



**Australian Local Government
Association**

2011-2012 Budget Submission

**Boosting regional capacity
and supporting our urban
communities**

January 2011

By email: prebudgetsubs@treasury.gov.au

The Hon Wayne Swan MP
Treasurer
Parliament House
CANBERRA ACT

Dear Treasurer

ALGA 2011-12 Budget Submission

The Australian Local Government Association (ALGA) is pleased to present this Submission for consideration in the preparation of the 2011-2012 Federal Budget.

ALGA acknowledges the challenging environment facing the Government, given the commitment to return the Budget to surplus in 2012-13 in the face of the enormous cost of rebuilding infrastructure following the unprecedented floods which affected several states, particularly Queensland and Victoria over the summer months of 2010-11. The rebuilding of that infrastructure, however, cannot be avoided or delayed given the essential nature of transport links, power and water infrastructure.

Local government itself will face an enormous burden in trying to meet the costs of infrastructure repairs, even with the support of the Federal Government through the long established Natural Disaster Relief and Recovery Arrangements. (NDRRA). Many councils may have insufficient own-source funding to meet the costs not covered by the NDRRA and will thus require additional support from other levels of government. Where it would expedite recovery and reduce bureaucracy ALGA believes any additional funding should be provided directly to councils.

While the recent floods have been unprecedented, the 2002 report to COAG on natural disasters (*Natural Disasters in Australia: Reforming Mitigation, Relief and Recovery Arrangements*) forewarned that more frequent and more severe natural disasters could be expected in the face of climate change and recommended that greater investment be made in mitigation measures. In last year's Budget Submission (and in previous submissions) ALGA called for additional mitigation investment by the Commonwealth and we reiterate that call in this year's Submission. The value of mitigation measures, particularly flood mitigation measures, is well understood, and increasing the capacity of local government to make that investment in tangible projects on the ground such as levees, property acquisition and house-raising offers substantial long term returns to the Commonwealth through reduced calls on the NDRRA.

ALGA also calls in this Submission for continued investment in local transport and community infrastructure, further investment to enable local communities to realise the benefits of broadband and additional investment in our capacity to adapt to climate change which is already built into the system.

Reform must also continue in the area of Commonwealth-local government financial relations to ensure the long term financial sustainability of local government and ALGA believes that such reforms must encompass:

- Increased Financial Assistance Grants and an improved growth/escalation methodology
- Permanent funding for Roads to Recovery and additional funding to address the substantial and very real funding gap for local roads and bridges faced by councils;
- Prevention of cost and responsibility shifting onto local government by other levels of government, particularly the state and territories; and
- Progress on constitutional reform, culminating in a referendum on local government in 2013.

I commend this budget submission to you.

Yours sincerely

A handwritten signature in black ink that reads "Genia McCaffrey". The signature is written in a cursive style with a large, prominent 'G' and 'M'.

Cr Genia McCaffrey
President

CONTINUING TO BUILD ON WORK TO DEVELOP STRONG AND SUSTAINABLE COMMUNITIES ACROSS AUSTRALIA

The Australian Local Government Association (ALGA) is the national voice of more than 560 local government authorities. It is a federation of state and territory local government associations and includes the ACT Government (reflecting the combination of state and municipal functions). The President of ALGA is a member of the Council of Australian Governments (COAG) as well as many other Ministerial Councils. This provides ALGA with a unique perspective in formulating and presenting its 2011-12 Budget Submission to the Australian Government.

ALGA's strategic priorities include, but are not limited to:

- improving local government financing to ensure sustainable and effective governance;
- advancing important constitutional reforms;
- working to prevent cost and responsibility shifting;
- addressing climate change;
- ensuring that local government is best-placed to participate in the digital economy and deliver benefits to local communities; and
- acting in collaboration with other governments and stakeholders to achieve the Closing the Gap targets and related reforms directed at municipal service delivery to Indigenous communities.

ALGA's Budget submission proposes initiatives to address many of these strategic priorities.

Local government's national significance is underlined by the fact that it employs around 178,000 Australians (almost 10 per cent of the total public sector),¹ owns and manages non-financial assets estimated at \$212 billion (2006-07)², raises around 3 per cent of Australia's total taxation revenue per annum³ and has an annual expenditure of at least \$24 billion (2007-08) (more than 6 per cent of total public sector spending).⁴

Most of local government's expenditure is directed towards the provision of local services, which include: housing and community amenities; transport and communications; recreation and culture; and social security and welfare.⁵

Independent research commissioned by ALGA in 2009 shows that nearly 60 per cent of respondents agree that local councils play a vital role in the lives of most Australians.⁶

¹ ABS Cat No 6248.0.55.002 Employment and Earnings, Public Sector, Australia 2008-09.

² Local Government National Report 2006-07, produced by the Australian Government Department of Infrastructure, Transport, Regional Development and Local Government.

³ ABS Cat No. 5506.0 Taxation Revenue series.

⁴ ABS Cat No. 5512.0 Government Finance Statistics, Australia.

⁵ Op cit at 4 above.

⁶ Unpublished research Fire Fly 2009.

It should be noted that at an aggregate level local government undertakes its work while being 90% self-funded. However, many rural and regional councils do not have the means to collect the same revenues as their urban and larger regional counterparts and are much more reliant on external funding sources. Higher grant levels are absolutely critical to these authorities being able to function in the best interests of their constituents and to equalise services and infrastructure availability across the community. Considerable local government funds are spent on vital additional work that relates to broad national issues.

As the level of government closest to Australians, local government is aware of and understands the myriad challenges faced by local and regional communities as they live, work and interact in an increasingly complex domestic and global environment. Local and regional communities require support to respond and adapt to factors they cannot control, such as climate change, drought, natural disasters and economic upheavals.

Local government strives, wherever possible, to assist communities to overcome these types of challenges, enhance their capacity to respond to new and unforeseen challenges and identify opportunities that can help build resilience and increase overall prosperity.

The Australian Government has shown that it understands and appreciates that local government's strength lies in its capacity to identify and respond to the diverse and emerging needs of communities across Australia.

The Australian Government has shown its commitment to working with local government to achieve real and meaningful outcomes for local and regional communities. This includes the establishment of the two-year Regional and Local Community Infrastructure Program, the open dialogue being conducted on constitutional reform to recognise the place of local government in the federation and, the establishment of a Local Government Reform Fund aimed at improving asset and financial management.

ALGA welcomed the Government's confidence in local government and its support to local communities through the provision of funding to deliver thousands of large and small 'shovel ready' community infrastructure projects to local and regional communities under the Regional and Local Community Infrastructure Program, which forms part of the Australian Government's *Nation Building - Economic Stimulus Plan*. These projects have been delivered on time and efficiently, and will help drive productive capacity in the Australian economy by fostering outcomes at the local level.

