



AUSTRALIAN
LOCAL GOVERNMENT
ASSOCIATION

Local Communities Matter

Submission to the 2019-20 Federal Budget

February 2019

February 2019

Hon. Josh Frydenberg MP
Treasurer
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600



Dear Treasurer,

The Australian Local Government Association (ALGA) is pleased to present this submission which outlines Local Government's budget initiatives for consideration in the 2019-20 Federal Budget.

This submission outlines 13 initiatives developed on behalf of the 537 councils across Australia and the state and territory local government associations. These initiatives will support much needed additional investment in local communities and are designed to benefit every community by improving local services and infrastructure, promoting fairness and boosting local, regional and national productivity.

Our budget initiatives are in line with our federal election document All politics is local - 12 ways to deliver for Australian communities (www.allpoliticsislocal.com.au). This document (attached) outlines a number of proactive policy and budget initiatives that will optimise a Commonwealth-local government partnership and provide solutions to the challenges our communities are facing.

Modelling by the National Institute of Economics and Industry Research commissioned by ALGA demonstrates that in total, these initiatives will add more than \$8.97 billion to Australia's Gross Domestic Product and create more than 24,000 new jobs, with economic benefits distributed across the entire country.

Local government has shown time and time again that it is a reliable, professional and cost-effective partner in rolling out Commonwealth programs. For example, the sector has delivered over 60,000 projects in partnership with the Commonwealth Government since the creation of the \$6.3 billion Roads to Recovery Program in 2001.

We also know that communities think local issues are important, with polling showing 81% of Australians agreed that elected representatives should focus on local issues and local communities.

ALGA understands the fiscal challenges facing the Commonwealth and the need for fiscal responsibility. However, ALGA believes there is a necessity for the Commonwealth to focus on local community priorities as well as to invest in productive infrastructure. ALGA believes that funding local government to deliver infrastructure and services as outlined in our submission is one of the most efficient and effective mechanisms to keep the Australian economy strong. It also will keep our communities safe and we believe the funding proposed is appropriate in the current fiscal environment.

I commend this pre-budget submission to you.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'D. O'Loughlin', with a long horizontal stroke extending to the right.

Mayor David O'Loughlin
President

PREAMBLE

The Australian Local Government Association (ALGA) acknowledges the Australian Government for maintaining Australia's extended period of national economic growth and welcomes the anticipated return to a modest Budget surplus a year earlier than expected. We also acknowledge, however, that the rate of growth in the Australian economy is not as strong as it could be and the implications of Brexit, weaker growth in China and the possibility of a US recession as a consequence of a US-China trade war adds to uncertainty about future growth outcomes. This underlines the importance of raising the level of domestic productivity through a more strategic approach to investments through the Budget.

ALGA supports the Government's agenda of boosting productivity, investing in vital infrastructure projects, drought relief and managing population growth. ALGA believes that these goals will be easier to achieve if the Government's priorities include a focus on supporting local services and infrastructure that strengthen community wellbeing, social cohesion and local economies.

Australia's population is expanding at a faster rate than most other advanced nations. This growth has put pressure on infrastructure and services in our cities and regional centres and is impacting on the liveability and sustainability of our communities. Liveability and sustainability are essential to attracting and retaining people and ensuring the efficient and productive operation of our communities. Liveability is intrinsically linked with economic growth and plays a key role in population management.

Local government is the government of communities and places. It is the level of government that ensures that local communities function effectively on a daily basis and are provided with the basic services and facilities that Australian communities expect to find in suburbs, towns and rural areas. Local government play a critical role in building local identity, community wellbeing and social cohesion and contributing to national productivity. Local governments are fundamental to achieving liveability in our cities, towns and rural areas.

However, local governments face substantial fiscal challenges. Local governments raise 3.6% of Australia's total taxation revenue but have responsibility for managing 33% of public non-financial assets. While in aggregate, local governments raise more than 80 percent of their own revenue, individual councils have widely differing abilities to raise revenue, based on location, population size, rate base and the ability to levy user charges. This diversity has important implications for the ability of local councils to provide social services and local infrastructure to respond to changing demographics and population growth or decline. It also has significant implications for local governments, ability to respond to and assist their communities during drought and natural disasters and to adapt to climate change.

Of the three levels of government, local government has the largest relative infrastructure task in terms of asset management. Yet local government has the smallest revenue base of all the tiers of government. In total local government have responsibility for more than 75% of the nation's roads. The financial circumstances of local governments make the job of keeping the country moving more difficult due to inadequate funds to maintain and expand existing roads or build new roads.

Our pre-budget submission demonstrates the significant scope of local government's roles and responsibility and its importance in achieving community wellbeing, social cohesion and stronger national productivity. This submission is consistent with ALGA's previous budget submissions and our election manifesto. It reflects the needs and wants of local communities and ensures that investment in our communities will make them fit for the future.

