

BACKGROUND FACTS AND FIGURES ABOUT LOCAL GOVERNMENT

Commonwealth funding to local government

- Current Financial Assistance Grants (FAGs) from the Commonwealth (2007 – 08) to local government are \$1.7 billion.
- This equates to only 0.76% of total Commonwealth taxation revenue. In 1997-97, they were around 1.01% of total Commonwealth taxation revenue.
- FAGS are falling as a percentage of total Commonwealth taxation revenue.
- Because local government is being asked to do more with less, it has called for a fairer system of financial transfers from the Commonwealth, which raises around 80 per cent of total taxation in Australia.
- Local government believes a **fairer funding system** would be for the Commonwealth to increase general-purpose funding (or FAGs) to local government to at least 1 per cent of total Commonwealth taxation revenue (excluding GST).
- This would see an estimated increase in 2008-09 of general-purpose payments to local government from \$1.82 billion to \$2.44 billion, or \$620 million.
- Constitutional recognition of local government would help prevent unfair funding, as local government would be seen as an equal partner in Australia's federation. ALGA will host a Constitutional Summit in Melbourne from December 8-11 2008 to discuss a potential Constitutional amendment.

Infrastructure and local government

- Infrastructure is critical to the wellbeing of local communities.
- Local government owns and manages over 80 per cent of Australia's total road network. Per annum, local government spends in excess of \$3.5 billion of own source revenue, as well as approximately \$307 million from the Commonwealth's much needed Roads to Recovery funding, on local roads.
- Yet, in its National Financial Sustainability Study of Local Government 2006, PriceWaterhouseCoopers (PwC) identified a total national backlog in local government infrastructure renewal work of \$14.5 billion. To address the backlog and the annual underspend on renewals is estimated to be \$2.16 billion nationally.
- Local government cannot address this situation alone. PwC estimates that as many as 30 per cent of Councils are facing severe financial pressures in providing the current range of local government services sought by their communities. Other spheres of government have often imposed new functions on local government without providing fair funding to support them.

- There is an urgent need to establish a Local Government Community Infrastructure Renewal Fund to assist in the task of upgrading important community infrastructure such as libraries, museums and sporting ovals, which were often built 30 years ago. To be effective, the Fund should be allocated \$1 billion over four years.