A FOCUS ON LOCAL COMMUNITIES

The Australian Local Government Association (ALGA) is fully aware of the critical need for investment in local communities across Australia to ensure that all Australians, wherever they live, enjoy an appropriate level of services and infrastructure and an equality of opportunity. That is why ALGA has devised this 10-Point Plan for resourcing community priorities.

On behalf of local communities across the nation, ALGA urges all political parties to commit to resourcing community priorities as a major plank of their 2013 election campaign and seeks a strong commitment to:

1. Constitutional change to support continued direct Commonwealth payments to local government;
2. More sustainable funding to meet local community priorities, including through Financial Assistance Grants;
3. Better and safer road through a permanent Roads to Recovery program;
4. Agreement that funding should accompany new responsibilities and an end to cost shifting;
5. Support for community infrastructure;
6. Help to adapt to climate change;
7. A coordinated approach to national biodiversity;
8. Better arrangements for natural disaster mitigation;
9. Investment to improve online business capacity; and
10. Adequate funding to deliver municipal services to Indigenous communities.

By supporting this plan, decision-makers can play a direct role in helping to ensure Australian communities are appropriately resourced.
ALGA is the national voice of more than 560 local government authorities and is a federation of state and territory local government associations.

As the closest level of government to the people, the vast majority of local government work is focused on direct provision of local services, planning and the provision of local and regional infrastructure. Local government services and infrastructure are used every day by every Australian. Whether it’s using a footpath, driving to work on a local road, a visit to the local library, or having your rubbish collected, our lives are touched by local government in many different ways.

Local government’s national significance is underlined by the fact that it employs more than 185,000 Australians – just over 10 per cent of the total public sector. Local government owns and manages non-financial assets worth more than $300 billion, including more than 80 per cent of Australia’s road network, and has annual revenues of more than $32 billion.

Commonwealth investments through local governments strengthen local communities and help to deliver on national objectives such as regional equity. In periods of economic challenge such investments can deliver fiscal stimulus at the local level resulting in greater employment, diverse economic activity and increased productivity. Local government is proud of its record in supporting the Australian Government throughout the Global Financial Crisis (GFC) by delivering thousands of large and small ‘shovel ready’ community infrastructure projects to local and regional communities on time and within budget, under the Nation Building – Economic Stimulus Plan.

Local government has a lot more to offer Australian communities but it needs the appropriate support and resources to do so. This 10-Point Plan puts forward local government’s agenda and presents a way for local government to achieve its potential in partnership with the Federal Government.

Local government welcomes the opportunity to work with federal counterparts to ensure better services and a better quality of life for all Australians.
Constitutional power to support direct payments to local government

ALGA calls on all political parties to commit to working with ALGA to achieve constitutional change which ensures that direct payments to councils and their communities are recognised as legitimate and beyond High Court challenge.

Program initiatives:
- Commit to a referendum on financial recognition of local government;
- Fund a public information campaign on the Australian Constitution and the proposed change;
- Work with ALGA and fund a ‘yes’ campaign for financial recognition of local government.

Rationale:
Two recent High Court decisions known as the Pape Case and the Williams Case delivered in the space of three years, have handed down judgements that challenge the Commonwealth’s ability to fund a wide range of activities. These decisions have important ramifications for local government and local communities, as both cases have rejected the Commonwealth’s position that it has the capacity to spend money on whatever it wishes, for example school chaplains, and continued funding for programs like Roads to Recovery.

Legal advice from leading authorities confirms that these High Court decisions have created great uncertainty about the validity of Commonwealth programs that provide funds directly to local government. Such programs, including the $3.5 billion Roads to Recovery program, may be unconstitutional and vulnerable to challenge in the High Court. Loss of these funds would threaten the financial sustainability of councils and the wellbeing of communities across Australia and could mean reducing or discontinuing vital services to local communities.

These recent High Court decisions have provided weight and urgency to the need for a change to the Constitution to allow direct federal funding of local government – what is known as financial recognition. The purpose of amending the Constitution would be to resolve the continuing uncertainty surrounding the Commonwealth’s ability to continue to provide direct funding. The only way to ensure the certainty and therefore continuation of general direct funding to local governments is through change to the Constitution by way of a referendum.

In 2010 an Expert Panel established by the Government on the issue supported financial recognition and in 2013 a Joint Select Committee reaffirmed the Expert Panel’s views and supported a Referendum to be held in 2013.
More sustainable funding to meet local community priorities

ALGA calls on all political parties to commit to a more equitable system of Financial Assistance Grants (FAGs), through a fairer distribution of Commonwealth taxation revenue to communities, and to specifically commit to a broad inquiry into the adequacy of the underlying funding arrangements for local government.