The boost provided to local economies through this funding initiative will deliver more cohesive local and regional communities by enabling community-based activities such as sports events, arts, theatre and entertainment to be held in local and regional communities, and by providing further opportunities for ongoing lifelong learning especially through upgrades to libraries. These types of activities are critical in bringing individuals together as a community, and making them more resilient.

After Australia has seemingly avoided the worst of the global downturn of 2008-9, many sectors of the economy have regained considerable strength. However, the increase in the value of the Australian dollar has hurt our export markets. This has the potential to harm the Budget bottom-line in the coming years. We understand the Budgetary pressures the Government faces given the commitment to bring the Budget back to surplus by 2013. While

getting the Budget into surplus will require difficult choices and considerable discipline, those constraints should not prevent investments in essential reforms and initiatives that are vital to increase Australia's international competitiveness and the sustainability of local communities.

The Australian Government now has a very solid foundation on which to progress its partnership with local government in the interests of the nation's diverse local and regional communities.

While preserving the flexibility to respond to changing or unforeseen future economic circumstances is critical, ALGA also urges the Australian Government to include measures in the 2011-12 Federal Budget that ensure national growth is locked in through appropriate funding and is sustainable over the medium to longer terms.

REFORMING FEDERAL FISCAL RELATIONS TO INCLUDE LOCAL GOVERNMENT

Local government currently receives general purpose funding from the Australian Government in the form of Financial Assistance Grants (FAGs). This funding is technically provided as a Specific Purpose Payment (SPP) made under the *Local Government (Financial Assistance) Act 1995 (Commonwealth)*. ALGA notes that FAGs have been set aside from the Australian Government's federal financial reform agenda, but are due to be considered in the future by the Council of Australian Governments (COAG) in accordance with its meeting outcomes of April 2007.⁷

Financial Assistance Grants to local government and the imperative for reform

The Commonwealth has noted that almost 91 per cent of local government's revenue in 2006-07 was from its own sources⁸; over the last decade, local government has consistently raised more than 80 per cent of its total revenue from own sources. Local government is also utilising almost 90 per cent of its total hypothetical maximum own-source revenue capacity,⁹ which indicates there is limited scope for local government to introduce new or additional revenue imposts.

However, it is also noted in the latest Local Government National Report¹⁰ that averages can mask the true situation of specific local councils and important differential impacts on different groups. The Productivity Commission (PC) has confirmed that a significant number

⁷ Specifically, the meeting outcomes were that 'COAG discussed a paper prepared by the Australian Local Government Association, in consultation with Commonwealth and State officials, on local government funding arrangements. COAG noted work currently being undertaken by the Local Government and Planning Ministers' Council on local government financial sustainability, and the recently commissioned Productivity Commission review of local government's own source revenue raising capacity. COAG agreed that the Ministerial Council discuss broader local government funding issues, noting it is not a forum for deciding funding to local government. COAG also agreed to discuss the issue further following the outcome of the Productivity Commission's study' (see http://www.coag.gov.au/coag_meeting_outcomes/2007-04-13/index.cfm#local).

⁸ Op cit at 2 above, p.17.

⁹ Productivity Commission report *Assessing Local Government Revenue Raising Capacity* (April 2008), Finding 5.4, p.xxxvii (herein referred to as the 'PC report').

¹⁰ Op cit at 2 above, p.13.

of local councils, particularly in rural and remote areas, will remain dependent on grants from other spheres of government to meet current expenditure. The PC further concludes that some councils will always remain highly dependent on FAGs, notwithstanding they might have fully utilised their own-source revenue raising capacity.¹¹ This is why intergovernmental funding, particularly FAGs, continues to be very important in ensuring local and regional communities are financially capable of meeting both day-to-day costs and new challenges, whilst retaining sufficient flexibility to harness new opportunities. Funding certainty is critical to the short and long term planning of local and regional communities.

Of all the levels of government in Australia, the Australian Government has the greatest capacity to raise revenue relative to its responsibilities. On the other hand, ABS statistics show that local government is the least taxing of Australia's three levels of government.¹²

The *Local Government (Financial Assistance) Act 1995* embodies the principle that the Commonwealth should distribute a proportion of revenue to local government to support the building of resilient and prosperous communities. The FAGs, which are untied in the hands of local councils, are intended to improve local government's capacity to provide communities with an equitable level of services and to increase the effectiveness and efficiency of local government.

Intergovernmental funding is the main source of external revenue provided to local government. General purpose funding from the Commonwealth accounted for around 7 per cent of total local government revenue in 2006-07.¹³

However, although FAGs are intended to supplement the ability of local government to support functions, they have fallen over time as a proportion of overall Commonwealth taxation revenue.

- As a proportion of total Commonwealth taxation revenue in 2008-09 (excluding GST), FAGs amounted to 0.68 per cent,¹⁴ continuing a decade-long trend of reduced FAGs as a proportion of the Commonwealth's taxation revenue. By contrast, these grants represented around 1 per cent of total Commonwealth taxation revenue in 1995-96 and 1996-97. This reduction in general purpose funding means that the funding support provided by FAGs is now less than that required to maintain appropriate local government services. The current base funding of \$1.9 billion should be increased to better reflect the true cost of local government services and infrastructure and as an interim solution should be restored to a level equal to at least 1 per cent of Commonwealth taxation revenue, excluding the GST. This would mean an increase in FAGs in the year 2011-12 of around \$750 million.
- The escalation or growth methodology for the general purpose funding also requires revision. The methodology is based on population growth and inflation and has remained relatively unchanged for decades, despite significant changes in our economy (the introduction of GST, real wages growth). Over the last decade in

¹¹ Op cit at 10 above, Finding 5.5, p.xxxviii.

¹² See ABS Cat No. 5512.0 Government Finance Statistics series.

¹³ Local government does not receive any substantial general purpose funding from state governments.

¹⁴ 2008-09 Final Budget Outcome, Part 3, Australia's Federal Relations, at <http://www.budget.gov.au/2008-09/content/fbo/html/index.htm>

particular, the inadequate escalation methodology has contributed to a growing gap in the funds required by local government to meet increased demand for local community infrastructure and services. In contrast, the general purpose funding provided from the Commonwealth to the states and territories through the GST more transparently reflects growth in the real economy and trends in costs.

Although horizontal fiscal equalisation is one of seven federally legislated principles for the allocation of FAGs, the PC itself has observed that ‘the current level of FAGs is insufficient to achieve horizontal fiscal equalisation’ and that ‘there is a case to review the provision of Australian Government general purpose grants to local government’¹⁵. Such a review is yet to occur almost two years after the PC report was published.

