



**Australian Local Government
Association**

2010-2011 Budget Submission

***Building resilient and
prosperous communities***

January 2010

The Hon Wayne Swan MP
Treasurer
via Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

By email: prebudgetsubs@treasury.gov.au

29 January 2010

Dear Treasurer

ALGA 2010-11 Budget Submission

The Australian Local Government Association (ALGA) is pleased to present this Submission for consideration in the preparation of the 2010-2011 Federal Budget.

ALGA acknowledges the positive outcomes for local government and communities contained in the 2009-10 Federal Budget. A number of the measures announced in that Budget had been advocated by ALGA in its Budget Submission for 2009-10. ALGA specifically acknowledges the following measures that were consistent with ALGA's 2009-2010 Budget Submission:

- financial support to enable local government to address renewals gaps affecting local community infrastructure;
- funding to upgrade boom gates at railway crossings;
- continued funding to support regional aviation infrastructure;
- establishment of the Disaster Resilience Australia Package;
- a new four year program to promote Healthy Communities in conjunction with local government; and
- various energy efficiency programs aimed at reducing carbon emissions and providing capacity to households to adjust to a carbon-constrained economy.

ALGA particularly welcomes the Australian Government's recognition of, and support for, the role that local government has been able to play throughout the last 12 months in delivering components of the \$42 billion *Nation Building - Economic Stimulus Plan* as part of the response to the Global Financial Crisis (GFC). This includes renewing, upgrading and establishing important regional and local community infrastructure.

The Australian Government's response to the GFC required strong national leadership and sound partnerships with business, the community sector, industry and local government. ALGA believes that the Australian Government now has a solid foundation on which it can further develop some of the initiatives implemented in response to the crisis, in the long-term national interest.

In this Budget Submission ALGA proposes a number of initiatives that would enable the Australian Government to maximise the economic returns on the investment already made in response to the crisis, build the capability of communities to adapt and respond to new and emerging challenges and help achieve resilient, sustainable and prosperous communities into the future. The Submission is underpinned by three basic premises to facilitate these objectives:

- Direct and targeted Australian Government investment in local and regional communities is needed to build social, economic and environmental resilience;
- Financially sustainable local government is essential if programs that aim to build local and regional resilience, capability and prosperity are to be delivered effectively; and
- Structural reforms to Commonwealth-local government financial relations must be implemented to secure financially sustainable local government. Such reforms should encompass:
 - increased Financial Assistance Grants and an improved growth/escalation methodology;
 - permanent funding for Roads to Recovery;
 - continuation of the Regional and Local Community Infrastructure Program;
 - prevention of cost and responsibility shifting onto local government by other levels of government, particularly the states and territories;
 - progress on constitutional reform; and
 - targeted investment to improve business efficiency at the local government level. This should include programs to assist 'back of office' re-engineering to facilitate planning reforms that help achieve good outcomes for businesses and the community, and continued funding for electronic development assessment (eDA).

I commend this Budget Submission to you.

Yours sincerely

A handwritten signature in black ink that reads "Geoff Lake". The signature is written in a cursive, slightly slanted style.

Cr Geoff Lake
President

ESTABLISHING A FRAMEWORK TO BUILD RESILIENCE AND PROSPERITY FOR OUR LOCAL AND REGIONAL COMMUNITIES

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 latter's combination of state and municipal functions). The President of ALGA is a member of the Council of Australian Governments (COAG) as well as 13 other Ministerial Councils. This provides ALGA with a unique perspective in formulating and presenting its 2010-11 Budget Submission to the Australian Government.

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

- improving local government financing;
- enhancing the financial and asset management capacity of local government;
- advancing important constitutional reforms;
- working to prevent cost and responsibility shifting;
- addressing climate change;
- assisting in disaster management;
- advocating access to high quality, affordable broadband for all Australian communities and associated measures, recognising the significant transformational effects that broadband can have on our communities, and the innovative technologies that it can support;
- developing policies that reflect demographic changes in our society and consequent changes in demand for local government services;
- acting in collaboration with other governments and stakeholders to achieve the Closing the Gap targets and related Indigenous reforms;
- promoting social inclusion, community consultation, and community resilience; and
- enabling appropriate and ecologically sustainable land use and urban planning outcomes.

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 around \$24 billion (2007-08) (more than 6 per cent of total public sector spending).⁴

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.

Most of local government's expenditure is directed to the provision of local services, which comprise (in order of decreasing significance): 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

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 externalities they cannot control, such as climate change, drought, natural disaster and the GFC.

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 absolute strength lies in its capacity to identify and respond to the diverse and emerging needs of communities across Australia.

For over 12 months, local councils have helped to deliver 3,300 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 local sports events, arts, theatre and entertainment to be held in local and regional communities, and provide 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.

The Australian Government has shown its commitment to working with local government to achieve real and meaningful outcomes for local and regional communities. In addition to establishing 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, the establishment of a Local Government Reform Fund and the appointment of ALGA's President as Deputy Chair

⁵ Op cit at 4 above.

⁶ Unpublished research Fire Fly 2009.

of the Australian Council of Local Government's Steering Committee are all helping to produce better outcomes for our local and regional communities.

