

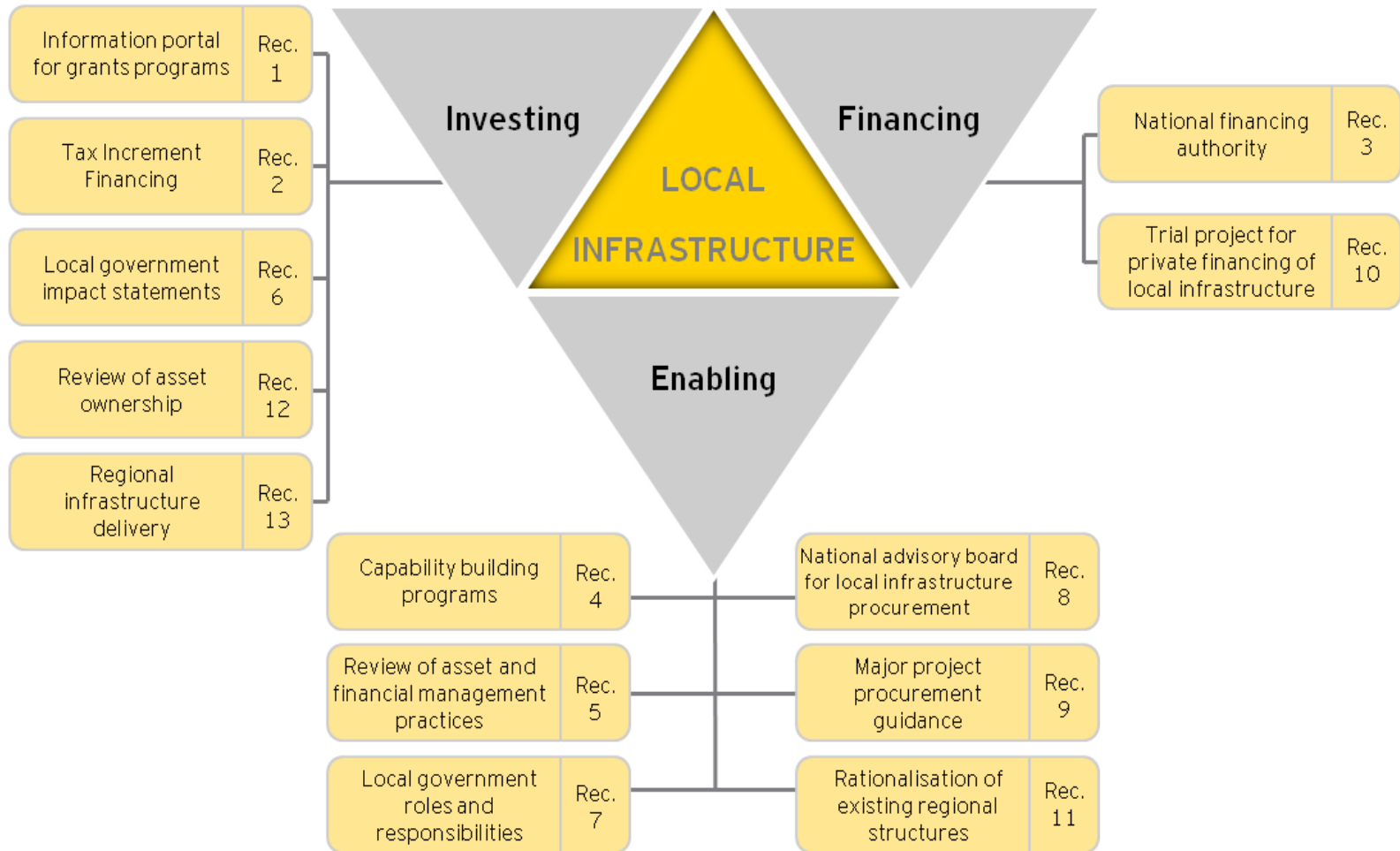


# Strong foundations for sustainable local infrastructure

Connecting communities, projects, finance and  
funds

June 2012

# Recommendations





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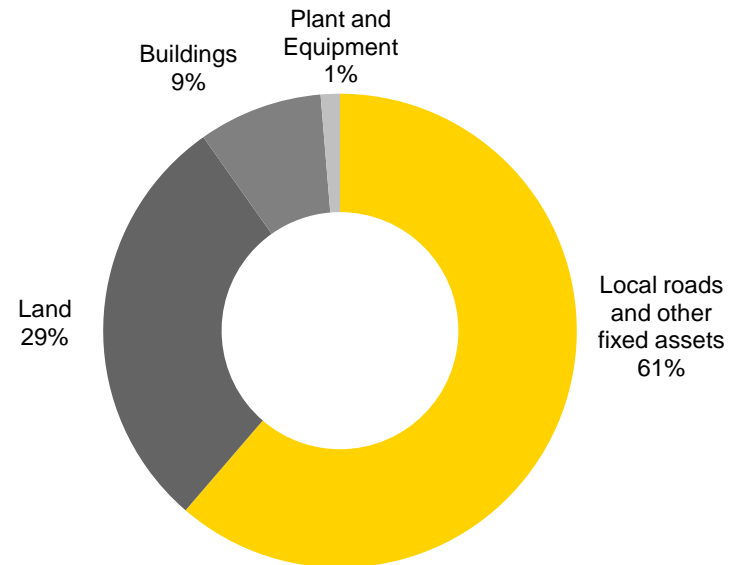
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# CHAPTERS AND RECOMMENDATIONS