ALGA calls on the Australian Government to establish a review into the FAGs base and escalation methodology, noting the following:

- On top of a long-term growth trend, growth in demand for local government services has increased rapidly during the past decade, corresponding to substantial growth in the national economy. In addition, local government must also play a role in meeting new and unprecedented challenges affecting all Australians, such as the impact of population ageing and associated health care needs, disease and obesity, environmental protection and climate change. To respond adequately, local government revenues must increase in a way that truly reflects the cost of delivering local government services and community infrastructure, having reference to relevant major economic cost drivers including the costs of labour. The principle applies equally to intergovernmental transfers.
- In addition to the increasing community demand for services, local government must devote a growing level of its resources to capital formation and depreciation liabilities. The report of the House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes: A Fair Share for Responsible Local Government*, October 2003 and subsequent reports into local government financial sustainability have found that local government is struggling to meet community demand for more intensive ‘human services to the people’, whilst maintaining its increasingly ageing local community assets. The backlog is estimated to be \$14.5 billion nationally. As a result, local government faces the choice of reducing services, ignoring its deteriorating physical infrastructure and/or increasing its already well-utilised revenue base. Each of these options presents social, environmental and political costs. Although funding from the Australian Government of around \$1.1 billion in 2008-09 and 2009-10 to assist local government to modernise local community infrastructure is a positive step, the gap cannot be adequately or sustainably corrected in the absence of further ongoing funding support to the sector.

Given the demands upon local government and its limited capacity to raise further additional own-source revenue, adequate revenue growth for general purposes can only be achieved through an increase in the quantum of intergovernmental financial transfers.

Improved base funding and a more appropriate escalation methodology could achieve some equivalence between FAGs funding for local government and the reforms recently

¹⁵ PC report, op cit at 10 above, Finding 5.6, p.xxxviii.

implemented in relation to National SPPs to the states and territories. These federal financial reforms were led by the Australian Government and recognise that service deliverers engaged under Commonwealth funding programs need to be sufficiently resourced if sustainable and beneficial results are to flow from Commonwealth funding.

The reforms have resulted in the states and territories receiving both increased base funding and more appropriate escalation methodologies for national SPPs.¹⁶ It is expected that payments to the states and territories for specific purposes will now represent some 15 per cent of total Commonwealth expenditure in 2009-10.¹⁷

National SPP funding in 2008-09 was increased by 30 per cent compared with 2007-08 levels.¹⁸ This suggests that funding from the Commonwealth to other levels of government was previously insufficient to achieve the Commonwealth's objectives, and the same can be said of general purpose funding to local government.

ALGA supports an independent review of both the base funding for FAGs, and the indexation methodology, so that communities can have the certainty they need to plan adequately for future challenges. A review of these arrangements would respond to the outstanding PC recommendations noted above, and help to ensure a revenue stream for local government that would reasonably keep pace with demand for service delivery and infrastructure provision. In turn, better funding levels will boost community resilience and Australia's overall prosperity in the future.¹⁹

The base and escalation aspects of general purpose payments to local government should be consistent with the approach adopted by the Australian Government to the increases in base funding and indexation of National SPPs. ALGA proposes that as an interim measure, a minimum 1 per cent of Commonwealth taxation revenue, which is based upon the precedent presented by the Commonwealth's reform to review base and escalation methods, be applied to FAGs.

Local government would welcome the opportunity to further its partnership with the Australian Government by working together to identify constructive general purpose funding reform options that more adequately meet community needs and fulfil the Commonwealth's objectives as set out in the *Local Government (Financial Assistance) Act 1995*. Such reforms would enable local government to more fully meet the diverse economic, social and

¹⁶ See, for example, the ACT Budget 2009-10 documents which state that '[t]he centrepiece of the new IGA is a fundamental change in the nature of Commonwealth-State funding arrangements. This change delivers broad and tangible benefits to the States, including a rationalisation of Commonwealth grants; a significant funding injection; more appropriate grant funding growth rates; and greater budget flexibility' and that 'an additional \$7.1 billion in Commonwealth funding will be provided to the States over the next five years' – see http://www.treasury.act.gov.au/budget/budget_2009/files/paper3/14fedrel.pdf

¹⁷ See 2009-10 Mid-year Economic and Fiscal Outlook, Paper 3, at <http://www.budget.gov.au/2009-10/content/myefo/html/index.htm>

¹⁸ See 2008-09 Final Budget Outcome, Part 3, op cit at 15 above.

¹⁹ See speech by Treasury Secretary Dr Ken Henry AC, 'Fiscal Policy – More than just a national budget' 30 November 2009, in which he acknowledges that '[w]hatever the size of government, fiscal sustainability is important for maintaining macroeconomic stability, reducing aggregate economic vulnerabilities; and in those ways, improving aggregate economic performance. It reduces the degree of uncertainty about future policy settings and facilitates growth-enhancing economic decision-making, especially regarding the accumulation of physical and human capital.'

environmental needs of local and regional communities, whilst delivering on important national priorities being pursued at the Australian Government and COAG levels.

Commonwealth payments “to” local government other than Financial Assistance Grants

Local government has a sound track record of delivering national policy objectives and projects where it has the right structural and funding support. This is particularly evident in the Regional and Local Community Infrastructure Program.

Local government plays an important role in the delivery of services funded by the Commonwealth. Where local government is a service deliverer, funding should flow directly to local government. In addition, such funding should include appropriate indexation both to avoid the risk of cost shifting and to increase local government’s capacity to meet the increased needs of a population that is ageing, and less healthy. Greater certainty on this issue would ensure that local government can deliver services in the most timely and efficient manner, whilst supporting the overarching outcomes and objectives to be achieved pursuant to National Agreements that support National SPPs.

One particular Commonwealth-funded program that involves local government as a key service deliverer is the Home and Community Care (HACC) Program, which is provided as a National Partnership Payment.

ALGA endorses calls by many stakeholders involved in community care to the Australian Government to urgently review the funding levels for community care, including HACC. The first annual national report released by the Commonwealth on HACC²⁰ noted that more than 835,000 people across Australia received HACC services delivered by over 3000 agencies, and that eight million hours of domestic assistance were provided during 2007-08 to help people to age stay in their homes and live independent lives, taking pressure off the public hospital system and producing more efficient outcomes.

Cost shifting and the importance of a strengthened intergovernmental agreement to prevent it recurring

For several decades local government has acted as a major service provider of Commonwealth and state services, which are funded by these levels of government. Local government remains committed to playing this role. However, as local government has been providing those services on behalf of other levels of government, it is unreasonable to expect local government to meet the costs of the services if funding is withdrawn.

Withdrawal of funding once councils have accepted the service delivery role may expose councils to community pressure to fund the continuation of the service. This is cost shifting and a poor outcome for communities.

In April 2006, all Australian governments signed the *Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations of Local Government Matters*

²⁰ See Minister Elliot release of 23 November 2009 at <http://www.health.gov.au/internet/main/publishing.nsf/Content/hacc-annual-report-07-08.htm>.

(the IGA). The IGA outlines a set of principles designed to establish an ongoing framework to address future cost shifting, and prevent the cost shifts that have occurred in the past.

