



AUSTRALIAN LOCAL  
GOVERNMENT ASSOCIATION

Submission to the 2017-18 Federal Budget

***Investment in tomorrow's communities***

January 2017

19 January 2017

The Hon Scott Morrison MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600  
*By email: [prebudgetsubs@treasury.gov.au](mailto:prebudgetsubs@treasury.gov.au)*

Dear Treasurer

**ALGA 2017-18 Budget Submission**

The Australian Local Government Association (ALGA) is pleased to present this Submission to highlight Local Government's priorities for consideration in the lead up to the 2017-18 Federal Budget are now underway.

ALGA acknowledges the challenging fiscal environment facing the Australian Government and the Government's commitment to return the Budget to a surplus by 2021. ALGA notes with continued concern the stubbornly high level of unemployment, particularly youth unemployment, in rural and regional Australia. ALGA also notes the growing income disparity across Australia's regions and the importance of supporting jobs growth, innovation and opportunities for all Australians regardless of where they live. For these reasons, ALGA believes that the Federal Budget should prioritise investment in programs, projects and support that boost the capacity of our local communities, now and into the future.

Local Government was deeply disappointed by the decision in the 2014-15 Budget to pause the indexation of Financial Assistance Grants (FAGs) for three years. This decision will see FAGs frozen at their current level until this financial year and will result in a permanent reduction in the FAGs base by an estimated 13%. The impacts of this decision have been felt deeply, particularly by councils in rural and regional areas which are relatively more dependent on FAGs, and ALGA expects that those councils will continue to feel the impacts for many years. ALGA asks the Australian Government to ensure the indexation of FAGs is restored in this Budget and that work can begin on a genuine discussion about the quantum and indexation methodology of FAGs.

ALGA acknowledges the significant injection of funding for Roads to Recovery and other infrastructure programs, announced since the 2015-16 Budget. This was warmly welcomed by councils, but the additional tied infrastructure funding cannot offset the general-purpose funding foregone due to the indexation freeze of FAGs. The doubling of Roads to Recovery

funding recognises the challenge faced by councils in managing the local roads network and ALGA believes that the funding for Roads to Recovery should be permanently doubled and the Bridges Renewal program also be made permanent. In the coming budget, ALGA sees a need for additional targeted strategic funding with a focus on freight to address both the challenges and opportunities in first-mile and last-mile regional roads projects to drive productivity improvements. A renewed focus on the benefits of investment in community infrastructure is also needed.

ALGA supports the restoration of fairer roads funding for South Australia. The additional funds (\$17.5 million in 2013-14) provided to South Australian councils from 2004 to 2014 recognised the manifestly unfair treatment of South Australian Local Government in the provision of local roads funding from the Federal Government. The strong case and need for this additional funding remain unchanged and ALGA believes that the Federal Government should reinstate this additional funding, with such funding indexed annually in line with the indexation of the Financial Assistance Grants.

Finally, ALGA calls for additional investment in natural disaster mitigation to improve the resilience of local communities and reduce the escalating relief and recovery costs of disaster events. This includes funding to help councils prepare their adaptation strategies to deal with the impacts of climate change and support work to ensure planning decisions are based on best evidence, as well as seeing the opportunity for collaboration and innovation in this space.

The initiatives ALGA has proposed in this Submission are investments that not only support communities directly, but could boost Australia's economic competitiveness. ALGA has commissioned the National Institute of Economic and Industry Research (NIEIR) to model the economic and employment benefits of the proposals included in this document. The outcomes clearly demonstrate that there are strong benefits to the national economy from the initiatives proposed by ALGA.

***The 2017-18 Budget should include a commitment to:***

- Restore the restoration the indexation of the Financial Assistance Grants;
- Establish a Local Freight Productivity Investment Plan, funded at \$200 million per annum over the next five years, to ensure that first mile/last mile and freight connectivity issues are addressed to improve national productivity;
- Restore fairer roads funding for South Australia by reinstating the additional roads funding for South Australian councils of \$17.5 million per annum.
- Make the Bridges Renewal Program permanent;
- Fund community infrastructure at a cost of \$300 million per annum for the next four years to stimulate growth over the longer term and build community resilience;
- Invest \$100 million over four years to support local governments' capacity to manage their own unique climate risks;
- Fund a targeted disaster mitigation program at a level of \$200 million per annum;
- Include betterment funding as a core element of Natural Disaster Relief and Recovery Arrangements (NDRRA).