The resilience of local communities depends in part on the financial sustainability of their local governments and that sustainability can be greatly advanced by restoring the quantum of Financial Assistance Grants to at least 1 per cent of Commonwealth taxation revenue. A fairer level of FAGs funding is vital to boosting national productivity and meeting the challenges associated with population growth and demographic change. This key initiative, along with investment in roads, bridges and the digital future, community infrastructure and social services, and guarding against the impacts of climate change and natural disasters, is necessary to support the provision of essential services and infrastructure for our communities and has clear and demonstrable economic benefits which justify its inclusion in this year's Budget.

	KEY INITIATIVES	SPECIFICS	CUMULATIVE GDP BY YEAR 3	ANNUAL EMPLOYMENT BENEFIT BY YEAR 3
1	Repair federal funding to local government	Restore the quantum of Financial Assistance Grants to at least 1 per cent of Commonwealth taxation revenue	\$1.42 billion	4,000 jobs
2	Realise the productive potential of Australia's freight routes	Fund a Local Government – Higher Productivity Investment Plan starting at \$200 million per annum over 5 years	\$1.07 billion	2,300 jobs
3	Boost safety on local roads	Increase R2R funding to \$800 million per annum, increase Black Spot funding to \$200 million and make the Bridges Renewal Program permanent	\$1.71 billion	4,000 jobs
4	Promote equitable access to community services	Invest in a Local Government Community Infrastructure Program of \$300 million per annum over four years	\$1.41 billion	3,600 jobs
5	Protect communities from the impacts of natural disasters	Fund a targeted disaster mitigation program at a level of \$200 million per annum for four years	\$620 million	1,500 jobs
6	Support communities with their climate change response	Establish a Local Government Climate Change Partnership Fund of \$200 million over four years	\$451 million	1,100 jobs
7	Promote healthier communities	Invest in a Local Government Place-Based Preventative Health and Activity Program of \$100 million over four years	\$292 million	1,600 jobs
8	Foster Indigenous well-being and prosperity	Continue to provide at least \$5.5 billion over the next decade to address the needs in Indigenous communities	\$1.66 billion	5,300 jobs
9	Support communities on their digital transformation journeys	Provide a Smart Communities Program of \$100 million per annum and a Digital Local Government and Rural / Regional Telecommunications Program of \$100 million over four years	\$340.4 million	1,000 jobs

	FURTHER INITIATIVES	SPECIFICS
10	Develop Australia's circular economy	Achieve more cost-effective and equitable funding approaches across all parties involved in a product's lifecycle
11	Support local governments' current work in addressing affordable housing and homelessness issues	Reinstate a national governance model to address affordable housing and homelessness, that includes local government
12	Address the South Australian road funding anomaly	Increase the Identified Roads Component of Financial Assistance Grants to make the additional funding to South Australia permanent
13	Continue services to older people in their communities	Extend the Commonwealth Home Support Programme for a further three years

Contents

<i>Letter to the Treasurer</i>	3
<i>Preamble</i>	5
<i>Key Initiatives</i>	6
Repair federal funding to local government	9
Realise the productive potential of Australia’s freight routes	11
Boost safety on local roads	12
Promote equitable access to community services	14
Protect communities from the impacts of natural disasters	15
Support communities with their climate change response	17
Promote healthier communities	19
Foster Indigenous well-being and prosperity	21
Support communities on their digital transformation journeys	22
Develop Australia’s circular economy	24
Support local government’s current work in addressing affordable housing and homelessness issues	26
Address the South Australian road funding anomaly	27
Support older Australians	28

REPAIR FEDERAL FUNDING TO LOCAL GOVERNMENT

What is the problem?

Over the past two decades the roles and responsibilities of local governments have grown significantly but their revenue base has not. Local government's remit has increased as a result of the need to address market failure (particularly in rural and regional areas where it is frequently not financially viable for the private sector to provide essential goods and services such as aged care or childcare). In addition, there are examples of poor service delivery on behalf of the Commonwealth and state governments (for example support for medical and allied health services and early childhood education) and increasing community demand for services.

Local governments are also required not only to maintain their road networks but upgrade them to modern lane widths and safety standards and increase load bearing capacities for higher productivity freight vehicles, higher traffic volumes, and to reduce congestion. This is compounded by the \$30 billion required to renew and replace ageing infrastructure that is needed now. Resources are needed for the renewal of the infrastructure built during the "baby boom" and rapid growth period in the 60's and 70's. There has been a steady increase in renewal spending since 2005, but the proportion of infrastructure in poor condition is not decreasing, indicating it is likely that there is a need for a major renewal phase over the next 20 years.

Cost shifting by the Commonwealth and state governments is one of the most significant problems faced by local governments in Australia. Along with rate capping (in the states where this occurs), cost shifting undermines the financial sustainability of the local government sector by forcing councils to assume responsibility for more infrastructure and services without sufficient corresponding revenue.

The financial sustainability of local governments and their ability to provide essential services and infrastructure in their communities is further impacted by the relative decline in core federal funding to local government in the form of Financial Assistance Grants (FAGs).