Cost shifting by the Commonwealth and state governments has been estimated to have a negative impact on councils of between \$500 million and \$1.1 billion annually.²¹ The effects of years of cost shifting to local government from other levels of government (mainly state governments), for which the sector remains uncompensated, have magnified over recent years, and present a genuine threat to the ongoing financial sustainability of the sector. This is because other levels of government continue, whether indirectly or directly, to assign additional responsibilities to councils. These include increased emergency and disaster management, environmental programs, community education, business development, management of certain land and the transfer of roads.²² Compulsory amalgamations in some jurisdictions over recent years, coupled with state-prescribed responsibilities (for example, in the Northern Territory), have also increased opportunities to cost shift onto the local government sector.

ALGA is committed to the IGA as it underlines the importance of effective intergovernmental collaboration and processes to avoid and prevent cost shifting practices, which are essential to maximising local governments' own efforts to enhance financial sustainability. As noted above, there is little scope left to local government to increase own-source revenue in order to meet the additional costs that come with responsibility shifting.

The terms of the IGA require it to be reviewed in 2011. ALGA believes that the IGA must be continued and strengthened so that all levels of government agree to comply with its principles whenever new or additional functions, or new or increased service standards affecting local government, are being considered. Without a strong agreement, local and regional communities cannot be confident that their social, economic and environmental needs are being fully and openly appreciated by other levels of government. Similarly, a renewed IGA must continue to ensure that funding flows to local government so that it can sufficiently discharge the functions expected of it.

The 2011-2012 Budget should include commitments to:

- **review the quantum of general purpose payments (Financial Assistance Grants (FAGs) to local government, including** both base funding and the escalation methodology. While we support a full review of the FAG process, we believe that in the interim that there should be an increase in base funding to the equivalent of 1% of total Commonwealth taxation revenue, as it was up to 1996.
- **aid in the prevention of cost shifting** to local government by committing the Australian Government to a renewed IGA.

²¹ House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes: A Fair Share for Responsible Local Government*, October 2003.

²² This is imminent in the Northern Territory (NT) following amalgamations that occurred under NT legislation effective 1 July 2008; NT councils are working with the NT Government on a proposal for increased roads funding from the Australian Government.

1. AUSTRALIAN CONSTITUTIONAL REFORMS

ALGA welcomes the undertaking of the Federal Government to hold a referendum on local government recognition in the Australian Constitution.

Constitutional reform to recognise local government is important if local government is to remain financially sustainable for the long-term, and therefore able to deal with an ever increasing range of community needs.

ALGA also welcomes the funding granted in the 2010-11 Budget towards development of the case in favour of constitutional recognition.

Given the recent High Court judgment in the Pape case in 2009,²³ ALGA believes that there is a compelling case for accelerating work on this issue and for constitutional reform itself. In the Pape case the High Court confirmed that there is significant uncertainty about the capacity of the Australian Government to provide funding to local government. The Anthony Mason Professor of Law at the University of NSW, George Williams, has noted that the Pape case fundamentally challenges the ‘unrestrained spending power of the Commonwealth’ and calls into question a number of Commonwealth funding programs to local government.²⁴

ALGA believes the Australian Government should conduct a referendum on the issue in 2013 and should also consider two related specific proposals in the context of the forthcoming Budget.

The current arrangements in the *Electoral Act 1918* (the Electoral Act), which provide for public funding of federal elections, should be amended to support funding of the ‘yes’ and the ‘no’ cases for referenda. The legislation prohibits the Commonwealth from spending money in respect of the ‘yes’ and ‘no’ cases, except in very limited circumstances (these are the costs of preparing the pamphlets for the ‘yes’ and ‘no’ cases, translating them into languages other than English and in forms suitable for visually impaired people, and distributing and publishing them, including on the internet).

Funding for a ‘Yes’ and ‘No’ case

ALGA believes that the special arrangements which applied to the 1999 referendum on the republic should apply on a permanent basis (in 1999, a total of \$15 million of public funding was provided for the referendum; \$7.5 million was allocated to the ‘yes’ case and \$7.5 million to the ‘no’ case). ALGA further believes the Commonwealth should fund the advertising for both the ‘yes’ and ‘no’ cases but unlike the 1999 referendum, ALGA proposes that the proportion of public funding allocated to the ‘yes’ and ‘no’ cases should reflect the proportion of parliamentarians voting for and against the Bill. This would ensure an equitable distribution of Commonwealth funding reflecting the will of the Parliament.

²³ Pape v Commissioner of Taxation [2009] HCA 23.

²⁴ SMH ‘High Court casts shadow on Canberra’s lofty vision’, July 9 2009, at <http://www.smh.com.au/opinion/high-court-casts-shadow-on-canberras-lofty-vision-20090708-ddb4.html>

ALGA considers that the current arrangements in the Electoral Act, which provide for public funding of federal elections, provide a model to allocate funding to the 'yes' and 'no' cases. The level of election funding in 2007 was in the order of \$49 million, based on the sum of around \$2.10 per first preference vote. The amount is indexed annually. Public funding for advertising of the 'yes' and 'no' cases for each referendum should be equal to the amount provided for federal elections. The allocation of funding (between the yes and no cases) should, however, be based on the level of support in Parliament rather than a post event assessment of votes received. The funding pool should be notionally allocated between the 226 members of the Australian Parliament (approximately \$217,000 per member, if the pool is assumed to be about \$49 million). The funds should then be allocated between the 'yes' and 'no' cases based on the level of support they receive in the Parliament.

Funding for Civics Education

On the basis of its recent research, ALGA believes that before any proposal to amend the Constitution is put to the Australian people, there needs to be a nationally funded education campaign on the nature of the Constitution and the process for constitutional change. The ALGA research is consistent with the findings of other research.²⁵ These include a 1994 report on citizenship by the Civics Expert Group that found that only 18 per cent of Australians have some understanding of what their Constitution contains, and a 1987 survey conducted for the Australian Constitutional Commission which found that 47 per cent of Australians were unaware that Australia had a written Constitution.

ALGA advocates that a national education program be run by the Australian Electoral Commission and focus on the role of the Constitution, the mechanism by which it can be changed and the role of individual voters. This should be designed as a factual campaign involving pamphlets and television and radio advertisements. It should be approved by the Australian Parliament and the Commonwealth Auditor-General to ensure its acceptance as legitimate public advertising.

There is a precedent for such a public education campaign. The 1999 referendum allocated \$4.5 million funding for a balanced education campaign. The funding enabled a separate public education program to be run by the Australian Government over a period of five months, and provided material on: the current system of government; information on the referendum process; and information on the specific referendum questions.

These issues are elaborated upon further in ALGA's submission to the House of Representatives Legal and Constitutional Affairs Committee *Inquiry into the machinery of referendums (2009)*.²⁶ In its submission, ALGA proposed a number of amendments to the *Referendum (Machinery Provisions) Act 1984*, to improve the development of reform proposals and the administration of the referendum process, so the Constitution can evolve and support contemporary governance practice.

²⁵ See the Australian Parliamentary Library's Current Issues Brief 11 of 1997-98 on the 1998 Constitutional Convention, p.7.

