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A U S T R A L I A N L O C A L G O V E R N M E N T A S S O C I A T I O N A L G A

Local Government Infrastructure

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A U S T R A L I A N L O C A L G O V E R N M E N T A S S O C I A T I O N

A L G A

Overview

Local government in Australia

- Size of the sector
- Sources of revenue
- Main activities of local government

Infrastructure policy priorities for local government

- Funding
- Cost Shifting
- Formal inclusion in the Australian Constitution
- Future challenges



Local government in Australia

- A creation of state governments
- Accounts for more than 2% of GDP (annual expenditure of approx \$25b pa)
- Assets worth more than \$200 billion
- 565 councils employ in excess of 170,000 people
- Very diverse in terms of population and area
 - Population from 1 million to less than 200
 - Area from 2.5 sq km to 378,000 sq km (size of Japan)



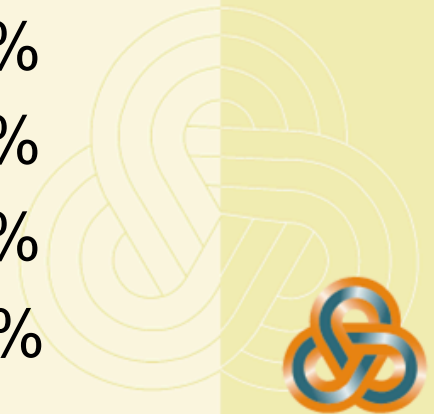
Local government revenue sources

- Local government is more than 80% self funded
- Sources of funding:
 - Property rates 38%
 - Fees and charges 31%
 - Grants from other governments 13%
 - Interest 4%
 - Other 14%



Local government expenditure

• Transport (incl roads)	25%
• Housing and community amenity	24%
• General public services	15%
• Recreation and culture	15%
• Education, health and welfare	8%
• Other economic affairs	4%
• Public order and safety	2%
• Other	7%



Priority issues for local government

- Increased funding from Federal Government
- Avoiding any further cost shifting
- Constitutional reform
- Addressing future challenges
 - Climate Change
 - Roads
 - Community Infrastructure
 - Urban issues
 - Asset Management
 - Broadband



Increased funding from the Federal Government

- Federal Government collects more than 80% of all taxes
- Local government raising almost 90% of its theoretical revenue raising capacity
- FAG's major source of funding for local government approx \$2 billion annually
- Need to review base funding and indexation methodology
 - to more closely resemble state funding arrangements



An end to cost shifting

- Trend towards local government taking on a bigger role in provision of people services
- Funds must follow functions
 - Local government does not have the financial capacity to take on new functions
- Intergovernmental Agreement on Cost shifting (April 2006)
 - set principle for ongoing framework
- To be reviewed in 2010-11



Constitutional reform

- Quote from PM –18 November 2008:
“At the last election, Federal Labor said that we would take steps towards Constitutional recognition of local government. And we intend to deliver on that commitment”.
- Constitutional Summit 2008 – December 2008
 - Commonwealth should have the power to directly provide recurrent funds to councils;
 - The Australian people should be represented in the community by democratically elected and accountable local government representatives; and
 - If a new preamble is proposed, it should include local government.



Climate change

- Significant reform for Australia
- In principle support for CPRS
 - Concern about differential impact on regional Australia
 - Pleased that Government has accepted the local government position on legacy emissions from landfills
- Councils are at the frontline of dealing with climate change
 - Important role in planning, adaptation and capacity building



Local roads

- Single largest item of expenditure for many councils esp. in rural and regional Australia
- Councils are responsible for 650,000 km or nearly 80% by length of all roads in Australia
- Critical 'last mile' role for road transport
- R2R and FAGS critical for local government's continued road infrastructure
 - need a permanent funding arrangement
- Local roads must be included in any road pricing regime to avoid a two tier road charging system that would encourage traffic onto local roads



Community Infrastructure

- Good community infrastructure fosters social inclusion
- Local government infrastructure is aged and under funded
 - PWC estimate is \$14.5 billion
- \$800m stimulus payments to local government for community infrastructure
 - Welcome community Infrastructure funding from Federal Government
 - Confident can deliver
 - Look forward to it becoming permanent



Urban issues

- Most Australians live in urban areas
- Tension around town planning and role for councils
- Need for increased direct Federal involvement and funding in transport and urban issues
 - Infrastructure Australia is a good initiative
 - We welcome the increased role in urban cities, congestion and transport planning for the Federal Government
- Important and increasing role of local government in community services such as meals on wheels and community transport



Asset management

- A key challenge for councils is the management of physical assets
- Capability of councils varies and needs to be improved
- Reporting across councils is inconsistent and hard to compare
- Aim is to develop a nationally consistent approach



Broadband

- Strong support from local government for NBN
- Essential for commercial and social connectivity
- Rollout must engage local government at planning and delivery levels including impact on council infrastructure
- Regional equity and focus on black spots
- Support “green fields” development



Conclusion

- Local government is:
 - highly dispersed;
 - focused on planning and delivery of a wide range of community services and infrastructure; and
 - largely self funded but increasingly needs financial support
- Many small projects critical to the success of communities and add to a significant part of the economy
- An invaluable and largely untapped tool in meeting national challenges – stimulus spending and national infrastructure

