

Federal Budget 2021-22

LGA of SA

Pre-budget submission

January 2021

# Introduction

The Local Government Association of South Australia (LGA of SA) appreciates the opportunity to provide this pre-budget submission to the 2021-22 Federal Budget.

The LGA of SA is the voice of local government in South Australia, representing all 68 individual councils across the state. We provide leadership, support, representation and advocacy on behalf of South Australian councils, for the benefit of the community.

The LGA of SA is a strong advocate for legislation and policies that achieve better outcomes for councils and the communities they represent.

South Australian local government is a trusted partner with the Federal and State Government in funding programs that support our shared priorities. Councils, with appropriate opportunities, can be part of the solution in addressing the challenges Australia faces in ensuring liveable, vibrant and economically prosperous communities.

As a member of the Australian Local Government Association (ALGA), the LGA of SA has provided input to and commends their pre-budget submission and the initiatives recommended to the Federal Government for the 2021-22 Federal Budget.

One of ALGA’s priorities is a recommendation that the 2021-22 Federal Budget ***addresses the South Australian road funding anomaly by making the additional $20m per annum funding to South Australia in 2019-20 and 2020-21 permanent.***

This submission outlines further details on South Australian Supplementary Road Funding and its importance to the Australian Government, South Australian councils, and our collective efforts to ensure long-term economic and social recovery from COVID-19.

#### What’s the issue?

Road funding is particularly challenging in South Australia where for many years there has been a shortfall in the level of funding to South Australian councils under the Identified Roads Component of their Commonwealth Financial Assistance Grants (FAGs).

South Australia has 11% of Australia’s local roads, and 7% of its population, but only receives 5.5% of the Identified Roads component of Commonwealth Financial Assistance Grants (FAGs).

#### Recommendation

That the Australian Government address the South Australian road funding anomaly by making the additional $20m per annum funding to South Australia permanent.

In the 2021-22 Federal budget this would be $20 million per year over four years - in 2021-22 and in the forward estimates to 2024-23 with funding indexed annually in line with the indexation of Financial Assistance Grants (FAGs).

Independent analysis commissioned by ALGA estimates that this would create 158 jobs each year in South Australia and contribute $24 million to Gross Domestic Product.

# Firstly, thank you.

In 2020-21, South Australian councils received an allocation of $165 million from Commonwealth Financial Assistance Grants, which includes both a general-purpose grant ($121,994,089) and local roads grant ($43,240,665). Commonwealth FAGs support councils to provide essential services and infrastructure for their local communities.

South Australian councils welcomed the extension of the SA Supplementary Road Funding in 2019/20 and 2020/21, which was brought forward in a payment in June 2019.

They have received funding and partnered with the Commonwealth in delivering essential programs such as Roads to Recovery, Bridges Renewal, Road Safety Blackspots and drought and bushfire relief initiatives.

Most recently, South Australian councils have welcomed the Commonwealth’s $1.5 billion Local Roads and Community Infrastructure Program and brought forward shovel-ready infrastructure projects that are creating jobs and supporting Australia’s economic recovery from COVID-19.

##### **South Australian councils and the communities they support recognise the trust the Commonwealth Government has placed in them and deeply appreciate every single dollar received from the Commonwealth.**

The long-term benefits of Federal stimulus funding will only be realised if core funding through the SA Supplementary Road Funding is ongoing.

SA Supplementary Road Funding is a core component of the Commonwealth Government’s significant work program and we look forward to continuing to work with you to improve infrastructure and strengthen regional and urban communities.

In this context, the LGA of SA is also advocating, with all state and territory associations via ALGA, that the Commonwealth Government **restore the quantum of Financial Assistance Grants to at least 1% of Commonwealth Taxation Revenue to inject additional funds into local communities, protecting their wellbeing, stimulating the economy, providing for local employment and delivering a legacy of community assets to benefit Australians for generations.** Independent modelling estimates that additional funding of $1,598 million would create 16,242 jobs and contribute $2,370 million to annual Gross Domestic Product

Just by way of example, Commonwealth Financial Assistance Grants and SA Supplementary Road Funding have recently supported critical road infrastructure developments to support community, tourism and freight needs:

* Springs Road, Mount Barker District Council, $1,340,000 for wider traffic lanes and a sealed shoulder.
* Hickmans / Wedgewood Road, Kangaroo Island Council, $1,225,004 for a widening of the carriageway.
* Forktree Road, District Council of Yankalilla, $450,000 for construction and sealing of 1.8km of existing unsealed road.
* Quinlan Ave, City of Mitcham, $1,630,000 reconstruction of road and the upgrade of two key roundabouts.
* King William Road, City of Unley, $3,000,000 towards Stage 1 reconstruction to redesign the main street precinct, including enhancing the presentation, safety and appeal of the main street.

# SA Supplementary Road Funding

## Fair and equitable funding

South Australian councils manage 11 per cent (75,000km) of the nation’s local road network, have over 7 percent of the nation’s population, and yet receive only 5.5 percent of the Identified Local Roads component of Commonwealth FAGs.

Since 2004, successive governments have recognised this anomaly and provided South Australian supplementary local road funding at $20 million per annum.

Most recently, the 2019-20 Federal Budget committed $40 million to continue supplementary road funding for two years, which is due to expire on 30 June 2021.

We are not seeking new money, just a clear commitment to lock-in the funding that successive Australian Governments have provided for over 15 years.