***Beyond 2017-18, the Federal Government should commit to:***

- Returning the quantum of the Financial Assistance Grants to a level equal to at least 1% of Commonwealth tax revenue and implementing a revised indexation methodology which better reflects the cost increases faced by councils;
- A permanent doubling of Roads to Recovery funding; and
- Reviewing the new arrangements for funding municipal services in indigenous communities by 2020 to ensure that services are meeting the needs to communities and that there has not been a shifting of responsibilities and costs on to local governments.

ALGA understands the fiscal challenges facing the Commonwealth, however, expenditure on priorities does not wait for a convenient moment. Indeed, ALGA would argue that in times of fiscal constraint governments should focus on community priorities and investment in productive infrastructure through the most efficient processes to deliver programs. The direct funding of Local Government to deliver infrastructure and services is appropriate in the current environment.

I commend this Budget submission to you.

Yours sincerely

Mayor David O'Loughlin

**President**

## **Preamble**

The Australian economy is growing, albeit in an uneven manner. With lower, but stable, economic growth in China and European uncertainty, the international outlook remains fragile. This has been evidenced by adjustments to Budget outcomes and forecasts in recent years. ALGA understands the budgetary pressures which the Government faces and its commitment to bring the Budget back to surplus.

Building a strong Budget surplus over the coming years will require difficult choices and discipline, but those constraints should not be at the expense of support for essential community services, investment in infrastructure and initiatives that are vital to increase Australia's international competitiveness and the sustainability of local communities. ALGA supports the Government's agenda of boosting productivity, reducing red and green tape and investing in vital national infrastructure projects. ALGA believes that these goals will be easier to achieve if the Government's priorities include a complementary focus on support for our communities.

Local Government welcomes the Australian Government's focus on innovation. The sector has a long history of early-adoption of new technologies and practices and using its own resources to drive local innovation, based on local knowledge and expertise.

In this Budget Submission, ALGA proposes some initiatives for the 2017-18 Budget which reflect the immediate priorities of local government, and some further initiatives for future years which the Government may consider as fiscal conditions improve.

## **Local Government Nationally**

Local Government nationally employs just under 187,000 Australians (around 10 per cent of the total public sector),<sup>1</sup> owns and manages non-financial assets with an estimated written down value of \$385 billion (2014-15)<sup>2</sup>, raises around 3.5 per cent of Australia's total taxation revenue per annum<sup>3</sup> and has annual operational expenditure of around \$34 billion (2014-15), over 5 per cent of total public sector spending.<sup>4</sup>

Local Government's expenditure is directed towards the provision of local services across the nation. These services include: housing and community amenities; transport and communications; recreation and culture and general public services.<sup>5</sup>

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<sup>1</sup>ABS Cat No 6248.0.55.002 Employment and Earnings, Public Sector, Australia 2014-15.

<sup>2</sup> ABS Cat No. 5512.0 Government Finance Statistics, Australia

<sup>3</sup> ABS Cat No. 5506.0 Taxation Revenue series.

<sup>4</sup> ABS Cat No. 5512.0 Government Finance Statistics, Australia.

<sup>5</sup> Op cit at 4 above.

Independent research commissioned by ALGA in 2012 shows that a majority of Australians agree that local councils play an important role in their lives.<sup>6</sup>

It should be noted that at an aggregate level, local government undertakes its work while being more than 80% self-funded. However, many rural and regional councils do not have the means to collect the same revenues as their urban and larger regional counterparts and are consequently much more reliant on external funding sources. Adequate grant levels are absolutely critical for these councils to be able to function in the best interests of their residents and to equalise the availability of services and infrastructure across the community. Considerable local government funds are spent on vital additional work that relates to broad national issues. As the level of government closest to Australians, Local Government is aware of and understands the myriad of challenges faced by local and regional communities as they live, work and interact in an increasingly complex domestic and global environment. Local and regional communities require support to respond and adapt to factors they cannot control, such as drought, natural disasters and economic upheavals.

