

# LOCAL GOVERNMENT WORKING FOR OUR COMMUNITIES

## FACT SHEET 1

## GENERAL FUNDING FOR LOCAL GOVERNMENT

*Nationally, local government seeks a fair share of total Commonwealth taxation revenue in the form of untied financial transfers, equal to a guaranteed percentage of total Commonwealth taxation revenue (net of GST) of at least 1 per cent.*

Funding models for local government are increasingly anachronistic, based primarily on rates, supplemented by a range of fees and charges and grants established in the early 1970s.

Local government annual expenditure is approximately \$22 billion.

Current financial transfers from the Commonwealth - Financial Assistance Grants (FAGs) to local government - are \$1.86 billion (2008-09), which is equivalent to 0.62 per cent of total Commonwealth taxation revenue. The share of FAGs to total Commonwealth revenue has been falling despite consecutive Federal Budget surpluses: the fall has seen FAGs reduce from 1.01 per cent of total Commonwealth taxation revenue in 1996 – 97, and is expected to continue to fall, to just 0.61 per cent by 2011-12.

Local government plays a critical and growing role in local communities. As the third sphere of government in the Australian Federation, local government is responsible for delivering an increasingly diverse and important range of local level infrastructure and services to every Australian community through democratic and transparent processes.

The Australian Local Government Association commissioned PricewaterhouseCoopers (PwC) in April 2006 to undertake a National Financial Review of Local Government Sustainability. PwC's conservative estimate is that between 10 and 30 per cent of councils have financial sustainability issues.

The impact of under-funding is that critical local government functions cannot be delivered at a standard the community deserves and expects. Impacts include:

- Inadequate roads and poor social and economic linkages;
- Degradation of swimming pools, libraries, halls, sports grounds, children's centres, neighbourhood centres, parks and gardens, stormwater drains and streetscapes;
- Ad-hoc services, slower decision making, delays in provision of infrastructure;
- Non-compliant waste disposal facilities and poor integration of natural resource management objectives, coupled with an inability to conduct community education and information campaigns;
- Less enforcement of regulation and poor compliance;
- Reduced capacity to facilitate and support local economic development;
- Limited capacity to respond to emergencies and support community recovery after disasters; and
- Reduced capacity to respond to community needs – including rationing of human services, fewer and older books in libraries, and fewer computers for community access.