Despite the GFC, the Australian economy has proven to be remarkably resilient and our economic fundamentals are sound. The early actions of the Australian Government to navigate the crisis through short-term economic stimulus programs, and its leadership, have been commended by domestic and international bodies and have proven successful. This is a good outcome for the nation overall and local and regional communities specifically.

It is now incumbent on the Australian Government to guard against an over-inflated economy as growth recovers and to contain the Budget deficit by investing in initiatives that avoid undue increases in recurrent spending whilst advancing productivity-enhancing reforms.⁷

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.

The measures proposed in this Submission aim to achieve the following national outcomes:

- an efficient and more effective public sector;
- a more competitive environment in which Australian businesses can compete globally, having regard to taxation reforms that might be pursued following the review of Australia's Future Taxation System (the Henry Tax Review);
- a society and economy that has taken climate change into account, both in terms of its strategic investment in adaptation to change that is unavoidable (this includes investments in industry, skills and technologies) and in mitigation approaches (such as promotion of the green economy and an emissions trading scheme);
- 'globally competitive fit for purpose' national infrastructure, including roads, rail, public transport, broadband, and export-related infrastructure (both ports and airports);
- resilient communities, encompassing appropriate support/structural adjustment for those who make substantial changes as a result of policy reforms or externalities; and
- a socially inclusive and tolerant Australian society which expands its reach to those who are isolated or at risk of isolation or who suffer social and economic disadvantage, particularly those in Indigenous communities, the vulnerable, the aged and the less well off.

⁷ The latter approach is also supported by the Productivity Commission in its Annual Report 2008-09, p.20.

While preserving its flexibility to respond to changing or unforeseen future economic circumstances is critical, ALGA also urges the Australian Government to include measures in the 2010-11 Federal Budget that ensure national growth is locked in through appropriate funding and is sustainable over the medium to longer terms.

SUMMARY TABLE: ALGA SUBMISSION TO THE FEDERAL BUDGET 2010-2011

INITIATIVES	DESCRIPTION/PURPOSE	DEPARTMENT	MINISTER	COST	IMPACT ON FORWARD ESTIMATES
1. REFORMING FEDERAL FINANCIAL RELATIONS TO INCLUDE LOCAL GOVERNMENT					
<p>Reform Financial Assistance Grants (FAGs) funding to local government to ensure the public sector is efficient and effective.</p> <p>Address inadequate funding in relation to community care, including the Home and Community Care (HACC) program.</p>	<p>A comprehensive review of general purpose funding for local government is both necessary and overdue, especially since the reforms to federal financial relations from 1 January 2009. Base funding and the escalation methodology need to be improved. Similar issues apply to HACC. The 2006 intergovernmental agreement aimed at preventing cost shifting, which is critical to local government sustainability, must also be continued and strengthened (the IGA is to be reviewed in April 2011).</p>	<p>Infrastructure, Transport, Regional Development and Local Government</p>	<p>Minister Albanese</p>	<p>Additional \$750 million in FAGs in 2010-2011</p>	<p>Consequent increase in base funding plus growth through an improved escalation methodology</p>
2. ROADS TO RECOVERY					
<p>Permanent funding for Roads to Recovery should be established, with funding to reflect road usage and community expectations, and with scope to apply the funds more flexibly.</p>	<p>Roads to Recovery should be a permanent program (it will lapse in 2014). Future funding should reflect road usage and community expectations, but at levels no less than current funding. Councils should also be allowed to apply the funding flexibly to achieve strategic, integrated transport policy outcomes at the local level.</p>	<p>Infrastructure, Transport, Regional Development and Local Government</p>	<p>Minister Albanese</p>	<p>Ongoing annual commitment</p>	<p>Minimum \$350 million per annum post-2014</p>

INITIATIVES	DESCRIPTION/PURPOSE	DEPARTMENT	MINISTER	COST	IMPACT ON FORWARD ESTIMATES
3. REGIONAL AND LOCAL COMMUNITY INFRASTRUCTURE					
<p>Continue the Regional and Local Community Infrastructure Program to increase the economic and social benefits to local and regional communities.</p> <p>Fund the National Bike Paths Program as a dedicated cycling infrastructure fund.</p>	<p>A further \$300 million per annum for 4 years from 2010-11 would enable local councils across Australia to renew more of their ageing local community infrastructure.</p> <p>The current Program has proven extremely popular in both urban and regional Australia but is due to expire in June 2010. Further funding would maximise the health and tourism benefits from increased cycling, especially in regional Australia.</p>	<p>Infrastructure, Transport, Regional Development and Local Government</p> <p>As above</p>	<p>Minister Albanese</p> <p>As above</p>	<p>\$1.2 billion over 4 years</p> <p>\$160 million over 4 years</p>	<p>\$300 million per annum for 4 years</p> <p>\$40 million per annum for 4 years</p>
4. CLIMATE CHANGE AND WATER					
<p>Invest in programs and initiatives that help communities adapt and respond to climate change.</p>	<p>Local government is critical to the success of climate change adaptation and mitigation measures. Funding to support local government's capacity to plan for the future is crucial and through conducting comprehensive risk assessments, implementing actions to adapt locally and a Local Government Climate Change Facilitators' network, local government would be better able to deliver outcomes that are effective and appropriate.</p>	<p>Climate Change</p> <p>Environment, Water, Heritage and the Arts</p>	<p>Minister Wong</p> <p>Minister Garrett</p>	<p>\$560 million over five years</p>	<p>\$112 million per annum for 5 years</p>
<p>Invest in water security for vulnerable towns to build resilience.</p>	<p>A dedicated program for local government water sensitive urban design principles and water recycling initiatives to build resilience in vulnerable local government areas should be established urgently.</p>	<p>Climate Change</p> <p>Environment, Water, Heritage and the Arts</p>	<p>Minister Wong</p> <p>Minister Garrett</p>	<p>\$400 million over 4 years</p>	<p>\$100 million per annum for 4 years</p>