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

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

The Australian Government has also shown its commitment to working with Local Government to achieve real and meaningful outcomes for local and regional communities. ALGA looks forward to the Government continuing this important partnership.

## **The Reform of Federal Government Funding of Local Government**

These ALGA Board recognises the importance of a consistent framework for advocacy and has adopted a set of principles to serve as the core of the arguments that ALGA will make in the coming years to ensure communities are supported by services that are stable and effective.

In the Australian Federation, the majority of taxation revenue is collected in an efficient way by the Australian Government but the responsibility for the provision of infrastructure and delivery of services lies with the other levels of government.

The Australian Government currently provides funding to Local Government through a mix of ad hoc project funding and on-going program funding. Funding is both on a tied and untied

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<sup>6</sup>Unpublished research 2012.

basis and provides irreplaceable support for local governments and their communities. The funding allows local governments to deliver vital local services and infrastructure..

Federal funding is essential for Local Government's financial sustainability and the main avenue through which the Australian Government provides funding to Local Government is through Financial Assistance Grants. These grants were equal to around 1% of Commonwealth taxation revenue in 1996 but have declined significantly over the past twenty years and now amount to approximately 0.6%.

All levels of government agree on the need to better align funding with responsibility and on the need for a more effective mechanism to share tax revenue. The primary purpose of any reform of funding and roles should be to improve the efficiency and cost effectiveness of the delivery of services and infrastructure to Australians no matter where they live. Local Government must be part of reforms to our intergovernmental relations.

In implementing reform, the ALGA is committed to the following principles:

- All Australians, no matter where they live, should be entitled to a reasonable level of local services and infrastructure.
- Local Governments require certainty of funding if they are to effectively manage their asset base.
- Federal funding to Local Government should be provided primarily as untied grants but also, where appropriate, through tied grants.
- Financial Assistance Grants provided by the Australian Government to Local Government should remain untied and solely for the purpose of council recurrent expenditure.
- Additional Federal funding should be provided to councils to address infrastructure investment aimed at improving national productivity.
- In the long term, the level of funding provided to councils through untied Financial Assistance Grants should be restored to an amount equal to 1% of Federal Taxation revenue.
- In the more immediate term:
  - Funding should be indexed annually in line with movements in a local government cost index which reflects the changes in costs of delivering local government services; and
  - total Commonwealth funding provided to councils by the Australian Government should not fall below 1% of Federal Taxation revenue.
- Any legal doubts about the ability of the Australian Government to directly fund Local Government to deliver services and infrastructure should be resolved.

- Any major reform of inter-governmental funding should include commitments by the Commonwealth and States to incorporate these principles.

### **The Inadequacy of The Financial Assistance Grants for Local Government**

Over the last decade, Local Government has consistently raised more than 80 per cent of its total revenue from own sources. This is a fundamental point. The Productivity Commission has made it clear that local government is near its maximum capacity to generate own-source revenues<sup>7</sup>. This indicates there is limited scope for local government to introduce new or additional revenue streams. General purpose grants, such as FAGs are increasingly important to Local Government.

However, as the Australian Government has noted in the Local Government National Report<sup>8</sup>, averages can mask the true situation of specific local councils and individual councils have differing abilities to raise revenue. The Productivity Commission has previously 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 Commission further concluded that some councils will always remain highly dependent on FAGs, notwithstanding they might have fully utilised their own-source revenue raising capacity.<sup>9</sup> This is why intergovernmental funding, particularly FAGs, continues to be very important in ensuring local and regional communities are financially capable of meeting both day-to-day costs and new challenges, whilst retaining sufficient flexibility to harness new opportunities. Funding certainty is critical to the long-term planning of local and regional communities.

The decision to freeze the indexation of FAGs until 2017-18, and therefore permanently reduce estimated funding to councils into the future by more than \$300 million per annum, will impact most on vulnerable and grant-dependent councils and their communities. As the responsibilities of councils and the costs of delivering services increase, these reductions will have a real and growing impact which undermines future service delivery.