FAGs were equal to around 1% of Commonwealth taxation revenue in 1996. However, despite an annual growth rate in Australia's Gross Domestic Product of an average 3.47% from 1960 until 2017, FAGs have declined by around 43% in relative terms over the past 20 years, and in 2018 amount to approximately 0.55% of Commonwealth tax revenue.

The Commonwealth Government's funding to local government through FAGs is critically important. Untied in the hands of councils, the FAGs enable councils to provide a mix of services and infrastructure appropriate to their local circumstances and maintain the well-being of their communities. The funding helps equalise the level of services across local governments nationally – particularly in rural, regional and remote areas. FAGs are also critical for local governments in high growth areas helping them to manage density and issues like social cohesion, congestion, provision of open space and community services for a growing population.

Why is this important for the Commonwealth?

Local government has a critical role in the Australian economy. It manages physical assets worth \$428 billion and each year spends around \$35 billion. The infrastructure services provided by local governments, such as roads and bridges, libraries, sport and recreation facilities, cultural facilities and public places that attract tourism, facilitate economic activity and strengthen the Australian economy in the short and long term.

Across Australia, 537 local governments are playing their part in assisting communities grow and prosper. Local governments are providing vital public services every day of the year. They are the glue that holds communities together so that they can respond to economic challenges and opportunities, growth and change. Local governments are vital to achieving the best outcomes associated with population change now and into the future.

Local governments encourage and attract economic expansion in the community. Local planning decisions shape and support commercial growth, opportunities and investment, which are integral to the economic wellbeing and future of local communities and the nation as a whole. In rural and regional areas local government is one of the largest employers, and has a significant impact on the local economy.

What is our proposed solution?

The ALGA proposal is to restore the quantum of Financial Assistance Grants to at least 1 per cent of Commonwealth taxation revenue.

Potential economic outcome: The additional funding could lead to a \$1.42 billion cumulative Gross Domestic Product benefit by year 3 and create 4,000 new jobs.

REALISE THE PRODUCTIVE POTENTIAL OF AUSTRALIA'S FREIGHT ROUTES

What is the problem?

One third or 213.9 billion tonne kilometers of Australia's domestic freight was moved by road in 2015–16. The majority of freight tasks start and finish on a local government-controlled road. Local government-controlled roads are integral to state and national road networks and provide essential linkages for the freight industry, commuters and other users. Bottlenecks, pinch points and first and last mile issues on local road networks are increasing the time and cost it takes for freight to travel from sender to receiver.

Local government roads and bridges in general were designed and built decades ago and are no longer fit for purpose. As a result, vehicle access to parts of the local road network is limited as road providers try to balance access with protection of the road assets from vehicle damage. Councils are struggling to maintain the status quo and generally have very limited capability to self-fund demand for improvements as a result of safety technologies or higher productivity freight configuration.

Why is this important for the Commonwealth?

Growth in productivity is essential for maintaining and improving Australia's standards of living. Our standard of living, international competitiveness, safety, security and capacity to invest in infrastructure that will meet future demands will be impacted by our ability to move people and freight efficiently. Improvements in the productivity of people and freight movement will deliver benefits directly to the wellbeing of all Australians.

The Commonwealth is currently developing a comprehensive national freight strategy that takes an "end-to-end" approach to supporting business supply chains. However, work on the known challenge of first and last mile issues should commence immediately given the extent of the problems that currently restrict freight.

Many councils have demonstrated their willingness, capacity and competence to undertake regional planning on behalf of their region. These regional plans could be developed in all regions and can provide the basic building blocks for project identification, prioritisation and investment to drive productivity improvements across council boundaries and in some cases jurisdictional boundaries.

What is our proposed solution?

ALGA proposes a Local Government Higher Productivity Investment Plan starting at \$200 million per annum over five years.

Potential economic outcome: This initiative could result in a \$1.66 billion cumulative Gross Domestic Product benefit by year 3 and create 2,300 new jobs.

BOOST SAFETY ON LOCAL ROADS

What is the problem?

Inadequately-maintained roads and bridges which may have differing or inconsistent road surfaces, irregularly or poorly maintained road shoulders, poor road markings, or poor lighting can have serious road safety outcomes. Every year more than 1200 people are killed on Australian roads. The cost of road crashes in Australia is estimated at \$27 billion annually. 50% of road crashes are on local roads, and deaths on rural and regional roads far outnumber deaths on metropolitan roads.

Local governments are responsible for managing around 75% of the road network in Australia where 52% of all casualty crashes and 40% of all road deaths occur. This means that driving on a local road involves increased risk of being seriously injured that is 1.5 times higher than driving on a state road.

Why is this important for the Commonwealth?

The Inquiry into the National Roads Safety Strategy 2011-2020 (released in September 2018) identified considerable capacity and resource issues that are hindering the ability of local governments to pursue the desired transformative approach to road safety.

Of the three levels of government, local government has the largest relative infrastructure task in terms of asset management. Local roads account for around 75% of the total road length in Australia, or 662,000 kms. Yet local government has the smallest revenue base of all the tiers of government, raising only 3.6% of Australia's total taxation revenues. Local government's tax (known as rates) is a general tax. Unlike other levels of governments, local government has no direct mechanism to raise funds for road construction and maintenance such as road user charges, registration charges or any road- or transport-related fees or charges.

