toll by:

- Increasing Roads to Recovery to \$800 million per annum to more sustainably manage Local Government's component of the national road network and boost road safety;
- Make the Bridges Renewal Program permanent; and
- Addressing the South Australian road funding anomaly by making the additional \$20 million per annum funding to South Australia in 2019-20 and 2020-21 permanent.

Inadequately maintained roads and bridges which may have differing or inconsistent road surfaces, irregularly or poorly maintained road shoulders, poor road markings, or poor lighting can have serious road safety outcomes. The cost of road crashes in Australia is estimated at \$27 billion annually.

Every year more than 1,200 people are killed on Australian roads and over 36,000 are seriously injured. 50% of road crashes are on local roads. This means that driving on a local road involves an increased risk of being seriously injured that is 1.5 times higher than driving on a state road<sup>13</sup>. Deaths on rural and regional roads far outnumber deaths on metropolitan roads.

The Inquiry into the National Roads Safety Strategy 2011-2020 (released in September 2018) identified considerable capacity and resource issues are hindering the ability of Local Governments to pursue the desired transformative approach to road safety.

Of the three levels of government, Local Government has the largest relative infrastructure task in terms of asset management. Local roads account for around 75% of the total road length in Australia, or 662,000 kms. Yet Local Government has the smallest revenue base of all the tiers of government, raising only 3.4% of Australia's total taxation revenue. Unlike other levels of governments, Local Government has no direct mechanism to raise funds for road construction and maintenance such as road user charges, registration charges or other road or transport-related fees or charges.

The 2018 State of the Assets report estimates that roads represent \$136 billion of the Local Government's total infrastructure value with \$13.6 billion (9% of sealed roads and 16% of unsealed roads) in poor to very poor condition. Bridges represent \$14 billion or 4% of total infrastructure value, with \$813 million in poor to very poor condition (4% of concrete bridges and 21% of timber bridges). Despite increased investment the condition and function of sealed roads, concrete and timber bridges is not improving, and the condition and function of unsealed roads is declining.

Road funding is particularly challenging in South Australia where for many years there has been a shortfall in the level of funding to South Australian councils under the Identified Roads Component of their Commonwealth Financial Assistance Grants. South Australia has 11% of Australia's local roads, and 7% of its population, but only receives 5.5% of the Identified Roads component of Commonwealth Financial Assistance Grants.

As a partner with the Federal and state/territory government, Local Government is part of the solution to reduce serious harm and casualties. We seek opportunities to work with the Commonwealth Government including boosting safety on local roads by increasing the Roads to Recovery Program funding (R2R) to \$800 million per annum to more sustainably manage Local Government's component of the national road network. ALGA also proposes that the Bridges Renewal Program be made permanent and that the identified roads component of Financial Assistance Grants is adjusted to make the additional \$20 million per annum in funding to South Australia for local roads permanent.



# Building Community Resilience

## Recommendation

- Invest in a targeted disaster mitigation program at a level of \$200 million per annum for four years; and
- Support communities to respond to climate change variability by investing in a Local Government Climate Response Partnership Fund of \$200 million over four years.

The CSIRO's Australian National Outlook 2019<sup>14</sup> highlighted that there are some concerning trends and challenges ahead which, when combined, create great risks to Australia's ability to maintain a strong, vibrant market economy, protect the health of the natural environment, and continue to improve the wellbeing of all Australians. These challenges include the rise of Asia, technological change, climate change, changing demographics, the erosion of trust in public institutions, and a decline in social cohesion.

These challenges have significant implications for community resilience – a community's ability to respond to, withstand, and recover from adverse situations including, for example, natural disasters, persistent drought, fluctuations in global trade, recession and a rise in inequality. In some circumstances in response to these pressures and stresses local communities are not able to recover to their previous state. Instead they need to adapt in order to cope with long term stresses.

Local governments play a critical role in building resilient and sustainable communities and helping to buffer people and places against social, economic and environmental disruptions and overcome adversity.

At present, local governments and the communities they service are grappling with two issues that have significant implications for community resilience – natural disasters and climate variability including the intensification of droughts and the lengthening and intensification of the bushfire period.

Many communities are exposed to natural disasters on a recurring basis and experience repeated disruptions from floods, cyclones and fires. Natural disasters around the country have claimed many lives, impacted hundreds of thousands of people and local and regional economies, and caused major property and infrastructure damage.

Increased funding for disaster mitigation will make communities safer and more resilient in the longer term. It will reduce community vulnerability to extreme weather events and spare many vulnerable communities from the distress of seeing homes, businesses and other treasured possessions destroyed.

In its 2014 inquiry into natural disaster funding, the Productivity Commission<sup>15</sup> found funding for reconstruction and recovery consumed 97% of disaster funding in Australia, compared with only 3% that went towards mitigation and community resilience measures.

The Productivity Commission highlighted the value of disaster mitigation expenditure and proposed a \$200 million per annum mitigation program.