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.<sup>10</sup>

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

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<sup>7</sup> Productivity Commission report *Assessing Local Government Revenue Raising Capacity* (April 2008), Finding 5.4, p.xxxvii (herein referred to as the 'PC report').

<sup>8</sup> Australian Government *National Local Government National Report 2008-09*

<sup>9</sup> Op. cit at 7 above, Finding 5.5, p.xxxviii.

<sup>10</sup> See ABS Cat No. 5512.0 Government Finance Statistics series.



regional and remote communities. In order to deliver services designed for the needs of specific communities, these grants must remain untied.

## **A Better Funding Pool and More Appropriate Indexation**

Although FAGs are intended to supplement the ability of Local Government to support functions, they have fallen over time as a proportion of overall Commonwealth taxation revenue.

In 1996 FAGs were equal to about 1% of Commonwealth tax revenue. By 2013-14, FAGs amounted to around 0.67 per cent of total Commonwealth taxation revenue, continuing a long trend of FAGs falling as a proportion of the Commonwealth's taxation revenue. The decision to freeze the indexation of FAGs until 2017-18 will see that proportion of revenue drop to approximately 0.6 per cent. This dramatic and continuing decline in general purpose funding has resulted in councils struggling to maintain appropriate local government services. The current base funding of approximately \$2.3 billion should be increased to better reflect the actual cost of local government services and infrastructure and should be restored to a level equal to at least 1 per cent of Commonwealth taxation revenue.

The escalation methodology for the FAGs also requires revision. The methodology is based on population growth and inflation and has remained unchanged for decades, despite significant changes in our economy such as the introduction of GST and real wages growth. Councils costs are not driven by the same factors as the CPI, accordingly escalation by the CPI is inadequate to maintain the real value of the grants. Over the last decade in particular, the inadequate escalation methodology has contributed to a growing gap in the funds required by Local Government to meet increased demand for local community infrastructure and services. In contrast, the general-purpose funding provided from the Commonwealth to the states and territories through the GST more transparently reflects growth in the real economy and trends in costs.

Although horizontal fiscal equalisation is one of seven federally legislated principles for the allocation of FAGs, the Productivity Commission 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'<sup>11</sup>.

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

ALGA seeks a change to 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. Reform of these arrangements would help to ensure a revenue stream for Local Government that will reasonably keep pace with demand for service delivery and infrastructure provision.

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<sup>11</sup> PC report, op cit at 10 above, Finding 5.6, p.xxxviii.

In turn, better funding levels will boost community resilience and Australia's overall prosperity in the future.<sup>12</sup>

Local Government would welcome the opportunity to further its partnership with the Australian Government by working together to identify constructive general purpose funding reform options that more adequately meet community needs and fulfil the Commonwealth's objectives as set out in the *Local Government (Financial Assistance) Act 1995*. Such reforms would enable Local Government to more fully meet the diverse economic, social and environmental needs of local and regional communities, whilst delivering on important national priorities being pursued at the Australian Government and COAG levels.

## **Greater Efforts to Prevent Cost Shifting**

A key driver of the increased demand on local government finances is its role as a major service provider of Commonwealth and state services. Local Government remains committed to playing this role and continuing the productive partnerships between all levels of government in Australia. However, as Local Government has been providing those services on behalf of those other levels of government, it is unreasonable to expect Local Government to meet the costs of the services if funding is withdrawn, particularly, without any consultation.

A greater focus on cost shifting is especially relevant as discussions about the roles and responsibilities of each level of government continue in the context of COAG discussions and future opportunities to develop a taxation reform agenda.

Withdrawal of funding once councils have accepted a service delivery role exposes councils to community pressure to fund the continuation of the service. This is cost shifting and a poor outcome for communities. Importantly, it can erode the value of the FAGs and other federal funding provided to Local Government by forcing councils to divert resources into areas formerly funded by other levels of government.

Cost shifting by the Commonwealth and state governments has been estimated to have a negative impact on councils of up to \$1.1 billion annually.<sup>13</sup> The effects of cost shifting to Local Government from other levels of government (mainly state governments) for which the sector remains uncompensated, have magnified over recent years, and present a genuine threat to the ongoing financial sustainability of the sector. This is because other levels of government continue, whether indirectly or directly, to assign additional responsibilities to councils. These include increased emergency and disaster management, environmental programs, community education, business development, management of certain land and the transfer of roads. Compulsory amalgamations in some jurisdictions over recent years,

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<sup>12</sup> 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.'