²⁶ See the submission at <http://www.aph.gov.au/house/committee/laca/referendums/subs/sub021.pdf>

In advance of a referendum about local government, the 2011-12 Federal Budget should include commitments which:

- **Allocate funding of \$4.5 million** to support well-managed balanced public information and awareness campaigns about the Constitution and the process by which it can be amended; and
- **Improve funding for the ‘yes’ and ‘no’ cases from the Commonwealth**, so that it is equal to the amount available for federal elections under the Electoral Act (approximately \$49 million).

2. ROADS TO RECOVERY

Local government roads comprise over 80 per cent of Australia’s roads by length, and for many councils, especially in rural and regional Australia, expenditure on roads is their largest single outlay. Simply to maintain the existing condition of local roads is beyond the financial capacity of many councils.

The Australian Government’s Roads to Recovery Program, which is funded to 2014, is highly valued by local and regional communities. They benefit directly from the increased utility provided by better roads and improved road safety. It is a popular program that has the support of all political parties, under which local government has produced value for money outcomes nationally.

The Roads to Recovery program is currently funded to 2014 at a rate of \$350 million per year. It should be made permanent to provide funding certainty to local government which, given the ongoing nature of the road asset management task, is crucial.

ALGA has undertaken a detailed analysis of the current state of local roads networks. That analysis shows that there is a considerable backlog of infrastructure spending. The research shows that in order to restore and maintain the current network would require additional funding of approximately \$1.2 billion per annum.

(<http://www.alga.asn.au/policy/transport/LocalRoadsFunding.pdf>)

ALGA is seeking additional Commonwealth funding to bridge the gap. This additional funding should comprise increased Roads to Recovery funding, funding of a Strategic Regional Roads Program, a dedicated program of funding for bridge maintenance and additional identified roads grants which are part of FAGs funding. There should be a review of the distribution of FAGs identified for roads so that the more accurately reflect needs noting that any changes in formula should not result in any council being financially disadvantaged.

ALGA believes the Australian Government should:

- **commit to a permanent Roads to Recovery program beyond 2014** to provide additional funding for local roads of \$1.2 billion per annum, comprising increased Roads to Recovery funding, a reintroduced Strategic Regional Roads Program, a dedicated program for bridge maintenance and additional FAGs identified for roads.

3. COMMUNITY INFRASTRUCTURE

Local government is responsible for more than \$12 billion of community infrastructure (not including local roads). This infrastructure provides the social and economic backbone for many communities throughout Australia, particularly those in rural and regional areas that are continuing to experience economic hardship exacerbated by increasingly unfavourable weather and climate change.

The funding allocated by the Australian Government to support the Regional and Local Community Infrastructure Program since 2008-09 was warmly welcomed by local communities across the nation and is much needed. Further, local government welcomed the financial stimulus provided under the Australian Government's *Nation Building - Economic Stimulus Plan* to also deliver regional and community infrastructure. This funding has made an important contribution to assist councils meet the backlog and underspend on this community infrastructure that has accumulated over many decades.

It is expected that projects delivered to date under this Program will continue to have benefits and multiplier effects for the economy for many years to come.

However, feedback from the local government sector indicates more needs to be done. Well-located, well-designed and properly maintained community infrastructure helps produce better quality outcomes for Australian communities and facilitates social inclusion. It also helps achieve other important social and regional policy outcomes, including attraction and retention of skilled workers, preventative health (through the use of walking tracks, cycle paths, swimming pools, parks and other recreational facilities), social cohesion and tolerance (for example, positive ageing), builds social capital and enables broad-based education and learning (through the provision of galleries, libraries and museums). For some groups in the community, local government facilities are their only means to access ongoing lifelong learning, interact socially and undertake mental and physical health and fitness activities.

ALGA acknowledges the regional infrastructure funding commitments made in the period following the 2010 Federal Election but notes that these commitments do not specifically relate to local government infrastructure and are not targeted to local government itself.

ALGA therefore urges the Australian Government to commit further local government community infrastructure funding in the 2011-12 Budget, at the level of \$300 million per annum over the next 4 years. This will enable all local councils to plan and deliver adequate and appropriate community infrastructure across all areas of Australia and enhance their resilience in the face of less favourable economic conditions.²⁷

²⁷ See for example, the Bureau of Infrastructure, Transport and Regional Economics report (June 2009), *Global Economic downturn – some implications for Australian Local Governments*, which concluded ‘[a]s the Commonwealth’s infrastructure spending flows to local economies, their ability to withstand the negative effects of the global downturn and adjust quickly when it has passed, will continue to improve’ (p.5) – see <http://www.bitre.gov.au/info.aspx?ResourceId=720&NodeId=111>

All local and regional communities, especially those in rural and remote Australia, should be able to access the benefits that quality community infrastructure brings. The final report of the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Funding regional and local community infrastructure: principles for the development of a regional and local community infrastructure funding program* (June 2009), also supports this conclusion.²⁸

National Bike Paths Program

The National Bike Paths Program (the Program) was established in 2009 as part of the Australian Government's Job Fund with funding of \$40 million available for the construction of new bike paths or for extensions or refurbishments of existing bike paths. The Program has been extremely popular with local government and its local and regional communities. The eligible funding bids have significantly exceeded the funding that was made available.

The popularity of the Program reflects community interest in cycling in a safe environment that is provided by bike paths in both urban and regional Australia. There are also significant health benefits from increased cycling and proven valuable tourism benefits, especially in regional Australia.

With the end of this program in June 2010, there is no dedicated Australian Government program to support cycling infrastructure.

Local government is therefore seeking \$120 million to continue the Program at current funding levels for a further four years.

ALGA urges the Australian Government to:

- **commit further funding to the Regional and Local Community Infrastructure Program** in the 2011-12 Budget at a cost of \$300 million per annum each year for the next 4 years to stimulate growth over the longer term and build community resilience; and
- **commit further funding to the National Bike Paths Program** at a cost of \$120 million for the next four years, to further the preventative health and other benefits that have flowed to the community under the current Program

²⁸ See, for example, Recommendation 1, '[t]he Committee recommends that the Government replace the Regional Partnerships Programme with a new program designed to provide ongoing funding support for regional and local community infrastructure'. The report can be accessed at <http://www.aph.gov.au/house/committee/itrldg/regionaldevelopment/final%20report/Final%20Report.pdf>

4. THE DIGITAL ECONOMY

Local government has been at the forefront of the calls for greater connectivity across all communities in the country, and this will continue.

ALGA welcomes the emphasis placed on information technology by the Government, especially in light of the passage of the *National Broadband Network Companies Bill 2010*²⁹ through the Parliament. This Bill was a key legislative instrument in the creation of the National Broadband Network.

Capitalising on the Government's investment in world leading broadband technology is critical to local government and local communities. One of the major potential benefits of high-quality, reliable and affordable broadband will be the ability of all residents to conduct e-business with business and government.