# An overview of local infrastructure

- ▶ Assets under control include roads, land and buildings
- ▶ Local government controlled non-financial assets of \$301 billion at June 2011
- ▶ Dominated by local road networks
- ▶ Other assets may be significant but are usually “one-off” in nature
- ▶ Mix of assets can vary significantly based on location and demographics

Proportionate value of non-financial assets, 2010



# Funding sources and their limitations

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- ▶ Local government revenue mix of own-source and grant funding
- ▶ Limitations on individual councils increasing core revenue sources
- ▶ Variations in own-source earning capacity of individual councils

## Recommendation

### 1. **Information portal for grants programs**

The Australian Government should develop a portal to bring together information and application material relating to local government grants programs in a single location

# Borrowing for infrastructure investment

- ▶ Significant capacity in local government sector to increase level of borrowing
- ▶ “Fear of debt” evident
- ▶ Absence of local government debt product for institutional investors
- ▶ Potential for Australian Government to bridge the gap between institutional investors and Australian councils with a national financing authority

## Recommendation

### 2. **Tax increment financing**

The Australian Government should work with the states and territories to investigate the legislative changes that would be required to enable councils to introduce Tax Increment Financing

# Borrowing for infrastructure investment

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## Recommendation

### 3. **National financing authority**

The Australian Government should work with the states and territories to investigate the feasibility of establishing a national financing authority to aggregate local government borrowing and facilitate the creation of debt products for private investors



# Prioritising local infrastructure investments

- ▶ Nationally Consistent Frameworks have created momentum for improvement
- ▶ Internal capacity can vary across councils
- ▶ Role definition an issue
- ▶ Insufficient engagement across spheres of government at early project stages

## Recommendation

### 4. **Capability building programs**

Programs of targeted training and capability building in asset management should be extended

### 5. **Review of asset and financial management practices**

Asset and financial management reform initiatives should be supplemented by periodic independent reviews of the implementation of Nationally Consistent Frameworks

# Prioritising local infrastructure investments

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## Recommendation

### 6. **Local government impact statements**

Federal, state and territory governments should commit to completing local government impact statements as part of the business cases prepared to support new policy proposals and projects, where there is likely to be a direct cost impact upon local government

# Prioritising local infrastructure investments

- ▶ Nationally Consistent Frameworks have created momentum for improvement
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- ▶ Insufficient engagement across spheres of government at early project stages

## Recommendation

### 7. Local government roles and responsibilities

All jurisdictions should commit to building on the intent of their Inter-Governmental Agreement 2006 by outlining clear steps to achieving better clarity of the roles and responsibilities of each tier of government. In particular:

- a) State, territory and local governments should cooperatively review the asset registers of local governments to ensure that, for each asset class, the boundaries of responsibility are unambiguous and that an appropriate and transparent process to transfer responsibility between governments is in place;
- b) As part of its community engagement, local government should present its forecast long term capacity to fund the role it is proposing, with specific reference to the capacity to sustain defined levels of service for existing and proposed assets and services and projects.

# Creating value through the procurement process

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- ▶ Sector has not fully explored procurement options available
- ▶ Capacity will continue to be strained by access to capital
- ▶ Information gap evident
- ▶ Lack of private investor activity driven by absence of projects of sufficient scale

## Recommendation

### **8. National advisory body for local infrastructure procurement**

The Australian Government should work with the states and territories to establish a national body to provide skills and oversight of local government infrastructure. Its role would include capability building and the development of policy, guidelines and other assistance.

# Creating value through the procurement process

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## Recommendation

### 9. Major procurement project guidance

Major project procurement guidance should be developed and issued to local government to promote awareness of the spectrum of alternative procurement models for infrastructure delivery

# Creating value through the procurement process

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## Recommendation

### **10. Trial project for private investment in local infrastructure**

The Australian Government should identify an opportunity for a suitable local or regional infrastructure project whereby a market can be “created”, and establish a collaborative group of stakeholders to take the project forward. A “waste to energy” program may be a good candidate.

# Regional capacity and attraction

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- ▶ Significant benefits in regional planning and prioritisation
- ▶ Number of regional collaborations currently exist
- ▶ Lack of consistency and coordination limits their potential

## Recommendation

### **11. Rationalisation of existing regional structures**

All tiers of government should work together to rationalise and align the regional structures which currently exist.

# Alternative ownership structures for community assets

- ▶ Certain local government controlled assets better suited to corporatisation or privatisation
- ▶ Potential for regional structures to beyond advocacy and towards full ownership
- ▶ Most suited to network assets (eg. roads)

## Recommendation

### **12. Review of asset ownership**

Local government bodies should review their infrastructure portfolios with a focus on identifying and testing the rationale for continued ownership.

### **13. Regional infrastructure delivery**

The Australian Government should work with the states and territories to develop incentives that can be given to councils to create formal regional structures with responsibility for delivering and financing infrastructure investments relating to specific asset classes, with a particular emphasis on local roads.