INITIATIVES	DESCRIPTION/PURPOSE	DEPARTMENT	MINISTER	COST	IMPACT ON FORWARD ESTIMATES
5. MANAGING EMERGENCIES					
Invest in the community's capacity to manage emergencies.	The frequency and intensity of natural disasters is increasing. However, the demand from state governments on the Disaster Resilience Australia Package means that the funding available to local government to meet increasing responsibilities in disaster mitigation has reduced. Priority should be given to the establishment of a dedicated program for local government to engage in local disaster mitigation, at \$10 million per annum for 5 years.	Attorney-General	Attorney-General McClelland	\$50 million per annum over 5 years	\$10 million per annum for 5 years
6. ENERGY EFFICIENT STREET LIGHTING					
National leadership and funding support to help councils replace carbon-intensive street lighting with energy efficient lighting.	Many councils pay electricity distribution businesses for operating, maintaining and repairing street lighting in local areas. Much of this lighting runs on mercury vapour lamps that are carbon-intensive and costly to run. Until these lights reach the end of their expected life cycle, infrastructure providers have no incentive to replace them with new and more energy efficient lighting. In the absence of intervention, councils wishing to purchase greener street lighting are being asked to pay electricity distribution businesses the capital costs of installation of efficient energy lamps. This is a significant cost burden for the sector alone and assistance from the Commonwealth is necessary.	Environment, Water, Heritage and the Arts	Minister Garrett	An initial contribution by the Australian Government of 30 per cent of the total replacement costs.	TBC

INITIATIVES	DESCRIPTION/PURPOSE	DEPARTMENT	MINISTER	COST	IMPACT ON FORWARD ESTIMATES
7. CONTINUING TO CLOSE THE GAP AND DELIVER ON INDIGENOUS REFORMS					
Providing essential municipal services to our Indigenous communities.	Financial assistance is required to address gaps in the provision of essential infrastructure and municipal services. Local government must be consulted to ensure the most effective solutions are implemented.	Family, Housing, Community Services and Indigenous Affairs	Minister Macklin	It is estimated that a minimum of \$2 billion is required	As advised by the Australian Government
8. TARGETED INVESTMENT TO SUPPORT PLANNING PROCESS REFORMS					
Targeted investment to assist councils to re-engineer 'back of office' systems will enhance efficiency and deliver citizen-centric government through the better use of technology.	Funding is sought to enable councils to deliver better outcomes in their planning task, including continued support for electronic development assessment (eDA).	Infrastructure, Transport, Regional Development and Local Government	Minister Albanese	\$200 million over 4 years	\$50 million per annum for 4 years
9. LOCAL DEMOCRACY AND NATIONAL CONSTITUTIONAL REFORMS					
Support should be provided to enable better public education and information campaigns to be launched alongside referenda, and changes should be made to ensure adequate funding of reform proposals.	Adequate funding to support well-managed public information and awareness campaigns about the Constitution and the process by which it can be amended, and funding for the 'yes' and 'no' cases from the Commonwealth equal to the amount available for federal elections under the <i>Electoral Act 1918</i> , would help improve the prospects of constitutional reform once a proposal is put to the Australian people.	Prime Minister Attorney-General		\$53.5 million	\$4.5 million to support well-managed public information and awareness campaigns and \$49 million for funding of the 'yes' and 'no' cases

1. 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)*. It is not one of the SPPs that were reformed pursuant to the new federal financial relations framework, effective from 1 January 2009.⁸ The new framework has seen the creation of five new National SPPs, each of which is associated with a National Agreement which contains objectives, outcomes, outputs and performance indicators and clarifies the roles and responsibilities that will guide the Commonwealth and the states and territories in the delivery of services across the relevant sectors, and specifies new National Partnership Payments.

National Partnership Payments entered into between the Commonwealth and the states and territories may require the state or territory Treasury to direct funding to local government where it has been identified as the intended recipient of the funding, such as under the National Partnership Agreement on the Digital Regions Initiative or through the Healthy Communities program. This enables the Commonwealth to provide funding to local government where the latter is engaged as a service provider (for example, as a deliverer of Home and Community Care (HACC)) or is the exclusive service provider (such as under the Roads to Recovery program).