Successive studies commissioned by ALGA consistently show an infrastructure backlog and an underspend within the local government sector of at least \$1.2 billion per annum.

The 2018 State of the Assets report, commissioned by ALGA, estimates that roads represent \$136 billion of the total infrastructure value with \$13.6 billion (9% of sealed roads and 16% of unsealed roads) in poor to very poor condition. Bridges represent \$14 billion or 4% of total infrastructure value with \$813 million in poor to very poor condition (4% of concrete bridges and 21% of timber bridges).

What is our proposed solution?

As a partner with the Federal and state/territory government, local government is part of the solution to reduce serious harm and casualties. We seek opportunities to work with the Commonwealth Government including boosting safety on local roads by increasing the Roads to Recovery Program funding (R2R) to \$800 million per annum to more sustainably manage local government's component of the national road network. ALGA also proposes that the Bridges Renewal Program become permanent to more sustainably manage council bridges and that ongoing Black Spot funding be increased to \$200 million per annum.

Potential economic outcome: These initiatives could generate \$1.71 billion cumulative Gross Domestic Product benefit by year 3 and create 4,000 new jobs.

PROMOTE EQUITABLE ACCESS TO COMMUNITY SERVICES

What is the problem?

The day-to-day experiences and well-being of communities are shaped by the infrastructure provided by councils such as public pools, sports fields, libraries and children's playgrounds. While some of these facilities are relatively new, many were built decades ago and require significant maintenance and upgrades to ensure they continue to meet the needs of the community.

It is estimated that \$28.6 billion of community facilities are in need of significant renewal.

Councils have also identified almost 1,000 community infrastructure projects with a value of more than \$1.5 billion that are ready to commence when additional funding support becomes available. These projects include the Redland Aquatic Centre and Emergency precinct which will combine a state-of-the-art emergency training facility, new community aquatic and wellness centre and Surf Life Saving Queensland (SLSQ) state headquarters into one centrally located facility and the Apollo Bay Early Years Hub which will provide kindergarten, childcare, maternal and child health services with space for immunisations and visiting specialists providing services such as hearing, speech and dental.

Why is this important for the Commonwealth?

Well-located, well-designed and properly-maintained community infrastructure enhances the quality of life and enriches the experience of community members every day. Community infrastructure underpins community wellbeing, fosters social interaction and participation in sport, recreation and cultural endeavours, education, and employment.

There is a need for resources to ensure that local community infrastructure across a range of activities can be provided, appropriately maintained and brought up to a standard which allows equitable access for all, including people with disability, women, low-income earners, the un- or under-employed and older people (a growing issue as our population ages).

New investment in community infrastructure will create jobs, support the lifestyles and living standards of hundreds of communities, give better access to online support services such as via libraries, and enable towns to attract and retain population, particularly in regional and rural communities and high growth urban communities.

What is our proposed solution?

ALGA proposes a Local Government Community Infrastructure Program of \$300 million per annum over four years.

Potential economic outcome: This initiative could generate cumulative Gross Domestic Product benefit of \$1.41 billion by the third year and create up to 3,600 new jobs.

PROTECT COMMUNITIES FROM THE IMPACTS OF NATURAL DISASTERS

What is the problem?

Australia is profoundly impacted by natural disasters and communities need appropriate and adequate relief and support to recover from these events.

Many communities are exposed to natural disasters on a recurring basis and experience repeated disruptions from flood, cyclone and fire events. Natural disasters around the country have claimed many lives, impacted hundreds of thousands of people and local and regional economies and caused major property and infrastructure damage.

Why is this important to the Commonwealth?

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 new climate-change realities.

Increasing federal mitigation spending to \$200 million a year will save significantly greater sums over time by reducing the need to repeatedly rebuild communities following natural disasters. It is predicted that the annual cost of natural disasters will rise from \$9 billion today to \$33 billion by 2050.

In its 2014 inquiry into natural disaster funding, the Productivity Commission found funding for reconstruction and recovery consumed 97% of disaster funding in Australia, compared with only 3% that went towards mitigation and community resilience measures. The Productivity Commission highlighted the value of disaster mitigation expenditure and raised the idea of a \$200 million per annum mitigation program.

The value of investment in mitigation was also highlighted by the Australian Business Roundtable for Disaster Resilience and Safer Communities in its 2013 White Paper. Investment in mitigation will spare many vulnerable communities from the distress of seeing homes, businesses and other treasured possessions destroyed and improve their long-term viability.

The Australian Business Roundtable also identified additional or 'co-benefits' of resilience investment that accrue even in the absence of a natural disaster. Such co-benefits support economic growth and social capital in Australian communities and are an important driver of regional investment decisions. They may include:

- Short-term employment
- Regional growth associated with investment
- Lower insurance premiums
- More reliable services
- More connected communities
- Higher levels of skills and technical expertise

What is our proposed solution?