Program initiatives:
- Undertake an inquiry into local government funding, including appropriate tax sharing arrangements.
- Reform the current FAGs arrangements by:
  - Lifting the base of FAGs to at least 1 per cent of Commonwealth taxation revenue
  - Adopting an escalation methodology that better reflects local government costs.

Rationale:
Local governments throughout Australia face an enormous challenge in meeting the local infrastructure and service needs of their communities. The funding pressures faced by councils have been exacerbated by the changing role of local government since the 1970s as a result of increasing expectations from the community and cost shifting from other levels of government. Councils have also faced rate capping at different times and in different jurisdictions, a crowding out of the property tax base by state governments and a declining level of grant support through FAGs.

ALGA believes there is a need to thoroughly review the adequacy of local government funding and we call on all political parties to support a broad review of local government revenue, including appropriate tax sharing arrangements. As with the states, local government should have access to an untied revenue stream that reflects actual costs of service and infrastructure provision, keeps pace with demand and promotes equality throughout the nation.

FAGs are essential for local governments across the country. ALGA acknowledges that the Commonwealth Government is currently undertaking a review of the FAGs system and welcomes this as a step forward but ALGA is disappointed by the narrow terms of reference and the vague structure of the review. ALGA seeks an assurance that issues related to financial sustainability and equity will be addressed in any review.

ALGA believes the FAGs pool should be increased, in line with the growth in the economy, demand for local services and rising costs. This would appropriately reflect the increasing demands on local government, often due to cost shifting onto councils by other levels of government, and restore the relative level of funding to the position in the mid-1990s. In 1995-96, FAGs constituted 1 per cent of Commonwealth taxation revenue. By 2012-13, this figure had dropped to less than 0.7 per cent.

This continuing and deepening decline of the FAGs as a proportion of total Commonwealth taxation revenue inflicts an unfair burden on local and regional communities which is evidenced in underperforming council infrastructure, less well-maintained roads, neglected sports facilities and deteriorating community infrastructure, and cuts to important community services.

In addition, FAGs are one of the few Commonwealth payments to another level of government not included in the 2009 COAG reform of the federal financial relations framework. Such reforms generally saw both an increase in the base funding of payments (by around 30 per cent) as well as incentive and reward payments to ensure the sustainability of services and reforms.
ALGA calls on all political parties to establish the Roads to Recovery program as a permanent funding program, at no less than current levels, and appropriately indexed to reflect the increased cost of construction. ALGA also calls on all political parties to ensure that local government is part of any new road user charging arrangements implemented on the nation’s roads.

Program initiatives:
- Commit to a permanent R2R program with appropriate indexation and consult ALGA over variations in the guidelines for the R2R program;
- Include local government in the development of any new road user charging systems that may be introduced in the future.

Rationale:
Local government roads comprise over 80 per cent of Australia’s roads by length, and for many councils, especially in regional and rural Australia, expenditure on roads is their largest single outlay. Even the maintenance of the existing condition of local roads is beyond the financial capacity of many local councils. The Australian Government has accepted this and provides direct funding through the Roads to Recovery program to all councils to assist with the upkeep of roads.

Roads to Recovery is very successful and highly valued by local and regional communities. With the funding, local government has been able to make our roads safer and more efficient, for all road users, and the evidence is clear that local government has delivered value-for-money outcomes.

Local government has been focused on the future of this vital program and has strenuously advocated that its lifespan be extended, ideally to the point of it being a permanent part of local government funding. Therefore, local government applauded the 2012-13 Budget announcement to extend the Roads to Recovery program to 2019, at $350 million per annum. This announcement came after a period of great uncertainty and until the program is made permanent, councils will not have sufficient funding security for long term planning and delivery of essential local roads infrastructure to appropriately support their local communities.

The general future of road funding throughout Australia has been the subject of debate in recent years with the current arrangements for charging heavy vehicles for road use being a particular issue of concern. Under those arrangements, revenue from heavy vehicles is raised through a combination of registration and fuel charges although almost none of that revenue is returned to local roads, despite the use of those roads by heavy vehicles. Reform to these arrangements is being considered (Heavy Vehicle and Charging and Investment reforms – HVCI) under which charges on heavy vehicles could be more closely linked to actual usage and the funds raised could flow back to the owners of the roads used. Such reforms should include local government to ensure that local roads are treated equitably and distortions are not created in the system.
Funding should accompany new responsibilities

ALGA calls on all political parties to stop cost-shifting onto local government.