In the 2021-22 Federal budget this would be $20 million per year over four years - in 2021-22 and in the forward estimates to 2024-23 with funding indexed annually in line with the indexation of Financial Assistance Grants.

Rolling the annual funding top up of SA Supplementary Road Funding into South Australia’s share of the Identified Local Roads Component of the FAGs, indexed and guaranteed through inclusion in the forward estimates, would place South Australian councils in a better position to invest with more confidence in their local road networks.

## Supporting jobs and economic recovery from COVID-19

Local government has welcomed the Commonwealth’s strong focus on fast, targeted short-term stimulus funding, such as the $1.5 billion Local Roads and Community Infrastructure Program, that will help councils bring forward shovel-ready infrastructure projects that will create jobs and support Australia’s economic recovery from COVID-19.

However, rebuilding needs to be sustained. SA local road funding is a core component of the Commonwealth Government’s significant work program to improve infrastructure and strengthen regional and urban communities. The long-term benefits of Federal stimulus funding will only be realised if core funding through the SA Supplementary Road Funding is ongoing.

Independent modelling estimates that $20 million in SA Supplementary Road Funding will create 158 jobs each year and contribute $24 million to annual Gross Domestic Product.

A renewed commitment to SA Supplementary Road Funding from 1 July 2021 will provide councils with the certainty of funding to effectively manage and address infrastructure investment that supports national productivity.

Financing infrastructure and community projects in local government will help ward off recession by stimulating businesses and creating jobs, delivering long-term benefits to the nation in the process.

As managers of roads and community assets, local government can exert a large direct and indirect influence on job creation.

## Supporting regional South Australia

Any decision not to renew SA supplementary road funding will have the largest impact on rural councils, especially those with large geographic areas, and relatively low populations; hence with 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.

Regional communities have been through tough and challenging times in the past 12 months – drought, bushfires, floods and COVID-19. Now more than ever, support for local communities is vital to creating local jobs and looking after people’s wellbeing.

Regional councils receive more than 60 per cent allocation of SA Supplementary Road Funding, recognising that while they service 25 percent of the South Australian population, they are responsible for approximately 88 per cent of the South Australian local road network.

While metropolitan councils receive 3.1 per cent of their annual transport budgets from the SA Supplementary Local Road Funding Program, for regional councils this figure is significantly higher, at 5.4 per cent, and rises to 6.9 per cent for councils on the Eyre Peninsula.

## Road safety

The cost of road crashes in Australia is estimated at $27 billion annually.

In 2020, there were 95 lives lost on South Australian roads. While COVID-19 may be an influencing factor, this is 17 percent lower than the 114 recorded in 2019. Serious injuries have also declined from 833 in 2019 to 695 in 2020, which is 17% lower than in 2019.

However, approximately 50 percent of road crashes are on local roads. These crashes account for 52 percent of all casualties and 40 percent of all road deaths.

It is recognised that a priority action for all councils is to ensure they are responsible road managers is to undertake road audits to identify and prioritise problem areas. Where deficiencies are identified, councils may consider road safety strategies and actions according to budget and resources to manage and repair the problem. This highlights the importance of SA Supplementary Road Funding, as well as other Federal and State Government grant programs.

In 2019, the LGA of SA worked with member councils and a range of industry stakeholders to develop the Local Government Guide to a Road Safety Strategy and Action Plan, to support member councils to improve safety on their road networks.

SA Supplementary Road Funding supports councils to more adequately finance both road maintenance and road safety works and has facilitated the expansion of the sector’s road network to accommodate much-needed population growth.

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. Deaths on rural and regional roads far outnumber deaths on metropolitan roads.

## History of SA supplementary road funding

South Australian councils are responsible for the development and maintenance of 11 percent (75,000km) of the nation’s local road network, have 7 percent of the nation’s population, and yet receive only 5.5 percent of Identified Local Roads component of the Federal Government’s Financial Assistance Grants.

The first significant recognition of South Australia’s claim for a fairer share of funds came in October 2003 when a House of Representatives Standing Committee acknowledged the problem in its report on the inquiry into Local Government and Cost Shifting.

Following advocacy by the Australian Local Government Association (ALGA), the Local Government Association of South Australia (LGA of SA), and South Australian councils, this anomaly was first rectified in the 2004/05 Federal Budget 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.

Collectively across South Australia, councils in 2014/2015 were disadvantaged by around $20 million. 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; hence with 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.

SA supplementary road funding was reinstated in the 2017/18 Federal Budget with $40 million over two years and extended for a further two years in the 2019-20 Federal Budget. In addition to supporting local road networks and the economy, this funding has eased pressure on council budgets and helped drive downward pressure on council rates.

Existing commitments in the Federal Budgets are due to expire on 30 June 2021. If SA supplementary road funding is not renewed it will South Australian councils with a $20 million a year question mark hanging over their roads and works budgets.

## Identified Local Road Grant Allocations

The following table shows how the Commonwealth Government allocates the Identified Local Road Grant component of Financial Assistance Grants between the states and territories according to fixed historical shares.

It highlights the anomaly that South Australian councils manage 11 percent of the nation’s local road network, have 7 percent of the nation’s population, and yet receive only 5.5 percent of the Identified Local Roads component of FAGs.

The allocation of $20 million SA Supplementary Road Funding rectifies this anomaly.



**Allocation of 2020-21 Identified Local Road component of Commonwealth Financial Assistance Grants**

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