

## WORKING TOWARDS MORE EFFICIENT & SUSTAINABLE LOCAL GOVERNMENT

The Australian Government recognises the importance of ensuring the financial sustainability of local government. Local governments are largely regulated by state governments, however, the Australian Government provides substantial funding to improve the capacity of local governments to provide services to their communities.

A number of reports have highlighted the rising costs of infrastructure provision and growing demand for services in local communities. This includes the 2006 PriceWaterhouseCoopers report commissioned by the Australian Local Government Association. That report, in turn, drew upon investigations and reports by state and territory local government associations.

The reports stated that the backlog in the maintenance and replacement of community assets such as roads, stormwater systems and community facilities was one of the primary financial challenges facing many local governments.

In April 2008, the Productivity Commission also published the results of its inquiry into the revenue-raising capacity of local government. It found that, on average, local governments raise 88 per cent of their potential revenue, with considerable variations across the country.

Reports also show scope for further improvements to local government practices which could enhance the provision and maintenance of local infrastructure and improve local government's long term financial sustainability. Increased efficiency in delivering services, combined with improved financial and asset management, continue to be key elements in working towards improved financial sustainability.

The issue of the financial sustainability of local government has been raised at the Local Government and Planning Ministers' Council. The Council has agreed to implement frameworks to help assess financial sustainability, asset management and financial reporting of local governments.

***What are the key issues impacting on local government sustainability in the immediate future?***

***How do local governments find greater efficiencies, and how can the Commonwealth help identify and promote these efficiencies?***

***How can local government encourage greater community engagement in determining council priorities?***

***What type of skills development and professional development programs would support local government employees and elected officials in making service delivery decisions?***



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In 2008, the Productivity Commission's report *Assessing Local Government Revenue-Raising Capacity* found that:

- on average, councils are raising 88 per cent of their assessed potential revenue;
- revenue from rates has fallen over the last 15 years as a proportion of GDP; and
- 20 per cent of councils rely on local government grants for about half of their revenue.

### Financial Assistance Grants

The Australian Government has provided around \$31.1 billion in untied Financial Assistance Grants to local government since 1974–1975 (including 2008 – 2009).

The cash grants for each State and Territory for 2008-09 are:

Jurisdiction	General Purpose (\$)	Local Roads (\$)	Total (\$)	Increase from 2007-08 %
NSW	428,488,129	168,638,472	597,126,601	7.2
Vic	324,424,635	119,832,447	444,257,082	6.9
Qld	261,509,296	108,904,701	370,413,997	7.2
WA	131,822,321	88,873,772	220,696,093	7.7
SA	98,464,853	31,943,548	130,408,401	6.4
Tas	30,673,609	30,802,070	61,475,679	6.8
NT	13,455,463	13,615,647	27,071,110	6.7
ACT	21,078,523	18,637,989	39,716,512	6.3
<b>Total</b>	<b>1,309,916,829</b>	<b>581,248,646</b>	<b>1,891,165,475</b>	<b>7.1</b>

Local government also receives \$350 million per year under the Roads to Recovery Program to assist with the maintenance of local roads.

### Other Programs

Local government is also eligible for funding from a number of other Australian Government programs including the Housing Affordability Fund which will assist with local infrastructure to reduce the costs of bringing houses to the market.

### Engagement with the states and territories

The issue of the financial sustainability of local government has also been raised at the Local Government and Planning Ministers' Council, where local government is represented by the Australian Local Government Association. The Council has agreed to adopt frameworks to help assess financial sustainability, and provide guidelines on asset management and financial reporting by local government.



**An Australian Government Initiative**

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