Program initiatives:

• Commit to renegotiate the Inter-Governmental Agreement Establishing Principles Guiding Inter-governmental Relations on Local Government Matters as soon as possible to ensure that local government is properly compensated when expected to take on new or transferred responsibilities from other levels of government. The Agreement should be renegotiated between governments within an ongoing ministerial forum which brings together the Commonwealth and state and territory local government ministers and ALGA.

Rationale:

Local government values the opportunity to work in partnership with all levels of government in Australia. These partnerships must, however, be meaningful and substantive. Cost shifting onto local government remains a major problem affecting councils in Australia. If local government is to inherit new functions or assets from other levels of government, comply with new laws and regulations set down by them, or deliver new and higher standards of service, it must be consulted about the changes and provided with the necessary additional funding to implement them.

It is well documented that in the past cost and responsibility shifting from other levels of government have produced serious financial sustainability threats for some councils. Ultimately, it is the members of our local and regional communities who have suffered as cost squeezes are made or services and/or maintenance downgraded in order to balance the books. The Fair Share report on cost shifting and local government finances, tabled in the Australian Parliament in November 2003 by the House of Representatives Standing Committee on Economics, Finances and Public Administration, concluded that cost shifting had been placing significant pressure on councils for some time, and was costing as much as $1.1 billion to the sector each year.

Following that report, all members of the former Local Government and Planning Ministers’ Council signed an Intergovernmental Agreement to prevent cost shifting. The Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations of Local Government Matters 2006 (‘the IGA’) is designed to establish an ongoing framework to address cost shifting.

ALGA is committed to the IGA as it underlines the importance of effective inter-governmental collaboration and identifies processes to avoid and prevent cost shifting practices, which are essential to maximising local government’s own efforts to enhance financial sustainability. 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.

Under the terms of the IGA, the Agreement was to be reviewed after five years of operation and ALGA welcomes the commitment to review the IGA announced by former Local Government Minister, Simon Crean on 16 November, 2011. However, there has been little progress since that announcement. ALGA believes that the IGA must be continued and strengthened.

An appropriate inter-governmental forum of local government ministers and ALGA is required to facilitate the renewal of the IGA and the discussion of other issues such as reviewing progress in projects under the Local Government Reform Fund, consulting on any review of local government funding and constitutional recognition. The disbanding of the former Local Government and Planning Ministers Council, under the reform of ministerial councils in 2011, has left a gap in inter-governmental relations which requires action.
Commonwealth support for community infrastructure

ALGA calls on all political parties to assist in closing the expanding community infrastructure gap in order for councils to maintain and renew the community infrastructure that supports delivery of a range of community services.

Program initiatives:
- Provide $300 million per annum over four years specifically for local government community infrastructure, which improves the lives of citizens and/or strengthens economic opportunities at the local level.

Rationale:
Quality regional and local community infrastructure is essential for all communities. Well-located and well-designed, properly maintained community infrastructure is fundamental to communities’ social and economic wellbeing. It helps facilitate social inclusion, tolerance and cultural awareness, promotes preventative health outcomes and enhances community cohesion. For some in the community, local community infrastructure is their only means to undertake physical health and wellness activities, interact with others and engage in lifelong learning.

Local government owns and manages more than $12 billion of community infrastructure, excluding local roads which are estimated to be worth over $200 billion. This includes community halls, swimming pools, ovals, playgrounds, theatres, libraries, footpaths, walking trails and boat ramps, camping grounds, cemeteries, parks and gardens and similar assets.

Over a series of decades, the gap between councils’ revenue and the funding they require to deliver a broader range of services expected by their communities as well as maintain and renew the community infrastructure has widened. In 2006, this gap was found to total $14.5 billion nationally – reflecting an underspend of $1.1 billion annually. This gap has led to the deterioration of many libraries, community halls, galleries, museums, swimming pools, drainage, sea walls, and sports fields. It has also undermined the financial sustainability of 30 per cent of councils.

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

ALGA therefore urges commitment to increase local government community infrastructure funding to the level of $300 million per annum over the next four years. This will enable all local councils to plan and deliver adequate and appropriate community infrastructure across all areas of Australia and enhance their resilience in tough economic conditions.
Help for communities to adapt to climate change

ALGA calls on all political parties to continue to engage and support local government as a vital partner in planning for, mitigating, and adapting to the effects of climate change on local communities, natural environments and water resources.

Program initiatives:
- Commit to address the legal liability of local government resulting from councils assisting residents to adapt to climate change in good faith;
- Provide $200 million over four years to support demonstration projects to reduce carbon emissions including from landfills;
- Provide $400 million over four years to assist councils to implement local and regional plans to address climate change.