While considerable effort is being made by the Australian Government and state and territory governments, the take-up of e-Government and e-business by local government is significantly inhibited by lack of lack of standardisation, integration with state and federal systems, investment and training. A key area for reform and investment which will provide dividends to communities and business is the support for electronic planning and development systems.

Electronic Development Assessment

Local government can help enhance Australia's productivity and overall sustainability through administering an efficient development assessment planning system, and contributing to integrated strategic planning. Some progress has already been achieved by the sector through initial Australian Government funding to support electronic development assessment (eDA). This is a new generation of council service, which shows the importance local government places in the power and ability of a strong information technology network across the country.

Additional and targeted Commonwealth investment to assist councils to re-engineer their 'back of office' systems to accommodate e-business processing would further enable councils to deliver more efficient and less costly services to their communities, such as application lodgement, referrals, online tracking of matters and notifications. Through enabling infrastructure like broadband, further innovations would also be encouraged.

ALGA supports the use and adoption by councils of better business technologies. More interactive business systems that allow citizens and small businesses to monitor and track progress of their matter through the council decision-making process is consistent with the global drive to promote more citizen-centric service delivery at all levels of government,

²⁹ This Bill has not received Royal Assent at time of writing

maximising the use and take up of the internet and Web 2.0, and delivering further transparency in government.

Targeted funding from the Australian Government should support programs that deliver reforms that help achieve desirable economic, social and environmental outcomes for business and the community, including through continued funding of eDA.

Funding of \$200 million over 4 years to roll out eDA systems and services in line with the national eDA implementation project prepared for COAG by the Local Government and Planning Ministerial Council (LGPMC) would overcome current barriers to the widespread adoption and implementation of eDA. Such funding would provide better opportunities to work more closely with industry representatives to identify effective and low-cost solutions. It would also build the capacity of many of the smaller local councils that need assistance to improve internal administration processes as a prerequisite to delivering effective online systems, and ensure users are sufficiently informed about the alternative application and assessment process.

Whilst ePlanning alone does not deliver microeconomic reform, enhancing eDA capability can deliver considerable savings to business, government and applicants (whether major commercial developers or the vast majority of one-off ‘mum and dad’ applicants).

eDA can make a significant contribution to microeconomic reform by:

- providing immediate access to all information and documents associated with a development application;
- facilitating good governance because citizens and applicants will have enhanced opportunity to accurately assess the efficiency of the assessment process and implement ongoing process improvements;
- improving document management and enabling standardisation of processes;
- significantly reducing communication time between stakeholders and planning officers more specifically; and
- reducing paper volumes.

The 2011-12 Budget should include:

- **\$200 million over four years to roll out eDA systems and services** consistent with the National eDA implementation project (eDAIS).

5. CLIMATE CHANGE AND ENERGY EFFICIENCY

Addressing climate change is one of the greatest imperatives that Australia and the world confront.

Local government commends the Australian Government on its role and commitment to work to place a price on carbon. ALGA supports a carbon price and the need for a market based mechanism to establish this price at the lowest cost to the overall economy.

Combating climate change will require the efforts of every level of government in Australia. While this is an issue which is trans-national in scale, the effects of climate change and many of the measures to address it will be focused at the local level. Noting the consensus view that a 2 degrees Celsius rise in the earth's temperature by 2050 is already built into the global climate system, funding to accelerate adaptation to climate change measures should be a priority for the 2011-12 Federal Budget.

Recent work by the Australian Government on Climate Change Risks to Australia's Coasts,³⁰ as well as work by local government associations and climate risk management assessments by councils funded under the Climate Change Adaptation Pathways initiative, attest to the urgency of early action on adaptation.

The work reinforces the need for every community to plan for the anticipated impacts of change in the climate system and the flow-through consequences on infrastructure, agriculture, health and wellbeing if communities are to become more resilient.

The risks related to planning and infrastructure for local government going forward, in light of the expected extreme weather events related to climate change, are significant. Local government needs legal certainty that decisions made in the past will not leave councils exposed to ruinous liabilities.

A major responsibility for local government is to plan for more sustainable local communities in the long term. However, to be effective, plans must be current, well informed and capable of implementation. ALGA therefore proposes two initiatives to ensure local government services and infrastructure meet local community needs, having regard to the impact of climate change. They are: Planning for the Future and Actions to Adapt Locally.

Planning for the Future Program

Over recent years, a number of generic resources and general tools have been developed and are available to assist councils to commence work on an examination of climate change issues for their council and local community. However, as councils and their communities have developed increased general awareness of the issues, there is increasing pressure and urgency to develop specific actions tailored to specific localities.

ALGA acknowledges the Australian Government's contribution to assisting some councils to commence this task, in particular through the Local Adaptation Pathways Program. To date, this program has assisted more than 60 local governments to undertake risk management assessment studies at a cost to the Australian Government of around \$3 million.

While this is an excellent start, every council needs to commence this vital work now. All councils across Australia have a range of corporate management and community plans in

³⁰ See the November 2009 report at the Department of Climate Change website, using the links at <http://www.climatechange.gov.au/publications/coastline/climate-change-risks-to-australias-coasts.aspx>

place, many of which are required under state legislation. These plans are reviewed regularly and most councils require assistance to assess climate change risks and incorporate more comprehensive climate change and adaptation considerations into their plans.

Expanding the Local Adaptation Pathways Program to meet the needs of all councils and communities in Australia could be achieved with an allocation of \$40 million to local government over four years. Under this proposal, funding for individual programs would be increased from current levels to \$100,000 per project and comprise two components: support for conducting climate change risk management assessments along the lines of the current program; and funding to develop an adaptation and implementation plan to address the identified risks.

ALGA notes that the funding would complement the work of the Local Government and Planning Ministers' Council (LGPMC), which in September 2009 commissioned a paper to identify practical issues facing local government in dealing with climate change. This is intended to inform the development of a national framework and tools for use by local government in planning for climate change mitigation and adaptation.

Actions to Adapt Locally Program

Having identified the need for further funding assistance to help councils develop climate change adaptation plans, it is noted that a number of councils have already identified a range of important projects. As further assessments are undertaken and plans developed, implementation of these plans will require further resources.

Some plans will identify a range of initiatives and changes to existing practices, and the cost of implementation will be met over time within councils' operating budgets. However, it is expected that a number of significant capital-intensive adaptations will be required that will necessitate upfront capital expenditure. For example, coastal storm activity has demonstrated the vulnerability of areas of high population along the coastline, and the recently released report on Climate Change Risks to Australia's Coast³¹ graphically highlights the scale of the problem. Improving the resilience of infrastructure, and introducing long-term strategies such as the relocation of assets at risk, will be required.