ALGA proposes:

- A new targeted disaster mitigation program is proposed at a level of \$200 million per annum for four years.
- Ensuring that local government is not worse off under current reforms of the Natural Disaster Relief and Recovery Arrangements; and
- Investing in a targeted disaster mitigation program at a level of \$200 million per annum for four years.

Potential economic outcome: This could generate a cumulative Gross Domestic Product benefit of \$620 million by the third year and create up to 1,500 new jobs.

SUPPORT COMMUNITIES WITH THEIR CLIMATE CHANGE RESPONSE

What is the problem?

All communities are grappling with the consequences of climate change – such as extreme weather events, heatwaves, drought and bushfires and are struggling to understand the full impacts of global warming and how they can respond. Local governments are on the frontline when dealing with the risks and impacts of climate change.

Councils need to prepare for the unavoidable impacts of climate change (adaptation) and have a significant role in reducing the degree of climate change which may occur (mitigation).

Australian councils and communities are ready to step up to tackle climate change in a way that can stimulate economic growth and manage their assets more wisely. However, there is a mismatch between the amount of local government infrastructure exposed to climate change risks and the resources that local government have to carry out effective adaptation to manage these risks.

Australia's efforts to address and respond to climate change is not taking full advantage of the opportunity for partnership and collaboration with local government.

Why is this important to the Commonwealth?

The Commonwealth has committed, through the Conference of Parties 21 (COP 21) held in Paris in December 2015, to hold 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.

COP21 has acknowledged the importance of sub-national governments including local governments in addressing and responding to climate change. Local governments can deliver emissions reductions through their policies, strategic and statutory planning processes, local laws, procurement for and management of public facilities and council assets and via their close connection to the local community. Local land use planning in particular, can influence energy use and emissions.

Many councils have responded to the climate change challenge by adopting proactive strategies to reduce emissions and to adapt to unavoidable climate change impacts through climate change risk assessments and adaptation plans. Having identified potential solutions to the range of challenges, many councils need additional help to implement local projects and innovative solutions. Implementation of these projects could have the additional benefit of reducing the need for disaster recovery funding.

What is our proposed solution?

Support communities in climate change response by investing in a Local Government Climate Change Partnership Fund of \$200 million over four years.

Potential economic outcome: This could generate a cumulative Gross Domestic Product benefit of \$451 million by the third year and create up to 1,100 new jobs.

PROMOTE HEALTHIER COMMUNITIES

What is the problem?

As the cost of health care increases, greater priority needs to be given to preventative health to reduce the burden on the hospital and primary care system.

It is estimated that around 10% of Gross Domestic Product is spent on health care; \$170 billion was spent on health in 2015-16. A significant proportion of Australia's total burden of disease can be attributed to modifiable risk factors including physical inactivity, overweight and obesity. Shifting the health burden away from expensive medical interventions to a preventative health model is beneficial to all members of the community.

Why is this important to the Commonwealth?

Physical inactivity is the second most important risk factor that contributes to the burden of disease, morbidity and mortality in Australia. Regular physical activity provides a large range of health benefits, ranging from reduction in risk factors for heart disease, high blood pressure, high cholesterol, diabetes and some cancers. Increased physical activity delivers fitness and stamina, increased energy and reduction in stress, anxiety and depression. Participation in physical activity also helps improve social and community networks and increases community cohesion and social connectedness.

The day to day lives and experiences of Australians are shaped by the places in which they live, work and play. Local governments are responsible for planning, building and managing many of these places. Local Government's contribution to addressing the obesity crisis is not from a medical perspective but rather from a preventative and community-based health approach. Residents of communities experiencing health and wellbeing inequalities risk poorer quality of life.

Early intervention can reduce or even eliminate the need for later, more intensive and costly care. Well-known examples of prevention include vaccination, cancer screening, physical activity and health promotion. By tackling disease and the risk factors of disease early, significant suffering can be averted, and costs reduced.

Preventative health is an important focus for councils across the country and has the potential to have a significant impact on community health outcomes as well as assisting in reducing obesity-related health costs.

What is our proposed solution?

Nationally, Local Government has been a partner in preventative health measures as they relate to planning, environment and infrastructure, and in delivering Commonwealth preventative health initiatives such as Healthy Communities to slow the growth of lifestyle-related chronic disease.

In the past, councils have undertaken a range of preventative health programs and activities, including National Heart Foundation Walking Groups, community gardens, creating a network of paths and tracks for cycling and walking, outdoor gyms, sports carnivals, walking school bus, and a myriad of other initiatives to reduce obesity, diabetes and heart disease. These community-based initiatives improve health outcomes for all Australians, regardless of their ability or background.

A new program could use and extend Local Government's capacity and existing resources. It could be aimed at improving health outcomes through healthier eating and increased physical activity via programs delivered in or with men's sheds, sport and recreation facilities, and community groups. Initiatives under this program could be delivered by Local Government in partnership with other levels of government or other organisations such as the National Heart Foundation, community groups or sport and recreation groups.