The Commonwealth has noted that almost 91 per cent of local government's revenue in 2006-07 was from its own sources⁹; 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,¹⁰ 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 Report¹¹ 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 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.¹² 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

⁸ It is noted that the new framework ‘...rationalises the number of payments made to the States, while also increasing the quantum of payments, centralises payment arrangements and provides greater funding certainty and flexibility for the States’ – see

http://www.federalfinancialrelations.gov.au/content/funding_framework.aspx

⁹ Op cit at 2 above, p.17.

¹⁰ Productivity Commission report *Assessing Local Government Revenue Raising Capacity* (April 2008), Finding 5.4, p.xxxvii (herein referred to as the ‘PC report’).

¹¹ Op cit at 2 above, p.13.

¹² Op cit at 10 above, Finding 5.5, p.xxxviii.

retaining sufficient flexibility to harness new opportunities. Funding certainty is critical to the short and long term planning of local and regional communities.

Financial Assistance Grants to local government and the imperative for reform

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.¹³

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 grants, 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 2006-07.¹⁴

However, although FAGs are intended to supplement the ability of local government to support functions, they have reduced 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,¹⁵ 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 2010-11 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 particular, the inadequate escalation methodology has contributed to a growing gap in the funds required by local

¹³ See ABS Cat No. 5512.0 Government Finance Statistics series.

¹⁴ Local government does not receive any substantial general purpose funding from state governments.

¹⁵ 2008-09 Final Budget Outcome, Part 3, Australia's Federal Relations, at <http://www.budget.gov.au/2008-09/content/fbo/html/index.htm>

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 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’¹⁶. 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

¹⁶ PC report, op cit at 10 above, Finding 5.6, p.xxxviii.

only be achieved through an increase in the quantum of intergovernmental financial transfers.

Improved base funding and a more appropriate escalation methodology would achieve some equivalence between FAGs funding for local government and the reforms recently 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. Further, through reward/incentive facilities under the new National Partnership Payments, the reforms also allow for innovation to improve service delivery and performance outcomes, which could help ensure a more efficient and effective level of service provision from the public sector.

The reforms have resulted in the states and territories receiving both increased base funding and more appropriate escalation methodologies for national SPPs.¹⁷ 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 2009-10.¹⁸

National SPP funding in 2008-09 was increased by 30 per cent compared with 2007-08 levels.¹⁹ This suggests that funding from the Commonwealth to other levels of government was previously insufficient, and the same can be said of general purpose funding to local government.

ALGA notes that FAGs have been set aside from the Australian Government's federal financial reforms agenda, but are due to be considered by the Council of Australian Governments (COAG) in accordance with its meeting outcomes of April 2007.²⁰

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

¹⁷ 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

¹⁸ See 2009-10 Mid-year Economic and Fiscal Outlook, Paper 3, at <http://www.budget.gov.au/2009-10/content/myefo/html/index.htm>

¹⁹ See 2008-09 Final Budget Outcome, Part 3, op cit at 15 above.

²⁰ 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).

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.²¹

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, and ALGA proposes that as an interim measure, the level of funding for FAGs be restored to a minimum 1 per cent of Commonwealth taxation revenue.

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 continue to more fully meet the diverse economic, social and 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 (a National Partnership Payment).

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 HACC, which is provided as a National Partnership Payment.

²¹ 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.'

The first annual national report released by the Commonwealth on HACC²² 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 in place and live independent lives, taking pressure off the public hospital system and producing more efficient outcomes.

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.²³ The current HACC funding provided by the Australian Government does not meet the real costs of providing quality care, is indexed in a way that cannot keep pace with true costs and is out of step with many other indices applied by the Commonwealth to grow base funding for programs, especially since the new federal financial relations framework came into effect.²⁴ Further, it is estimated by the National Centre for Social and Economic Modelling (NATSEM), that there will be a 160 per cent increase in the number of people aged over 65 needing care during the next 30 years: from 539,000 people in 2001 to 1,390,000 in 2031.²⁵ Without more certain and sustainable funding to meet the increased volumes and demand for services that this will bring, fewer older Australians will be able to access the level of community care they need, which will only increase pressure on more expensive public health services such as acute care.

The Australian Government has indicated it will re-consider funding arrangements for HACC. A review of the HACC funding is pressing and ALGA seeks an assurance from the Australian Government that consequent to any review:

- the effects of any redistribution of the funding responsibilities for ageing and disability programs will be carefully considered in conjunction with major service providers including local government;
- any changes will result in improvements to the provision of services and support for older people, people with disabilities, and carers;
- any new funding conditions for ageing programs will maintain strong in-home and in-community outcomes, alongside residential and institutional outcomes;
- any redistribution of the funding and program responsibilities for the delivery of ageing and disability programs and services will not result in any reduction in per capita expenditure; and
- funding distribution and escalation methods will take into account regional and local needs and cost factors.

²² 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>.

²³ These include Aged and Community Services (ACSA), the Council on the Ageing (NSW) which has called on the NSW Government to increase its funding of HACC by 20 per cent (see its January 2009 document, *Pre Budget submission: towards 2010*); and Alzheimer's Australia which has called for an additional \$1 billion to be spent on dementia in its 2010-11 Budget Submission at <http://www.alzheimers.org.au/content.cfm?infopageid=6097>

²⁴ See ACSA document, *A New Age for Aged Care: Time for Reform*.