<sup>13</sup> House of Representatives Standing Committee on Economics, Finance and Public Administration, *Rates and Taxes: A Fair Share for Responsible Local Government*, October 2003.

coupled with state-prescribed responsibilities, for example in the Northern Territory, have also increased opportunities to cost shift onto the local government sector.

In April 2006, all Australian governments signed the *Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations on 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 shifting that has occurred in the past. The IGA expired in 2011 and to this date, progress has been made between the jurisdictions to re-engage on this issue.

ALGA is committed to good-faith discussions between the jurisdictions to prevent cost-shifting. Effective intergovernmental collaboration and processes are important in avoiding and preventing cost shifting practices. This lack of progress impacts not only the long-term financial sustainability of local government, but impacts all jurisdictions. As noted above, there is little scope left for Local Government to increase own-source revenue in order to meet the additional costs that come with new responsibilities.

## **Local Freight Productivity Investment Plan**

ALGA strongly supports the Australian Government's focus on improved productivity through investment in infrastructure. The efficient movement of freight is essential in a productive economy and targeted investment and regulatory reform across the different transport modes are important to ensure that our freight moves in a timely way and by the most appropriate mode, whether by ship, rail, pipeline, air or road.

Local roads are a critical part of our transport infrastructure and play a vital role. The issue of first and last mile access is an important factor in the productivity equation. We must unlock local and regional productivity improvements through investment that improves access for freight vehicles and connectivity between local roads and preferred state and national freight routes.

This is a national, state and industry matter and Local Government needs access to an initial five-year funding grant program to effectively play its role in providing a national transport network fit for purpose which is capable of supporting growth and national productivity. Local Government proposes a Productivity Investment Plan to facilitate increased freight access on local roads by addressing current barriers to effective implementation of the Heavy Vehicle National Law. The Plan would address the following gaps in the existing system and capability:

Systems Gaps. Local Government must work with the National Heavy Vehicle Regulator and jurisdictions to enhance the heavy vehicle access permit system, including addressing the following systems gaps:

- all relevant route and vehicle information needs to be provided to local government road managers;

- local government staffing capacity and administrative systems need to be enhanced to process consents;
- adequate information on key road assets needs to be developed to inform council decisions;
- systems developed to share relevant information between neighbouring road managers to avoid discontinuity, and to inform investment decision-making;
- systems developed to reduce the administrative burden, in particular duplication of decision making.

Planning Gaps. Funding for five years to facilitate and support Regional Groups of Councils to liaise with jurisdictions and industry to undertake demand forecasting, initial route assessment and prioritisation and the development of Regional Freight Plans.

Knowledge Gaps. Funding for five years to undertake assessments of key local road assets including up to 24,000 strategic bridges on designated freight routes.

Funding Gaps. Funding to address pinch points and improve vital infrastructure that limits capacity on designated freight routes.

ALGA is proposing this Plan be funded at \$200 million over five years. ALGA's analysis shows this investment could unlock **over \$1 billion** in additional GDP and create up to **9500 new jobs**.

## **Roads and Bridges**

### *Permanent Doubling of Roads to Recovery*

The maintenance of the local road system is one of Local Government's major tasks and in most councils, it is the single largest item of expenditure. Total expenditure on local roads by councils is estimated to be well in excess of \$4 billion. The Roads to Recovery Program is a true partnership between the Australian Government and Local Government. Recent Government announcements of one-off doubling of Roads to Recovery funding and allocating revenue from the fuel excise indexation recognises both the important role and the strength of that partnership.

However, the ALGA study released in 2010 into local road funding found that the funding shortfall to simply maintain, rather than improve, Australia's local roads to 2025 is around \$1.2 billion annually. The continued underinvestment in local roads hinders local and regional social and economic development and ultimately affects the development and productivity of the nation as a whole. Therefore, ALGA calls on all major political parties to commit to the permanent doubling of the Roads to Recovery funding.