ALGA proposes a new Local Government Place-Based Preventative Health and Activity Program costing \$100 million over four years.

Potential economic outcome: ALGA's analysis indicates that this investment could have a cumulative Gross Domestic Product benefit of \$292 million by the third year and create up to 1,600 new jobs.

FOSTER INDIGENOUS WELL-BEING AND PROSPERITY

What is the problem?

There is a life expectancy gap of ten years between Indigenous and non-Indigenous Australians. Research reveals that between one-third and one-half of the health gaps between Indigenous and non-Indigenous Australians are associated with differences in socio-economic position such as education, employment and income.

The unemployment rate for Indigenous people is 4.2 times higher than for non-Indigenous people. 35% of Indigenous households reported living in a dwelling with 1 or more major structural problems in 2012–13 and 15% reported living in a dwelling that was lacking working facilities.

In remote Indigenous communities water and sewerage infrastructure provision has not kept pace with population growth. As a result, in some jurisdictions new housing and other buildings cannot be connected to services due to a lack of capacity. More needs to be done in order for Indigenous people to enjoy health and life-expectancy equality and employment and education parity in Australia.

Why is this important to the Commonwealth?

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 entrenched disadvantage in our Indigenous communities.

Family well-being is supported by local government in Indigenous communities and is a major focus of municipal service and infrastructure delivery. To achieve the best outcomes for communities, appropriate resources must be provided for these service-delivery functions.

What is our proposed solution?

ALGA supports fostering Indigenous well-being and prosperity by calling on the Federal Government to:

- Continue funding of at least \$5.5 billion over the next decade to address the needs of Indigenous communities particularly in the areas of overcrowded housing, homelessness, poor housing conditions, and a severe shortage of housing in remote Aboriginal and Torres Strait Islander communities across Australia;
- Renew the outstanding National Partnership Agreements on Remote Indigenous Housing and acknowledge the need for increased local engagement and use of local services and resources;
- Take urgent action to develop new arrangements for funding in Indigenous communities to ensure that services are meeting the needs of communities, including in cities and towns, and that there has not been a shifting of responsibilities and costs onto Local Government; and
- 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.

Potential economic outcome: ALGA's analysis indicates that this investment could have a cumulative Gross Domestic Product benefit of \$1.66 billion by the third year and create up to 5,300 new jobs.

SUPPORT COMMUNITIES ON THEIR DIGITAL TRANSFORMATION JOURNEYS

What is the problem?

Many councils and their communities need support on their digital transformation journeys. Improved data access and use can enable new products and services that transform everyday life, drive efficiency and safety, create productivity gains and allow better decision making.

Whole-of-Government digital transformation strategies that result in an interconnected government and collaborative citizen-centered approaches will underpin tomorrow's smart cities.

Rural and regional Australia and its telecommunications connectivity capabilities will also underpin business transformation and interconnectedness.

In regional Australia, over 96% of premises can now access the NBN or have construction underway. However, for regional, rural and remote businesses there are still barriers to the take up new digital applications – severe data limitations, congestion on the fixed wireless network and poor mobile coverage. Satellite falls well short of needs and expectations. There is evidence from the Regional Telecommunications Independent Review Committee (December 2018) which says that rural and remote Australia needs assistance to take up the new technologies.

Why is this important to the Commonwealth?

Without additional funding and a broadening of the Commonwealth's Smart Cities and Suburbs initiative, there is a risk the benefit of investments in smart technologies and the digital economy will not be fully realised and many communities will be left behind.

All communities, whether they be in the major capitals or in regional towns, need to be future-ready. Linked-up, smart communities will foster decentralisation and ensure equitable access to the benefits of the knowledge economy and provide improved access to online support services, such as those related to employment and health.

Research has shown that the core driver of long-term economic growth is innovation. Innovation typically occurs in 'knowledge based' regions. It is very difficult to spread knowledge-based employment away from the city centres which are currently experiencing significant issues with congestion and population growth. Decentralisation to regional cities and hinterland areas will require infrastructure support, especially investment in telecommunications and transport to build new economic opportunities and resilient intelligent communities.

The Review Committee was strongly of the view that there are compelling factors for significant additional capital investment in telecommunications infrastructure to maximise the economy-wide benefits for regional, rural and remote Australia to adopt a place-based approach to guide future telecommunications investments.

The social and other benefits of digital inclusion are significant but digital inclusion in regional areas lags far behind that of the major cities. The Committee found a crisis in confidence in regional and remote Australia when it comes to using and understanding digital technology. Many people need an initial helping hand in order to get full use out of digital technology. An easy to understand platform to allow regional Australians to get help on digital technologies is recommended as well as an independent digital adviser for regional, rural and remote areas. The development of an Indigenous Digital Inclusion Strategy was supported by the Committee.

Uptake of electric and autonomous vehicles in Australia will be limited by patchy telecommunications services in rural, regional and remote areas. Regional, rural and remote communities need additional assistance to become digitally literate and fully utilise the benefits of broadband.

What is our proposed solution?