Deloitte Access Economics in a report commissioned by the Australian Business Roundtable for Disaster Resilience & Safer Communities<sup>16</sup> highlighted that the total economic cost of natural disasters in the 10 years to 2016 has averaged \$18.2 billion per year, equivalent to 1.2% of average gross domestic product (GDP) over the same period. This is expected to reach \$39 billion per year on average by 2050 (in present value terms), even without considering the impact of climate change.

The Roundtable's first report<sup>17</sup>, released in 2013, found that an annual program of Australian Government expenditure on pre-disaster resilience of \$250 million at the national level has the potential to generate budget savings of \$12.2 billion for all levels of government (including \$9.8 billion for the Australian Government) and would reduce natural disaster costs by more than 50% by 2050.

Climate variability is also a major threat to Australia's financial stability and poses substantial systemic economic risks<sup>18</sup>. For example, the property market is expected to lose \$571 billion in value by 2030 due to climate change and extreme weather and will continue to lose value in the following decades if emissions remain high. In addition, more than \$226 billion in commercial, industrial, road, rail, and residential assets will be at risk from sea level rise by 2100 if greenhouse gas emissions continue at high levels.

On current trends, the accumulated loss of wealth due to reduced agricultural productivity and labour productivity as a result of climate change is projected to exceed \$19 billion by 2030, \$211 billion by 2050 and \$4 trillion by 2100. Estimates suggest that increasing drought frequency and impacts in the future may reduce GDP by 1% every year<sup>19</sup>.

Local governments are on the frontline when dealing with the risks and impacts of climate variability. Councils need to prepare for the unavoidable impacts of climate change (adaptation) and have a significant role in reducing the degree of climate change which may occur (mitigation). Australian councils and communities are ready to step up to tackle climate change in a way that can stimulate economic growth and manage their assets more wisely.

Some local governments are struggling to understand the full impacts of global warming and how they can respond and ensure their communities' resilience. Other local governments have responded to the climate change challenge by adopting proactive strategies to reduce emissions and 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 as there is a mismatch between the amount of local infrastructure exposed to climate change risks and the resources that Local Government has to conduct effective adaptation to manage these risks.

Investing in programs to mitigate natural disasters and respond to climate change will build resilience and yields a double dividend as it drives social and economic 'co-benefits' that arise even in the absence of a disaster or significant increase in temperatures. The co-benefits may include employment growth; regional growth associated with investment and transition to new industries, and increased consumer expenditure resulting from lower insurance premiums and expenditure on energy, for example.

# Keeping Australians Together

Australia is a multicultural society with the 2016 Census showing that more than a quarter (26%) of Australia's population were born overseas, up from 25% in 2011. Other demographic challenges facing communities include an ageing population, an increase in mental health and loneliness, and a growing health burden from preventable diseases such as from physical inactivity.

Australia's Aboriginal and Torres Strait Islander peoples continue to experience widespread socio-economic disadvantage and health inequality<sup>20</sup>.

Of all tiers of government, Local Government is best placed to understand the complexity and diversity of local communities and facilitate a whole-of-community approach<sup>21</sup>. Local governments play a critical role in advocating for and building local identity, community wellbeing and social cohesion and are fundamental to achieving liveability in our metropolitan, regional and rural communities.

# Fostering Livability, Community Wellbeing and Social Cohesion

## Recommendation

- Ensure equitable access to community services and stimulate local economies by investing in a Local Government Community Infrastructure Program of \$300 million per annum over four years.

Local governments, through their provision of community infrastructure and services such as libraries, pools, sporting facilities, arts and culture facilities, parks and sportsgrounds, play a significant role in ensuring the livability, sustainability and wellbeing of local communities. It is at this local level that physical activity, sports participation, community well-being, community interaction and social cohesion is supported. Community infrastructure assets, which may be single or multipurpose use, are vital building blocks for community health and wellbeing, and community participation and social cohesion especially in multicultural communities.

However, population and financial pressures in some locations have meant that these vital community services and facilities can be over capacity, in need of repair and upgrade, or not available. One of the most significant barriers to Local Government's provision of community infrastructure is a lack of funding to undertake the capital works required to construct facilities to a contemporary standard that will meet the expectations of communities. The scale of the funding gap also reflects the trend towards larger multipurpose facilities such as a shared use community hub and recreational/leisure hubs. These multi-purpose hubs provide an opportunity to deliver numerous services from one location, thereby minimising land take and reducing construction costs. They can also often provide a revenue raising opportunity for the council; however, they require significant capital investment.

The recently released Infrastructure Audit 2019 undertaken by Infrastructure Australia has included social infrastructure for the first time, recognising the importance of these facilities and services to livability and well-being. The network of social infrastructure contributes to social identity, inclusion and cohesion and is used by all Australians at some point in their lives<sup>22</sup>.