### *Permanent Bridges program*

The *2015 State of the Assets Report* shows councils own \$1.71 billion timber bridges, 4% of which are in poor or very poor condition, with many situated in councils which have little capacity to cover the costs of the necessary improvements. ALGA strongly welcomed the much-needed bridge renewal program of \$300 million over five years, aimed at helping councils address the very substantial problems affecting local bridges, especially timber bridges. However, given the magnitude of the task facing councils to manage this

infrastructure, ALGA believes the Australian Government should look to make this program permanent to allow greater productivity benefits to be realised.

#### Restoration of Fairer Roads Funding for South Australia

In recognition of the manifestly unfair treatment of South Australia in the provision of \$17.5 million of local roads funding from the Australian Government, for South Australian councils previously provided to rectify this situation. The strong case and need for this additional funding remain unchanged and ALGA believes that the Australian Government should reinstate a fairer funding level for South Australia, with additional funding indexed annually in line with the indexation of the Financial Assistance Grants.

The proposals will aid in ensuring Australia's road infrastructure is in the best condition possible, will support the movement of goods and people and continue to respond to the development and evolution of our economy. These proposals could generate **over \$1.7 billion** in additional GDP as well as create **16,500 new jobs**.

### **Community Infrastructure**

Local Government is responsible for community infrastructure with a written down value of \$385 billion and an estimated replacement value of \$438 billion. The 2015 State of the Assets Report concluded that 11% of this infrastructure is in poor or very poor condition despite the sector's intensive focus in recent years on strategic asset management. Well-located, well-designed and properly maintained community infrastructure helps produce better quality outcomes for Australian communities as well as facilitating greater social inclusion. It also helps achieve other important social and regional policy outcomes, including attraction and retention of skilled workers, community health and well-being, social cohesion and tolerance, building social capital and enabling broad-based education and learning.

Local Government's community infrastructure includes a large range of arts, cultural, educational, sporting and recreation facilities. There is a need for resources to ensure that local community infrastructure across a range of activities can be brought up to a standard which allows equitable access for all, including people with disability, women and older people (a growing issue as our population ages).

Funding support for community infrastructure will assist all local councils to plan and deliver adequate and appropriate community infrastructure. ALGA is urging political parties to commit to specific local government community infrastructure funding at the level of \$300 million per annum over the next four years. ALGA modelling shows the potential additional GDP generated by this proposal as **\$1.4 billion** and it creating **14,900 new jobs**.

### **Climate Change**

Managing the effects of a changing climate requires effort by every level of government in Australia. The outcome of the Conference of Parties 21 (COP 21) held in Paris in December 2015 sets the scene for increased efforts to address climate change. ALGA strongly supports the Australian Government's commitment, through COP 21, to holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue

efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change.

While much can be done to reduce greenhouse gas emissions in all parts of Australia, ALGA welcomes COP21's acknowledgement of the importance of sub-national governments, including local governments, in addressing and responding to climate change. This is a partnership and opportunity for collaboration that local government is eager to engage with and hopes, in addition to funding to assist local activities, that the Government's Direct Action program can continue to be improved and refined to increase local government participation.

The role of cities is particularly important. As one of the most urbanised countries in the world, with over 80 per cent of Australia's population living in cities including large regional centres, the role of our cities and the role of councils within these cities in addressing climate change is hard to overstate.

Local government in Australia has a proven track record in addressing climate change and our cities will play an important role in helping the Australian Government achieve internationally agreed climate change targets. Many councils have responded by adopting proactive climate change strategies to reduce emissions and to adapt to unavoidable climate change impacts. However, they need assistance to implement projects and other key aspects of these strategies. Local government, working in partnership with the Australian Government, can deliver highly effective climate change projects that can mitigate the production of greenhouse gas emissions in cities, and also greatly assist the community to be better prepared and better able to adapt to future climatic conditions.

For other, less prepared councils, particularly smaller councils in regional areas, small grants may also be needed. This will support them with such things as consulting with their community to undertake climate vulnerability assessments and develop adaptation plans as well as to fund their long-term management and implementation.

These steps will assist communities in guarding against the worst impacts of unavoidable climate change, provide opportunities for local development and increase local knowledge to contribute to the national response. ALGA's modelling shows that this proposal will boost national GDP by as much as **\$453 million** and create **4,700 new local jobs**.