Support communities on their digital transformation journeys by:

- Building on the Smart Cities and Suburbs Program approach by providing a Smart Communities Program of \$100 million per annum; and
- Establishing a Digital Local Government and Rural / Regional Telecommunications Program of \$100 million over four years to increase the community benefits of improved technology, connectedness and innovation.

Potential economic outcome: The Smart Communities Program could have a cumulative Gross Domestic Product benefit of \$242.3 million by the third year and create up to 700 new jobs. The Digital Local Government and Rural / Regional Telecommunications Program could have a cumulative Gross Domestic Product benefit of \$98.1 million by the third year and create up to 300 new jobs.

DEVELOP AUSTRALIA'S CIRCULAR ECONOMY

What is the problem?

Despite the amount of waste generated per person declining by 10 per cent since 2006 and the recovery rate (including recycling and energy recovery from waste) increasing by 8% over the same period, Australia is producing more waste as a consequence of population growth. Australia's current market solutions, materials pathways and collection services are no longer viable or sustainable. A rise in costs for kerb-side recycling collection services will impact council budgets, and the resultant increase in rates and levies will put further strain on families' hip pocket costs.

Internationally there is a movement away from a linear economy, where raw materials are used to make a product and the product and its packaging is thrown away after use, to a circular economy which retains the value of materials in the economy for as long as possible, reducing the unsustainable depletion of natural resources and impacts on the environment. This new approach towards a more circular economy is reflected in the new National Waste Policy agreed to across jurisdictions.

The reduction of Australian exports of recycled materials to China, coupled with the decline in global prices for recyclates, is an immediate threat to the sustainability of Australia's waste and recycling systems.

Why is this important to the Commonwealth?

Applying the circular economy principles to waste management in Australia requires changes to product design, production, use and reuse, recycling and disposal. These changes will result in the creation of new jobs and benefit the economy overall. For every 10,000 tonnes of waste that is recycled, 9.2 jobs are created (compared with 2.8 jobs if the same amount of waste was sent to landfill).

The Commonwealth has a critical role in promoting and strengthening a circular economy for a sustainable future including through investment incentives. Failure to do so risks mounting stockpiles of waste manufactured here and overseas, along with the associated safety concerns and ever-increasing amounts of potentially useful materials going to landfill. A coordinated, Australia-wide approach should be adopted to maximise opportunities for materials within the circular economy.

Given the scale of imports into Australia, ensuring product stewardship and extended producer responsibility is difficult unless it occurs at a national scale, with embedded strategies to address importation challenges such as competitive pricing. Consequently, Commonwealth Government leadership is vital.

What is our proposed solution?

The Commonwealth Government take a stronger role in developing Australia's circular economy. This can be achieved by leading, developing and implementing – in collaboration with key stakeholders – a national waste and resource recovery strategy and action plans underpinned by circular economy principles, the waste hierarchy, product stewardship and extended producer responsibility.

The Commonwealth Government should take the lead role in supporting innovation and addressing barriers and opportunities to develop industries that will support the circular economy.

The Commonwealth Government should coordinate implementation of a national accreditation system for products with recycled-content that can be used by state/territory and local governments, industry/business and consumers as a credible method of making responsible purchasing decisions.

Extra resources from the Federal Government to oversee and manage the strengthening of Australia's circular economy commensurate with a national waste and resource recovery strategy and action plans.

Potential economic outcome: A five per cent improvement in efficient use of materials across the Australian economy could benefit Australia's GDP by as much as \$24 billion

SUPPORT LOCAL GOVERNMENT'S CURRENT WORK IN ADDRESSING AFFORDABLE HOUSING AND HOMELESSNESS ISSUES

What is the problem?

The lack of affordable rental properties and affordable home ownership is causing significant social and economic impacts in Australia's cities and regions. Homelessness and housing stress can profoundly affect the mental and physical health of individuals and families, as well as impact on their education and employment opportunities and their ability to participate fully in the community.

The ABS 2016 Census data shows that the rate of homelessness in Australia has increased 4.6 per cent over the last five years. The latest estimates reveal more than 116,000 people were experiencing homelessness in Australia on Census night.

Local governments play an important role in delivering affordable housing within their communities and operate within state-based planning legislation requirements and financial constraints. This includes the burden and timing of investment in infrastructure. However, they are often unfairly blamed for housing affordability problems, especially land and housing supply.

Local governments continue do some "heavy lifting" on affordable housing within their communities in a financially-constrained environment which is exacerbated by cost-shifting, rate-capping and rate concessions for community housing.

Why is this important to the Commonwealth?

Housing stress is impacting low and increasingly middle-income households. A lack of adequate and affordable housing contributes to housing stress and homelessness, and is detrimental to people's physical and mental health. Homelessness affects life expectancy, with homeless people estimated to live 15–20 years less than the mainstream population.

Despite increases in homelessness and lack of affordable housing, there is no national housing strategy or a national dialogue between the three levels of government on housing. National Housing and Homelessness Agreements are now determined between the Commonwealth and individual state/territory governments without direct engagement of Local Government.