Rationale:
Combating climate change will require the efforts of every level of government in Australia. There is a pressing need for every community to plan for extreme weather events and the anticipated impacts of change in the climate system and the flow-through consequences on infrastructure, agriculture, health and wellbeing.

The risks related to planning and infrastructure for local government and local communities are significant. In planning for their communities, councils are increasingly required to take climate change into consideration when making development assessments. Local government needs legal certainty that decisions made and information provided in this process will not leave councils exposed to high legal costs or financial and legal liabilities. During 2011, ALGA undertook a project to address long-held concerns about the exposure of councils to the legal impacts of climate change, particularly those based on development decisions. The subsequent report prepared by Baker & Mackenzie strongly supported the need for greater consistency across the jurisdictions when it comes to legal protection including indemnity arrangements for councils. The report also recommended an expanded role for a centralised advisory body to collect and disseminate information and provide assistance and input, where appropriate, to aid councils in assessing impacts and risks, including advice regarding the appropriateness of a development or conditions included in development approval.

Local governments are in a position to lead their communities as well as reduce their own carbon emissions. Over the past two decades a number of councils have undertaken a range of initiatives and promoted energy efficiency. There are numerous opportunities to build on these efforts by investing in a range of projects that would reduce carbon emissions. For example, investments in alternative waste disposal technologies could reduce emissions for landfills to almost zero, or energy efficiency projects such as installation of decentralised energy generation projects in small towns would increase their resilience by reducing their reliance on the national energy grid. To drive further reduction of carbon emissions and stimulate innovative energy efficiency demonstration projects, ALGA seeks a commitment of $200 million over four years.

While discussions about carbon pricing and carbon mitigation are by no means settled, it is vital that there is greater recognition of the need for adaptation strategies to allow communities through their local councils to deal with the effects of climate change and reduce exposure to possible impacts. Impacts of climate change could include sea-level rises, increased salinity and unpredictable rainfall and other extreme weather events.

To ensure that specific adaptation action plans can be tailored to specific localities and have appropriate regard to local considerations, a four year program is required, at a total cost of $400 million.
ALGA calls on political parties to fund and support local government to develop and implement Local Biodiversity Strategies and Action Plans (LBSAPs) consistent with Commonwealth objectives under the National Biodiversity Conservation Strategy, the National Wildlife Corridors Plan, and where applicable, the targets as outlined in the Biodiversity Fund and the Caring for Our County program and the Commonwealth’s international obligations as a signatory to the Convention on Biological Diversity.

**Program initiatives:**

- Establish a Local Government Biodiversity Funding program of $10m over four years;
- Commit to provide direct funding to councils under this program.

**Rationale:**

Biodiversity is one of the highest environmental priorities globally and within Australia. Over many decades, all levels of government have been working to prevent the loss of native species and their habitats. However, available evidence suggests there is a continuing decline in biodiversity. Balancing biodiversity conservation outcomes with social and economic priorities is a complex and challenging issue.

Local government spends in excess of $5 billion per annum on environmental issues. It is estimated that more than $1.5 billion per annum is spent on natural resource management, including biodiversity.

Despite considerable work on biodiversity nationally, the role of local government is not well understood or adequately integrated into state and national programs and plans. ALGA believes that biodiversity outcomes can be significantly improved by more effective partnerships between the Commonwealth and local governments.

Local government is seeking commitment from all political parties to fund and support local government to develop and implement Local Biodiversity Strategies and Action Plans (LBSAPs) consistent with Commonwealth objectives under the National Biodiversity Conservation Strategy, the National Wildlife Corridors Plan, and where applicable, the targets as outlined in both the Biodiversity Fund and the Caring for Our County program.

ALGA believes that a small but strategic investment in local government to work on biodiversity will deliver benefits to local communities and the Commonwealth which is a signatory to the Convention on Biological Diversity. Local government has established relationships with experts and authoritative agencies including ICLEI and Natural Resource Management (NRM) bodies which can be utilised in local biodiversity and the development of actions to address these needs. One of the benefits of working through local government is that councils can ensure biodiversity outcomes are given priority and made sustainable by incorporating Local Biodiversity Action Plans (BSAPs) into their land use planning schemes and given statutory protection.
ALGA calls on all political parties to commit to restructuring disaster management funding to improve the resilience of local government infrastructure.

Program initiatives:

- Expand the guidelines for the National Disaster Relief and Recovery Program to specifically improve opportunities for betterment of local government infrastructure as well as to enable councils to utilise internal labour for reconstruction work;
- Provide $200 million over four years to assist councils to mitigate the risk of natural disasters on a 2:2:1 funding partnership between the Commonwealth, state and local government.