²⁵ NATSEM (2004), *Who's going to care? Informal care and the ageing population*, prepared for Carers Australia, Canberra.

Within the broad area of community care provision, ALGA notes the significance of community transport services, which support not only ageing Australians but also people with disabilities and those who are struggling financially.

Local councils are increasingly providing community transport services to respond to local unmet transport needs. However, community transport is a significant social and financial challenge for local councils²⁶ and as the population ages the demand for community transport services is expected to increase.²⁷ In order to continue to assist the vulnerable and transport disadvantaged members of the community to access the services they need and participate in community life, the Commonwealth must examine the levels of funding support provided for community transport services.

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

In April 2006, all Australian governments signed the *Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations of Local Government Matters* (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 was found to have a negative impact on councils of between \$500 million and \$1.1 billion annually.²⁸ 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 as 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.²⁹ 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.

²⁶ See for example, the Municipal Association of Victoria report, *Community Transport Research Report* (April 2009).

²⁷ ALGA notes that the third Intergenerational Report is due for release in 2010 before the 2010-11 Federal Budget and can be expected to provide more up-to-date analysis on the population ageing trend in Australia.

²⁸ House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes: A Fair Share for Responsible Local Government*, October 2003.

²⁹ 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.

The terms of the IGA require it to be reviewed in April 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 2010-2011 Budget should:

- **extend the federal financial relations reforms agenda to include the review of general purpose payments to local government**, both base funding and the escalation methodology, whilst delivering base funding that is equivalent to a minimum 1 per cent of Commonwealth taxation revenue, excluding the GST, in the interim;
- **deliver improved levels of funding for community care including appropriate HACC indexation and community transport funding**; and
- **aid in the prevention of cost shifting** to local government by committing the Australian Government to a renewed IGA.

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. 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 calls for a permanent program to be funded at no less than current levels (that is, at a minimum \$350 million per year). The program should also deliver a level of future funding that reflects road usage (which could be identified in a number of ways including the level of fuel excise collected or a road user charge) and community expectations.

The program arrangements for Roads to Recovery are tightly focused on roads and give councils no flexibility to apply even a small part of the funds to complementary transport infrastructure. Local government believes that greater flexibility in the way local councils can use Roads to Recovery funding would help to deliver and promote

integrated and more sustainable transport infrastructure solutions. The economic returns on investment would increase as greater transport efficiencies and environmental and health outcomes would ensue. Local government therefore seeks greater flexibility in the Program to give councils the option of using Roads to Recovery funding on complementary transport-related infrastructure.

Road Funding Reform

COAG has agreed that the Australian Transport Council examine the feasibility of a mass-distance-location charging regime for heavy vehicles. Local government is involved in that process.

Local government believes that any mass-distance-location charging regime for heavy vehicles regime must include local roads. To exclude local roads would create a two-tier road system, with one system being charged for whilst the other is perceived to be “free” thereby encouraging “rat running” to avoid payment.

ALGA notes that the Henry Tax Review papers have canvassed road user charging. Dr Henry has also publicly stated that there may be a compelling case for microeconomic reform to develop a system of direct road user charging in Australia.

As the provider of over 80 per cent of Australia’s road network, local government is concerned to ensure that any shift to a system of road user charging includes local roads for the reasons enunciated above in relation to mass-distance-location charging for heavy vehicles. Accordingly, ALGA urges the Australian Government to fully engage and consult with local government about any reforms that could lead to road user charging.

A road user charging regime would provide the basis for a source of ongoing funding of local roads and address the anomaly of the lack of a direct link between local roads usage and funding. If a road user charging approach were to be adopted, ALGA would look for an assurance from the Australian Government that total funding provided to local government for local roads would be maintained, at a minimum, at current funding levels.

ALGA notes that should the Australian Government choose to implement road user charging its impact will be greater on rural and remote communities where motorists have no choice but to travel greater distances. Local government believes that this impact should be offset, for example through a reduction in the fuel excise charged to regional, rural and remote consumers. If there is no offset then communities across Australia (and especially in rural and remote Australia) will perceive road user charging as no more than a ‘grab’ for additional taxes.

ALGA further notes that the overall financial impost of road user charges on motorists should be closely examined by the Australian Government, taking into account other costs that they pay, or will pay, such as those that could apply under the proposed Carbon Pollution Reduction Scheme (CPRS).

ALGA believes the Australian Government should:

- **commit to a permanent Roads to Recovery program beyond 2014** to be funded at no less than current funding levels;
- **deliver a level of future funding that reflects road usage;**
- **include local roads** in any road user charging system(s) that may be proposed; and
- **appropriately offset current imposts** on motorists if road user charging is implemented.

3. REGIONAL AND LOCAL COMMUNITY INFRASTRUCTURE

The funding allocated by the Australian Government to support the Regional and Local Community Infrastructure Program in 2008-09 and 2009-10 was warmly welcomed by local communities across the nation and is much needed.