What is our proposed solution?

Support local government's current work in addressing affordable housing and homelessness issues by:

- Reinstating a national governance model to address affordable housing and homelessness, that includes local government; and
- Acknowledging local government's role in housing with appropriate funding including for innovative partnership models on housing.

ADDRESS THE SOUTH AUSTRALIAN ROAD FUNDING ANOMALY

What is the problem?

For many years, there has been a shortfall in the level of funding to South Australian councils under the Identified Roads Component of their Financial Assistance Grants (FAGs).

South Australian local governments are responsible for the development and maintenance of 11% of Australia's identified local roads (75,000km), have over 7% of the nation's population, but receive just 5.5% of federal local roads funding under the Federal Government's Identified Local Roads component of the Financial Assistance Grants. This problem was recognised in 2003 when a House of Representatives Standing Committee acknowledged the problem in its report on the Inquiry into Local Government and Cost Shifting. In the 2004/5 Federal Budget this was rectified via a 'top-up' supplementary payment to South Australia, initially for three years. Successive Federal Governments extended the arrangements through to 2013/2014. This payment was removed in the 2014/15 budget and subsequently reinstated in the 2017/18 budget at the rate of \$20 million per annum for two years.

Why is this important to the Commonwealth?

There has been a long-standing shortfall in the Identified Roads Component for South Australian councils, which places South Australian local roads at a disadvantage. The abolition of Supplementary Road Funding in 2014 had the largest impact on rural councils, especially those with large geographic areas, and relatively low populations; and thus very restricted capacity to raise more own-source revenue. Many of the roads provided in these council areas are vital to underpin a productive rural economy.

This funding is immensely important to helping South Australian councils keep their roads safe for motorists by upgrading and maintaining their local road networks. Investment in public infrastructure provides the foundation for economic and social progress.

What is our proposed solution?

The South Australian road funding anomaly should be addressed by increasing the Identified Roads Component of FAGs to make the additional funding to South Australia permanent with funding indexed annually in line with the indexation of Financial Assistance Grants (FAGs).

Proposed funding: The proposal is to make the additional \$20 million per annum (indexed) to South Australia, permanent.

SUPPORT OLDER AUSTRALIANS

What is the problem?

The Commonwealth Home Support Programme (CHSP) provides a basic level of aged care services to support continued independence for people aged 65 and over living at home and delaying entry to more expensive residential care. The CHSP funding currently ceases from 30 June 2020.

Many local governments across the country currently deliver successful and important services to older people in their communities under CHSP. This includes providing a holistic approach to services, fostering social connections and inclusion and providing an even greater impetus for local governments to actively support their older people across all the domains of active ageing.

For example, in Victoria, seventy-two councils currently deliver CHSP and approximately 210,000 Victorians use these services along with allied health and home nursing services. Councils' contribution is now up to \$200 million annually and they provide services in key areas of home and community care including domestic support, meals, transport, personal care, social support (including planned activity groups) and home maintenance. In NSW 90 councils deliver similar services under the CHSP program and in South Australia approximately 50 Councils are involved.

Why is this important to the Commonwealth?

The 2015 Intergenerational Report stated that the number of Australians aged 65 and over is projected to more than double by 2054–55, with 1 in 1,000 people projected to be aged over 100. In 1975, this was 1 in 10,000. Expenditure on aged care services is projected to nearly double as a share of the economy by 2055, as a result of the increase in the number of people aged over 70. There is significant public involvement in the sector, with \$17.8 billion of Commonwealth expenditure allocated to supporting aged care services in 2016-17.

Keeping people out of expensive residential care and more connected to the community will ultimately be more cost effective for the Commonwealth. The CHSP is far from being an 'entry-level' service, it is a key component for keeping the vast majority of people requiring support in their homes for their whole lives.

Councils deliver cost effective and efficient services with block funding as they contribute significant in-kind funding which stretches the Federal funding even further. In addition, the Productivity Commission Review into the National Disability Agreement stated that some services were not suited to individualised funding, and should continue to be block funded. Due to the similarity of service delivery this is also likely to be relevant to aged care services.

Councils also add value to services through volunteer networks and significant infrastructure, such as kiosks, libraries and community centres. Councils combine expertise in social support and community wellbeing services. With the use of volunteers, councils offer essential services such as transport at a significantly reduced rate making it affordable and accessible for older people.

What is our proposed solution?

The CHSP programme continue beyond 1 July 2020 for a further three years at a minimum, to ensure continuity of care, recognising that frequent changes to community sector funding arrangements do not deliver certainty to those dependent on community care.

- Commit to continued block funding for the three-year period beyond 2020 to:
- Provide continuity of direct service delivery of core CHSP services;
- Provide information, advice and community support;
- Ensure reasonable and necessary support options where markets are thin e.g. in rural and remote areas;
- Sustain and build service capacity during development of My Aged Care system; and
- Enable informed choice and expand knowledge of community options.

Proposed funding: The proposal is for the continuation of the CHSP Program for an additional 3 years.