The Audit has also outlined how the growing and ageing population, increasing urbanisation, migration, advancements in technology, and the changing nature of work will impact this sector over the next 15 years and beyond. These trends will increase demand for social infrastructure, particularly in our cities, and change the expectations people have for the variety, quality and accessibility of social infrastructure services and assets.

Unfortunately, the delivery of new social infrastructure often lags population growth and community needs. It is in these communities that social infrastructure is important to establish community cohesion early amongst new families and to avoid long commutes to access services. Early provision of services can also ensure better wellbeing outcomes for residents through regular exercise, accessing health care and joining community groups.

Female participation in sport has always been significantly lower than male participation, particularly in community sport, but the numbers are changing as more women pursue active lifestyles. However, sports facilities have typically been designed to meet male needs, and are not user-friendly for women. As many facilities age and become outdated, there is an opportunity to refurbish old male-oriented buildings and make them equally accessible and friendly for both sexes. Female friendly facilities play a key role in making women feel welcome at their local sporting fields<sup>23</sup>.

The Australian Government's Community Sports Infrastructure Program may partly address the gap in sports-related infrastructure but it can also be accessed by sporting clubs and is heavily oversubscribed and only addresses one component of community infrastructure.

An analysis of Local Government assets commissioned by ALGA<sup>24</sup> indicates about \$30 billion of infrastructure assets are in poor condition requiring significant renewal. Park & Recreation assets represent \$16 billion or 5% of the total infrastructure value and \$1.3 billion are in poor condition, \$1.0 billion have poor function and \$1.3 billion have poor capacity. Buildings including libraries and cultural facilities represent \$14 billion of total infrastructure value and \$5.5 billion are in poor condition, \$5.0 billion have poor function and \$5.6 billion have poor capacity. This assessment does not account for new infrastructure required for growing populations.

New investment in community infrastructure will create jobs and improve the living standards and community well-being of hundreds of communities across Australia.





# Foster Indigenous Wellbeing

## Recommendation

- Continue to provide funding of at least \$4.8 billion over 10 years to address the needs of 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.

There is a life expectancy gap of ten years between Indigenous and non-Indigenous Australians. Australian Institute of Health and Welfare research reveals that between one-third and one-half of the health gaps between Indigenous and non-Indigenous Australians are associated with differences in socio-economic position such as education, employment and income.

The unemployment rate for Indigenous people is 4.2 times higher than for non-Indigenous people. 35% of Indigenous households reported living in a dwelling with one or more major structural problems in 2012–13 and 15% reported living in a dwelling that was lacking working facilities.

In remote Indigenous communities, water and sewerage infrastructure provision has not kept pace with population growth. As a result, in some jurisdictions new housing and other new buildings cannot be connected to services due to a lack of capacity. There are now seven communities in the Northern Territory that are at capacity and others that are closely following. More needs to be done to enable Indigenous people to enjoy health and life-expectancy equality and employment and education parity in Australia.

Housing has been included as a priority area of focus in the draft Closing the Gap Framework with a desired outcome being for Aboriginal and Torres Strait Islander people to secure appropriate, affordable housing as a pathway to better lives. The draft COAG target for housing is to increase the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing to 82 per cent by 2028<sup>25</sup>. This will not be achieved without adequate funding.

ALGA acknowledges that some funding from the Federal Government for the Remote Indigenous Housing Agreements has been committed to date:

- NT - \$110 million per year to 2022-23;
- SA - \$37.5 million for the 2018-19 financial year only and no forward years; and
- WA - \$121 million for the 2018-19 financial year only and no forward years.

There is no agreed funding for Queensland.

There is an urgent need to redress the social and economic disadvantage of Indigenous peoples. The lack of certainty and ongoing funding for remote Indigenous housing has created major concerns for Indigenous communities. According to WHO, the social conditions in which people are born, live and work is the single most important determinant of good health or ill health. Safe, affordable and secure housing is associated with better health, which in turn determines people's participation in work, education and the community. It also affects parenting and social and familial relationships<sup>26</sup>.

# Endnotes

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- 2 Extract from the [4th Sir John Downer Oration](#), University of Adelaide delivered by The Hon Josh Frydenberg MP, Federal Treasurer on 14th November 2019
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- 13 Wooley, J & Crozier, J (2018) Inquiry into the National Road Safety Strategy 2011-2020
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- 21 Welcoming Cities <https://welcomingcities.org.au/what/>
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- 23 Rising Women in Sport and the Implications on Sporting Facilities <https://programmedblog.com.au/rising-women-in-sport-and-the-implications-on-sporting-facilities/>
- 24 Australian Local Government Association (2018) National State of the Assets Report. Prepared by TechnologyOne Strategic Asset Management
- 25 National Indigenous Australians Agency [Closing the Gap](#)
- 26 Australian Institute of Health and Welfare 2016. Australia's health 2016. Australia's health series no. 15. Cat. no. AUS 199. Canberra: AIHW