It can be expected that projects delivered to date under this Program will continue to have multiplier effects for the economy for many years to come. As noted by the Treasurer, projects funded under the program, "... are a great example of stimulus at work in the community – supporting local jobs while building better facilities for the community. Over 70 per cent of our fiscal stimulus is investment in critical economic and social infrastructure – investments in road, rail, port, social housing, school and community infrastructure. These projects have provided an essential pipeline of activity that has bolstered consumer and business confidence while expanding Australia's economic capacity for the future."³⁰

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, preventive 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 community facilities are their only means to access ongoing lifelong learning, interact socially and undertake mental and physical health and fitness activities.

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 Australia that are continuing to experience economic hardship exacerbated by increasingly unfavourable weather and climate change.

³⁰ See Treasurer's Economic Note No.001, 10 January 2010, at <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=economicnotes/2010/001.htm&pageID=000&min=wms&Year=&DocType>

In a study commissioned by ALGA and produced by PriceWaterhouseCoopers (PwC)³¹ in 2006, it was estimated that the infrastructure renewals backlog for local government nationally was \$14.5 billion. The report further revealed there was a considerable gap and annual underspend on local infrastructure.

Much of local government's existing community infrastructure is reaching the end of its economic life. Financial sustainability pressures have meant that many councils, particularly those in rural and regional areas, have deferred their investment in infrastructure renewals to meet recurrent costs caused by increased demands for services (both type and standard) and past cost and responsibility shifting by other levels of government.

Since the release of the PwC report, ALGA has sought funding from the Commonwealth to help local government redress this situation. ALGA has consistently stated that such funding should, in the first instance, be directed to replenishing the current stock of infrastructure before constructing new infrastructure. ALGA believes that such additional funding will, over the longer term, increase productivity and economic wellbeing at the local level. It will also facilitate social equity, resilience and liveability by improving the accessibility, range and type of facilities available to all groups in the community.

The Australian Government has demonstrated that it understands the significance of a properly funded ongoing program that can rejuvenate and strengthen communities by restoring their aged local community infrastructure. Local government welcomes the more than \$1 billion (of which \$350 million is shared among all local councils using the FAGs funding formula) allocated by the Australian Government for this purpose. The funding is overdue recognition by the Commonwealth of the importance to local and regional communities of community infrastructure and is consistent with the position of ALGA that the asset renewal task is beyond the financial capacity of local government alone.

With over 3,300 projects under Round One of the funding delivered to date, local government has proven that it is an effective partner of the Australian Government in the delivery of national objectives for stimulus and growth. However, as the funding is due to expire in 2009-10, local government is concerned that the Australian Government may be missing an important opportunity to boost local economies and stimulate growth over the longer term, rather than as a short-term response to the GFC.

ALGA urges the Australian Government to commit further funding to the Regional and Local Community Infrastructure Program in the 2010-11 Budget, at the level of \$300 million per annum over the next 4 years. This will enable local councils to plan and deliver adequate and appropriate community infrastructure across all areas of

³¹ PwC, *National Financial Sustainability Study of Local Government (2006)*.

Australia and enhance their resilience in the face of less favourable economic conditions.³²

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.³³

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.

When the current program ends in June 2010, there will be no dedicated Australian Government program to support cycling infrastructure.

Local government is therefore seeking \$160 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 2010-11 Budget at a cost of \$300 million per

³² 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>

³³ 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>

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 \$160 million for the next four years, to further the preventative health and other benefits that have flowed to the community under the current Program.

4. CLIMATE CHANGE AND WATER

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 with the international community on a binding agreement to address climate change. Local government encourages the Australian Government to build upon the work of the United Nations climate conference (the Copenhagen Accord) and supports the establishment of an effective international agreement to address climate change that will both protect the planet and advance Australia's long-term interests. This is consistent with the Australian Government's three pillars of climate change policy that recognise the importance of '[h]elping to shape a global solution that both protects the planet and advances Australia's long-term interests'.

For well over a decade, local government has advocated and worked collaboratively with governments and local communities to reduce greenhouse gas emissions. This includes: work completed under the Cities for Climate Change (CCP) initiatives; installation of new technologies to capture greenhouse gas emissions from landfill (for example, flaring and co-generation of electricity); diversion of waste to productive uses such as recycling; and measures such as vegetation management, including implementation of regulations in partnership with state and territory governments. ALGA urges the Australian Government to continue to work with local government on the development and implementation of a range of effective measures to reduce greenhouse gas emissions further.

Local government notes the Australian Government's intention to re-introduce the CPRS legislation into Parliament in 2010. ALGA urges the Australian Government to continue to work with local government to ensure that any negotiated outcome on the final legislation, including amendments that may be agreed by the Parliament during its passage, do not adversely or disproportionately impact on local governments and their communities. For example, the Australia Institute Ltd has estimated that at \$20 per tonne of CO₂ emissions (as applied in the Australian Government's Green Paper on the CPRS), the CPRS could add an additional \$344 million annually to the operating cost of local government.³⁴ These additional costs are significant, particularly given the financial sustainability challenges faced by local government. The PwC report referred to earlier in this submission³⁵ found that up to 30 per cent of

³⁴ Australia Institute Ltd media release "Emissions trading to cost local councils \$344 million," 1 September 2008, at

<http://www.tai.org.au/index.php?q=node%2F19&act=display&type=4&pageID=2&pubid=505>

³⁵ Op cit at 31 above.