The House of Representatives Committee report, *Managing Our Coastal Zone in a Changing Climate – the Time to Act is Now* (October 2009) recommends that the Australian Government, in cooperation with state, territory and local governments, and in consultation with coastal stakeholders, develop an Intergovernmental Agreement (IGA) on the Coastal Zone, for endorsement by COAG. The IGA is intended to define the roles and responsibilities of each of the levels of government, and include agreed principles based on strategic regional coastal management and landscape/ecosystem coastal zone management. The report recommends establishing a National Coastal Zone Management Unit within the Commonwealth Department of the Environment, Water, Heritage and the Arts, and a National Coastal Advisory Council. Local government is acknowledged throughout the report as being at the front line of coastal management but lacks the capacity and resources to do everything that is required of it. ALGA agrees with the report's finding that "[c]ouncils need

³¹ Op cit at 37 above.

to develop clearly defined policies to deal with the impacts of climate change and make the risks of climate change impacts an explicit part of their decision-making criteria to assist in limiting their potential exposure to legal action".³²

ALGA welcomes both the Low Carbon Communities program announced by the Government during the election campaign, which is funded at \$80 million over the next four years, and the role highlighted for local government within it. However, ALGA anticipates funding in the order of \$400 million over four years direct to local government will be required to implement strategic projects. These would include strengthening the quality of built assets needed to support communities in the face of climate change.

The Budget 2011-12 should allocate:

- **\$40 million over four years to a Planning for the Future Program** to assist councils undertake climate change risk assessment and develop adaptation plans;
- **\$400 million over four years to an Actions to Adapt Locally Program** to implement urgent and strategic infrastructure projects in high risk areas that are identified within local government climate change and adaptation plans or their equivalent plans.

Energy Efficiency – Street Lighting

Local government is fully supportive of national initiatives that preserve our natural environment and heritage and reduce unsustainable environmental practices.

Australians have become more aware of the impacts of climate change on the environment and the broader economy. Councils across Australia have tended to reflect the general community desire to adopt environmentally sustainable practices. Examples include the implementation by some councils of ‘carbon neutrality’ goals in respect of council operations, establishment of lighting strategies and/or action plans, promotion of energy efficient buildings in development assessment, and the setting of energy reduction targets.

Within this broad objective, councils have identified a range of means by which they can meet their targets. One example is moving to green ICT policies and practices. Another is to look at options to replace carbon-intensive street lighting on local roads (predominantly Mercury Vapour (MV) lighting) with more energy efficient lighting. Less carbon-intensive lighting can be up to 70 per cent more efficient than MV lighting.

In most cases throughout Australia, the responsibility to provide public lighting on local roads falls to local government (this is sometimes referred to as lighting for ‘minor roads’). Generally, state governments are responsible for public lighting on arterial roads, although local government may contribute to the operating costs.

³² See the Committee report, conclusion 4.111, at <http://www.aph.gov.au/house/committee/ccwea/coastalzone/report/Final%20Report.pdf>

The majority of existing street lighting for local roads uses Mercury Vapour (MV). The lifecycle for MV 80 lights is around 20 years. However, they are carbon-intensive, meaning they consume more energy than newer lighting technology, emit more greenhouse gases and present difficulties relating to their safe disposal given the higher mercury content levels in MV compared to fluorescent lighting.

Alternative energy efficient technologies include linear fluorescent, compact fluorescent lighting, and LEDs. However, councils generally do not own, operate or control street lighting luminaires or street lighting infrastructure (poles, wires and lamps). These are usually owned and managed on behalf of councils by electricity distribution businesses³³ but councils pay them for street lighting services and electricity retailers for the energy consumed. In effect, councils are customers that pay for the lighting equipment and the energy consumed by it. Specific costs for councils include ongoing operation, management and replacement (OMR) costs, installation costs and energy running costs.

With the introduction of new Commonwealth legislation and policies on the environment, such as the National Greenhouse Energy Reporting System (NGERS), the issue of how to manage and reform inefficient and carbon-intensive street lighting on local roads is more pressing.

Significant benefits could flow to the environment through a national program that assists councils to replace MV lights with more efficient lighting. As an example, when compared with the MV 80, T5 Twin 14W 'Greenstreet' lights (Pierlite manufactured) are 70 per cent more efficient. It has been estimated, for example, that upgrading all minor road MV lights in Victoria to T5 lighting over the next 4 to 5 years from 2009, would reduce Co2-emissions by 1.7 million tonnes (some 25 to 68 per cent)³⁴ and save 2,2000 GWh of electricity use, by 2030.

Further, the regulatory arrangements mean that the payback period for investing in upgrading lighting infrastructure is extended due to the ongoing OMR costs. The Australian Government has previously stated that through the Climate Change Action Fund, it would be providing support to business and community organisations to take early action prior to the introduction of the CPRS, to reduce cost impacts. This commitment should continue if the Australian Government pursues the CPRS. Applying similar rationale and criteria, local government must be able to access funds to innovate in public lighting to reduce emissions and buffer against inevitable electricity price rises. More efficient street lighting has a relatively long payback period, is innovative and increases energy efficiency.

A nationally consistent approach led by the Australian Government and underpinned by appropriate Australian Government funding assistance would greatly improve lighting

³³ Councils can choose to own and maintain streetlights in their area but as reported by the Australian Greenhouse Office in 2007, no council has been known to do so in recent years.

³⁴ See for example, the submission of the Municipal Association of Victoria to the Victorian Government Budget 2009-10, at [http://www.mav.asn.au/CA256C320013CB4B/Lookup/statebudgetsubmission0910/\\$file/submission2009-10statebudget.pdf](http://www.mav.asn.au/CA256C320013CB4B/Lookup/statebudgetsubmission0910/$file/submission2009-10statebudget.pdf).

efficiency across the country, saving on precious energy supplies and reducing costs that are ultimately charged to ratepayers and business operators.

The Budget 2011-12 should include:

- **funding and other support for local government to replace inefficient street lighting**, specifically through funding 30 per cent of the total estimated replacement costs of MV80 lighting and implementing regulatory reform initiatives that provide an incentive to the supply sector to upgrade current equipment.

Water Reform

Urgent priority should be given to water saving and recycling initiatives in urban and regional centres to help communities prepare adequately for a future in which extreme weather and diverse climactic conditions are a more permanent feature of our environment.

Although some councils have accessed funding under the existing Australian Water Fund the opportunities to do so in the future are extremely limited as large state proposals have been given preference, leaving local councils with a lack of funding. This in turn is making communities more vulnerable and at risk of an uncertain future.

Given the effects of climate change and drought, and heightened awareness of the need for water conservation at the community level and improved security of supply and associated water infrastructure, it is timely to establish a discrete local government water recycling and water sensitive urban design initiative with funding of \$400 million over 4 years. This initiative would enable councils to promote water saving and community-scale recycling technologies, as well as implement practical projects to ensure that scarce water resources are optimised. Projects that should be eligible for funding include: implementation of third pipe initiatives in new developments; stormwater harvesting; sewer mining; and water conservation projects at council-owned and operated premises. Further, the initiative could be linked to the National Water Initiative – Water Sensitive Cities and work being conducted at Monash University by Dr Rebekah Brown. The National Water Initiative is highly valued for its ability to build capacity in the field of water sensitive urban design.