Rationale:

For Australian communities across the country, natural disasters are a constant threat. Cyclones, floods and bushfires each affect our communities in different ways but the underlying needs are the same; communities require appropriate support to mitigate the impacts of natural disasters wherever possible and timely support to recover as quickly as possible from those impacts that cannot be avoided.

Local government has been a strong supporter of the Natural Disaster Relief and Recovery Arrangements (NDRRA) under which the costs of restoring government infrastructure (including local government infrastructure) are shared across the levels of government. However, given the scale of some natural disasters, particularly the recent Queensland floods, there is a need to ensure that the NDRRA guidelines are as effective as possible in enabling councils to respond to community needs. There is a strong case in many circumstances to avoid repeated damage to assets affected by natural disasters by improving the quality of those assets rather than rebuilding to pre-existing (and vulnerable) standards. This requires a focus on ensuring that the betterment component of the NDRRA is meeting the needs of governments.

ALGA believes it is also essential to enable councils, particularly in remote areas, to use internal day labour on disaster recovery projects. Recent experience in Queensland and in Western Australia shows that this could significantly reduce the cost of projects. In Queensland for example, work after Tropical Cyclone Yasi showed savings by some councils of up to 45 per cent.

ALGA strongly supports the need for initiatives that build capacity in local and regional communities to mitigate the impact of natural disasters. In recognition of the projections for more widespread and severe impacts of natural disasters exacerbated by climate change, local government supported the consolidation of Australian Government funding for disaster mitigation which occurred a decade ago, but more recent reforms have led to a reduction in the focus on natural disaster mitigation and a reduction in direct mitigation funding for local projects.

A dedicated program for local government disaster mitigation works is needed so that local government can build resilience in local communities and avoid increasingly costly damage to public infrastructure and private property. Such a program could be delivered as a partnership between all levels of government based on a funding formula of 2:2:1 which recognises that councils have limited resources but that limitation should not constrain mitigation investments. This funding would provide opportunities for councils, especially in high-risk areas, to better respond to natural disasters.
ALGA calls on all political parties to commit to greater coordination with local government to provide all citizens with high-speed digital access to engage governments and carry out business online.

Program initiatives:

• Provide $50 million for web enhancement including making websites fully accessible in line with web 2.0 guidelines.

Rationale:

Local government has been and will continue to be a strong advocate for greater connectivity across all communities in the country.

ALGA welcomes the emphasis placed on information technology, especially in light of the rolling out of the National Broadband Network. However, local government will need to continue to be engaged in this area to ensure that the community’s concerns and interests are addressed.

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

While considerable effort is being made by the Australian Government and state and territory governments, the take-up of e-Government and e-business by local government is significantly inhibited by lack of standardisation, integration with state and federal systems, investment and training.

ALGA believes there are two major areas requiring investment to ensure that citizens have adequate access to government information and services via the internet. The first is to enable all local government websites to meet Web 2.0 standards. While much has been done to assist councils to have an internet presence there is a need to increase the functionality of these services. Councils, particularly in rural and remote areas, do not have access to expertise, service providers and training to assist in website development. As the Commonwealth and states are about to launch the trial sites of the National Disability Insurance Scheme, people with disabilities will need full access to all government websites. ALGA is seeking a commitment of up to $50 million over four years to support councils to improve their websites and to work with other levels of government to develop seamless internet government services.
Adequate funding to deliver municipal services to Indigenous communities

Program initiatives:
- Commit to establishing written agreements with state and territory local government associations on planning and funding arrangements for Indigenous communities.

Rationale:
Local government endorses the need to close the gap between Indigenous and non-Indigenous Australians in the areas of housing, health, early childhood development, economic participation and remote service delivery. Initiatives like these are vital if our nation is to overcome the economic and social costs of disadvantage being experienced disproportionately in our Indigenous communities, and position them to be more prosperous and sustainable.

An audit by the Western Australian Government in 2008 estimated a cost 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.

In 2011, work was undertaken in concert with the Western Australian Local Government Association (WALGA) that showed the amount to be much higher, closer to $1.6 billion. This does not fully cover additional gaps in municipal services which amount to $400 million.

ALGA has welcomed the commitment of more than $4 billion in investment directed toward closing the gap projects, especially in relation to Indigenous training and healthcare. However, as research has highlighted, more targeted funding is required.

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 bodies coordinating investment on a national scale.

However, when considered in aggregate, such capital works require significant 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.
A 10-POINT PLAN
For Resourcing Community Priorities