Australian councils are facing severe financial challenges already, including a significant underspend and renewals backlog on infrastructure. In addition, the estimates of the Australia Institute do not account for the additional costs of future adaptation or disaster mitigation measures that will also be required to assist communities to cope with climate change we cannot avoid.

The Australia Institute concludes that “[u]nless local governments receive compensation from the Commonwealth, they will either need to reduce the quality of the services they provide to residents, pay their employees lower wages or increase the rates paid by their residents.”³⁶

Given the critical importance of climate change to every local government area and community within Australia, and noting the consensus view that a 2 to 3 degrees Celsius rise in the earth’s temperature by 2050 is already built into the global climate system, funding to accelerate adaption to climate change measures should be a priority for the 2010 - 11 Federal Budget.

Recent work by the Australian Government on Climate Change Risks to Australia’s Coasts,³⁷ as well as work by local government associations and climate risk management assessments by councils funded under the Climate Change Adaptation Pathways initiative, attests 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.

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 three 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; Actions to Adapt Locally; and Capacity Building.

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.

³⁶ Australia Institute Ltd paper “Who are the (un)intended losers from emissions trading?” 9 September 2008, R Denniss, p.6.

³⁷ 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>

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 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 \$50 million to local government over 5 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 could 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 Coast³⁸ 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.

³⁸ Op cit at 37 above.

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 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".³⁹

ALGA has acknowledged and supported the Australian Government's 2007 election commitment to allocate \$100 million to a five-year Community CoastCare Program to help coastal communities protect the Australian coastline and prepare for the impacts of climate change. However, the Community CoastCare Program is not focused on built assets, which means that it is not linked to the planning responsibilities of local government. A new program to cover this gap is required. Such a program should link to and inform land use planning and development, and tie in with the work being progressed on National Digital Elevation models.

ALGA anticipates funding in the order of \$500 million over 5 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.

Capacity Building Program

As councils' awareness, understanding and specific knowledge of climate change and its impacts develop, and as further information on climate change is provided by authorities such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Bureau of Meteorology (BOM), there is a need for all councils to exchange best practice and learn from each other. ALGA seeks funding of \$10 million over 5 years for a program that will facilitate shared learning and continuous improvement of adaptation plans. Under this initiative, two program components would be funded:

1. An Annual National Climate Change Adaptation Summit and National Speakers Series; and

³⁹ See the Committee report, conclusion 4.111, at <http://www.aph.gov.au/house/committee/ccwea/coastalzone/report/Final%20Report.pdf>

2. A Local Government Climate Change Facilitators' Network.

1. Annual National Climate Change Adaptation Summit and Speakers Series

To enhance information exchange and shared learning between the scientific community, the Commonwealth, state and territory governments and local councils, ALGA seeks \$5 million over 5 years. This funding would facilitate the conduct of and attendance by key council stakeholders at an annual National Climate Change Adaptation Summit. It would also be used to develop a National Speakers Series that would be available to all states and territories to provide councils and key stakeholders with access to the latest thinking and scientific information from recognised national authorities on selected climate change adaptation issues.

2. A Local Government Climate Change Facilitators' Network

To further enhance formal and informal information exchange and shared learning between relevant stakeholders (the scientific community, the Commonwealth, state and territory governments and local councils), ALGA seeks \$5 million over 5 years for a Local Government Climate Change Facilitators' Network. This will ensure that a suitably qualified facilitator is located in each of the State and Territory Local Government Associations and ALGA. The Local Government Climate Change Facilitators would play a crucial role in contributing to the work occurring at the national and state levels, whilst also supporting councils in undertaking reviews and updating their plans as proposed above under the Planning for the Future Program.

The Budget 2010-11 should allocate:

- **\$50 million over 5 years to a Planning for the Future Program** to assist councils undertake climate change risk assessment and develop adaptation plans;
- **\$500 million over 5 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; and
- **\$10 million over 5 years to establish a Capacity Building Program** including:
 - an annual National Climate Change Adaptation Summit and Speakers Series; and
 - a Local Government Climate Change Facilitators' Network.

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.

Local government notes the importance of the \$2 million funding announced by the Australian Government in June 2008 to assist with updating the main reference manual for engineering works in Australia, the Australian Rainfall and Runoff Handbook, over the following 4 years. ALGA believes that a natural follow-up to this work is to provide capacity support to enable changes to be implemented as quickly and as effectively as possible. This could include funding to promote necessary upskilling of both industry professionals and local government officers.

The 2010-2011 Budget should allocate:

- **\$400 million** over 4 years to assist councils develop and implement projects **for water sensitive urban design projects** and implement community-scale recycling initiatives.