The 2011-2012 Budget should allocate:

- **\$400 million over four years** to assist councils develop and implement projects for water sensitive urban design projects and implement community-scale recycling initiatives.

6. MUNICIPAL SERVICES IN INDIGENOUS COMMUNITIES - CLOSING THE GAP

ALGA applauds the Australian Government for its commitment to initiatives that aim to close the gap between Indigenous and similar non-Indigenous Australians in the areas of housing, health, early childhood development, economic participation and remote service delivery. Initiatives like these are vital if our nation is to overcome the economic and social costs of disadvantage being experienced disproportionately in our Indigenous communities, and position them to be more prosperous and sustainable.

An audit by the Western Australian Government in 2008 provided a public estimate of \$540 million to address the backlog in housing maintenance in remote Indigenous communities. This estimate did not include the impact of factors like overcrowding, total supply of housing, or the cost of municipal and essential services such as roads, electricity, water, drainage, sewerage and waste removal. ALGA believes that the estimate would be significantly higher if these factors were to be taken into account.

At the national level, *prima facie*, ALGA believes that such reforms may require an initial financial investment by the Commonwealth of at least \$2 billion, to address the backlog in Indigenous communities.

ALGA understands that the types of capital works that are required to produce meaningful infrastructure reform in individual Indigenous communities will primarily be local in scale and, as such, do not fit strictly within the remit of Infrastructure Australia. However, when considered in aggregate, such capital works require significant national investment and cannot be funded by these communities alone. Accordingly, ALGA believes that the provision of essential infrastructure in Indigenous communities across Australia should be considered a national project with national priority, consistent with the Closing the Gap reforms.

In addition, collaboration and co-ordination should be encouraged between all levels of government to ensure the provision of services and infrastructure is timely, appropriate and effective.

The 2011-12 Budget should include:

- **a minimum \$2 billion to address the gaps** between Indigenous and similar non-Indigenous communities in the provision of essential and municipal services.

7. NATURAL DISASTERS

As was seen in December and January 2011 in the flooding in NSW, VIC, TAS and especially QLD and the bushfires in WA, natural disasters are a fact of life in Australia. Very often local communities are devastated, and local councils are critical to the recovery after such disasters.

On average, in Australia each year, 50 people lose their lives as a direct result of natural disasters. A further 1,500 are injured and 250,000 are affected in some way.³⁵ The economic cost to communities is around \$3 billion.³⁶ Natural disasters have a significant economic, social, environmental and political impact on communities impacted by such disasters. Natural hazards are occurring more frequently in Australia than in the past as the climate continues to warm and sea levels begin to rise, and they are producing more severe and longer-term consequences.

The economic cost of the flooding in Eastern Australia will be tremendous in scope, perhaps the most costly natural disaster in our history, with councils in Queensland alone facing costs of perhaps \$2 billion. As the local government sector across several jurisdictions prepare for the extended clean-up and rebuilding of crucial infrastructure ALGA expects that the Commonwealth will be there to assist both state and local government in this considerable endeavour. This assistance, however, cannot be at the expense of other equally pressing needs.

Local government has been a strong supporter of the Natural Disaster Relief and Recovery Arrangements (NDRRA) under which the costs of restoring government infrastructure (including local government infrastructure) are shared across the levels of government with the Commonwealth committing to meet up to 75% of those costs.

However, given the extent of the 2011 natural disaster, particularly of the Queensland floods, it is likely that even under the NDRRA arrangements it is expected that a number of councils will not be in a position to adequately fund the restoration of local infrastructure. As such, if it is determined that special payments, in addition to the NDRRA, are required then these payments should be paid directly to local governments so that they can expedite their essential work.

It is important to help insulate communities from the effects of natural hazards. Local government therefore endorses initiatives that build capacity in local and regional communities to identify, mitigate and adapt, as well as respond to natural disasters.

The previous, but now expired, Australian Government Natural Disaster Mitigation Program allocated around \$20 million per annum to achieve this goal. However, funding needed to be matched by local government and state governments on a formula of 1:1:1.

In recognition of the projections for more widespread and severe impacts of natural disasters exacerbated by climate change (for example, storm surge, increased inundation of land previously not considered at risk, extreme temperature variations and more severe bushfires), local government supported the consolidation of Australian Government funding for disaster mitigation. This subsequently occurred under the Disaster Resilience Australia Package (Federal Budget 2009-10). However, demand by state governments upon the Program could be expected to reduce the availability of fair funding to local government to meet its

³⁵ 2009 was an exceptional year given the death toll from the Black Saturday fires in Victoria was close to 200.

³⁶ Attorney-General's Department report, *Working Together to Manage Emergencies: Strategic Plan to Nationally Enhance Emergency Management in the Community (2004)*.

increasing responsibilities in disaster management and the current level of funding for potential mitigation measures is clearly inadequate compared to the scale of damage and substantial returns for mitigation investments. A dedicated program for local government is needed so that local government can build resilience and provide community members with the certainty they need in the face of natural disasters.

Collecting and storing valuable data

Local government possesses geospatial and other information that may be critically important when responding to terrorist activity, natural and civil disasters or health-related emergencies. However, this information is not generally accessible to the Australian and state and territory governments due to governance and technological barriers. Intervention is needed so that local government data may be assimilated with other information sources, including those managed by various agencies or emergency management stakeholders.

The Trusted Information Sharing Network for Critical Infrastructure Protection, the National Information Management Advisory Group and the National Counter Terrorism Committee have all recognised this vulnerability. While there are some plans in some jurisdictions, the capacity to integrate local government information into cross-jurisdictional emergency management response does not currently exist.

In this context, a proposed “smart network” would support the ability for local government to participate more productively in the emergency management arena.

It is proposed that specific resources be allocated to build an integrated solution that leverages existing infrastructure such as the AusDIN Portal. This “smart network” may integrate virtual spatial information libraries, operational and surveillance data and communication and notification functions. The system will increase intelligence gathering capacity and local government’s ability to coordinate cooperate and respond to major emergencies.

In the event of a regional disaster where there is a total failure of information technology infrastructure, there will need to be continuing operations and delivery of local government services. In this context, the proposal develops and implements a national disaster recovery capability that would:

- be a secondary offsite data repository for councils;
- enable council business functions to be delivered remotely over appropriate telecommunications technologies following a disaster; and
- augment spatial data libraries using an all-hazards emergency management approach, including counter-terrorism, so that complete, accurate information is accessible to agencies responsible for managing crises.

The initiative will assist local government to support communities in their recovery, particularly in the first crucial weeks after a major disaster, where research shows the ongoing psychological and economic implication of the event can be minimised.

The 2011-12 Budget should include:

- a dedicated program for **local government disaster management, at a cost of \$50 million over 5 years.**
- **\$20 million over four years** to develop the data initiative, and boost local government's capacity.