Local government is also seeking a commitment from the Commonwealth to work in partnership on the policy and implementation challenges of reducing emissions associated with street-lighting. In particular, local government needs a commitment from the Australian Government to work together to remove the economic disincentives of converting existing street lighting infrastructure to energy efficient technology. This would include working with the street light infrastructure owners, relevant pricing regulators and, as necessary, the Australian Competition and Consumer Commission.

In addition, ALGA is calling on the Commonwealth to renew funding to the National Climate Change Adaptation Research Facility (NCCARF). The work undertaken over the last three years has produced beneficial outcomes, including a comprehensive tool, information library and the establishment of a community of practice. It will be impossible to update these resources, and therefore keep them relevant, without ongoing and stable funding.

## Indigenous Australians

Initiatives aimed at closing the gap between Indigenous and non-Indigenous Australians in the areas of housing, health, early childhood development, education, economic participation and remote service delivery are vital if our nation is to overcome the economic and social costs of disadvantage being experienced disproportionately in our Indigenous communities.

Family well-being is supported by Local Government in Indigenous communities and is a major focus in providing municipal services and infrastructure. Appropriate resources must be provided for these services and infrastructure and it is important that the reforms in this area achieve the best outcomes for communities. Relevantly, the principle that financial assistance allocated to councils should recognise the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries, is also one of the principles for the allocation of general purpose grants.

ALGA calls on the Australian Government to commit to a review of the new arrangements for funding municipal services in Indigenous communities, to ensure that services are meeting the needs to communities and that there has not been a shifting of responsibilities and costs on to local governments. **ALGA believes this Review should take place by 2020.**

It is important that all parties commit to consult and work with elected local government Indigenous councils on policies and programs aimed at meeting the needs of local communities including, where necessary, the removal of barriers on land tenure for councils so they are better placed to provide services and maintain facilities and infrastructure in Indigenous communities. It is important that the Australian Government plays a key role in resolving this issue with the States and Land Councils so that Local Government is not hindered in performing these roles.

ALGA is also calling for the renewal of the National Partnership Agreement on Remote Indigenous Housing (NPARIH), highlighting the need for increased local engagement and utilising local services and resources. This will increase the effectiveness of service delivery as well as the quality of those services.

## Natural Disasters

Local Government has been a strong supporter of the Natural Disaster Relief and Recovery Arrangements (NDRRA) under which the costs of restoring government infrastructure are shared across the levels of government, with the Commonwealth committed to meeting up to 75 per cent of those costs. ALGA strongly supports maintaining the current level of support provided under the NDRRA and calls upon all parties to commit to this position.

ALGA believes the capacity of communities to identify, mitigate and respond to natural disasters is critical. In the face of an increase in extreme weather events, rebuilding infrastructure to its original specifications and condition is not sufficient. Betterment funding, or a small additional investment, will save millions of dollars in years to come by ensuring that infrastructure is rebuilt to withstand its new situation. ALGA is calling for political parties to commit to higher and more targeted mitigation funding, with betterment funding as a core element, to assist Local Government to strengthen the resilience of local communities. Specifically, ALGA is calling for a dedicated natural disaster mitigation program funded by the Commonwealth, state and local government on a 2:2:1 basis.

## Conclusion

We are facing a difficult and uncertain political and economic environment, but this is an ideal time to invest in roads and bridges, community infrastructure and guarding against the world impacts of climate change. It is also the time to start the discussion about the reality of the current funding constraints experienced by councils, and what needs to be done to safeguard the crucial services all Australians require. Local Government's record in achieving real results as a partner with other levels of government and in response to community needs, is strong. The sector has delivered nearly 60,000 projects in partnership with the Commonwealth Government since the creation of Roads to Recovery in 2001. Local Government stands ready to continue that relationship and build on that record.

This submission has proposed a series of projects and programs designed to not only support the provision of world-class services to our communities, especially for our most vulnerable, but many with clear economic benefits for the nation. In fact, the proposals outlined here could generate as much as **\$5.5 billion** in additional GDP and create over **45,600 new jobs** in local communities.