5. MANAGING EMERGENCIES

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.⁴⁰ The economic cost to communities is around \$3 billion.⁴¹ Natural disasters have a significant economic, social, environmental and political impact on communities impacted by such disasters. Natural hazards are occurring more frequently in

⁴⁰ 2009 was an exceptional year given the death toll from the Black Saturday fires in Victoria was close to 200.

⁴¹ Attorney-General's Department report, *Working Together to Manage Emergencies: Strategic Plan to Nationally Enhance Emergency Management in the Community (2002)*.

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.

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 increasing responsibilities in disaster management. 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.

The 2010-2011 Federal Budget should include:

- a dedicated program for **local government disaster management, at a cost of \$50 million over 5 years.**

6. ENERGY EFFICIENT 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.

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 businesses⁴² 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) and a possible CPRS, which also involves waste and landfill, 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)⁴³ and save 2,2000 GWh of electricity use, by 2030.

However, there are considerable barriers to councils being able to upgrade street lighting. These are institutional, legal and/or financial barriers and vary from jurisdiction to jurisdiction. A national approach to sustainable street lighting led by

⁴² 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.

⁴³ 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).

the Australian Government would assist in overcoming these difficulties and could also present scope for policy integration across the NGERs and possible CPRS frameworks.⁴⁴

In some respects, the analogy of landlord and tenant is appropriate; often, landlords have little incentive to upgrade assets because the tenant is paying the costs for their use, irrespective of their efficiency or environmental impact. The Australian Government's Energy Efficient Homes package, which subsidises the costs of home insulation, recognises this moral hazard.

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

The Budget 2010-11 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.

7. CONTINUING TO CLOSE THE GAP AND DELIVER ON INDIGENOUS REFORMS

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

⁴⁴ This is consistent with the Australian Government's White Paper on the CPRS at http://www.climatechange.gov.au/publications/cprs/white-paper/~/_media/publications/white-paper/V2018Chapter-pdf.ashx.

our Indigenous communities, and position them to be more prosperous and sustainable.

ALGA notes the establishment of the new Remote Indigenous Housing National Partnership Agreement and the commitment to undertake further work on reforms to the provision and management of essential and municipal services.⁴⁵ Local government strongly urges the Australian Government as well as state governments to include relevant state and territory local government associations in these negotiations.

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 2010-11 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.

⁴⁵ In its Budget submission for 2008-09, ALGA noted the acute need for services and infrastructure to support new housing in Indigenous communities, explaining that such infrastructure includes roads, sewerage and stormwater drains, waste management and other property-related services. This was reiterated in the ALGA Budget submission for 2009-10.

8. TARGETED INVESTMENT TO SUPPORT PLANNING PROCESS REFORMS

One of the most important services provided by the majority of local governments in Australia is land use planning. This activity is also known as town planning, city or urban planning but also incorporates broader environmental, rural and regional planning activities. It is fair to say that 'land use planning' outcomes can be seen throughout the nation in the functioning of our cities and regions, and in the overall quality of our physical environments and ecosystems.

Local government recognises the value of the Australian Government taking a more active role in the planning arena. Local government is actively participating in intergovernmental discussions about development assessment reforms and in debates about how to strengthen strategic planning frameworks to address the challenges of climate change, affordable housing, infrastructure provision, competitive markets and to deliver a more equitable, sustainable and resilient Australia.

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).

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, maximise the use and take up of the internet and Web 2.0, and deliver 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 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 (be they 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 2010-11 Budget should include:

- **\$200 million over 4 years to roll out eDA systems and services** consistent with the National eDA implementation project (eDAIS)

9. LOCAL DEMOCRACY AND NATIONAL CONSTITUTIONAL REFORMS

Constitutional reform to recognise local government has been a long term goal of the sector. Upon the election of the ALP in November 2007, ALGA welcomed the Australian Government’s commitment to consult with local government on the form of a possible referendum on constitutional recognition.

With this new impetus, ALGA convened a Special General Assembly - Constitutional Summit (the Assembly) in December 2008 to help develop local government’s advice to the Australian Government on how best to pursue constitutional reform.

At the Assembly, local councils reached an historic agreement about how local government should be included in the Constitution. The Summit outcomes are based on three principles:

- The Australian people should be represented in the community by democratically elected and accountable local government representatives;
- The power of the Commonwealth to provide direct funding to local government should be explicitly recognised; and

- If a new preamble is proposed, it should ensure that local government is recognised as one of the components making up the modern Australian federation.

Given the recent High Court judgment in the Pape case in 2009,⁴⁶ 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.⁴⁷

ALGA believes the Australian Government should consider conducting a referendum on the issue in 2010-11 and should also consider two 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 expanded 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 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 to be 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.

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

⁴⁶ Pape v Commissioner of Taxation [2009] HCA 23.

⁴⁷ 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>

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 House of Representatives and the Senate.

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 research is consistent with the findings of other research.⁴⁸ 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 neutral 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)*.⁴⁹ 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.

⁴⁸ See the Australian Parliamentary Library’s Current Issues Brief 11 of 1997-98 on the 1998 Constitutional Convention, p.7.

⁴⁹ 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 2010-11 Federal Budget should:

- **Allocate funding of \$4.5 million** to support well-managed neutral 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 (around \$49 million).

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