

Supporting Local Jobs – Boosting Local Infrastructure

Local Government funding has been under pressure following the Government's freeze of Financial Assistance Grants indexation in the 2014-15 Budget.

In aggregate, this Government decision has deprived local councils of \$925 million over the last three years.

The impact of this decision has been most acute in regional councils, which as a result of low rates base are heavily dependent on FA Grants funding. Additionally, local councils with higher levels of unemployment and those facing declining economic activity as also harshly impacted.

Labor is calling on the Government to boost local infrastructure funding in the next 12 months by accelerating FA Grant funding in the Budget, providing a much needed cash-flow boost for tangible on-the-ground economic development. Bringing forward one quarter of funds from 2018-19 into 2017-18 would see a \$619 million cash flow boost.

Labor also calls on the Turnbull Government to rule out any extension of the FA Grants indexation freeze beyond 30 June 2017.

Who will benefit?

Local communities will benefit as local councils, in particular, small regional shire councils have access to increased cash flow in the 2017-18 financial year.

Small councils are heavily reliant on FA Grants as so will be able to consider commencing new public works, undertake new projects and kick-start economic activity.

Australia has around 560 local councils that employ just nearly 189,000 Australians.

What does it mean for those impacted?

Local councils are feeling the pinch of having their budgets frozen for three years.

Many will have backlogs of public works and projects following the funding cut. That is why Labor is calling for a bring forward of 25 per cent of the 2018-19 payments into 2017-18 to provide a cash flow boost and opening up opportunities for greater council activity in providing services, maintenance and support of infrastructure projects next year.

In the 2016-17 year, the Australian Government allocated \$2.29 billion in FAGs for local government services.

How will it work

Labor calls on the Government to bring forward one quarter of Financial Assistance Grant funding from 2018-19 into 2017-18 to boost cash flow for local governments and support local jobs.

Local councils will still be expected to manage their budgets over the period within the total funding envelope.

Labor's record

Federal Labor understands that local government needs the capacity to plan for the future and make strategic decisions about infrastructure and growing service priorities.

That is why at the 2016 Federal Election, Labor pledged to end the indexation freeze after 2016-17.

The Turnbull Government continues to refuse to provide assurances that they will lift the freeze.

Federal Labor will hold the Turnbull Government to account for cuts to local government services and infrastructure spending caused by the ongoing freeze which will leave local governments financially constrained for years to come.

Labor has always strongly supported local government. In government, Labor recognised local government as a true partner in responding to the global financial crisis by allocating more than \$1 billion to a Community Infrastructure Fund.

In July 2009, the Labor Government brought forward the first quarter of Financial Assistance Grants as part of its response to the GFC. This measure enabled councils to spend this funding on a range of local priorities including local roads, parks and pools, libraries, community centres and child care services.

Abbott/Turnbull's Record

The freeze on indexation of Financial Assistance Grants to local government by the Coalition Government in the 2014 Budget has had a devastating impact on local councils, particularly those in regional Australia. That the Nationals allowed these cuts to occur in regional communities is further evidence that they are unable to stand up to the Liberals.

Freezing the indexation of funding to local government has meant local councils across Australia have been forced to reduce the services they provide to their communities, including: community care, library opening hours, waste transfer station operations, childcare availability and increase fees such as kindergarten fees.

The impact of this lost funding on infrastructure maintenance and repair budgets is also significant, and will have a lasting impact.

The impact on regional and rural councils is of particular concern. Due to lower rates, and limited alternative funding options, these councils are more heavily reliant on the Federal Government Assistance Grants.

The Liberals and Nationals cuts to rural and regional councils disproportionately impacts the services relied on by some of most socially disadvantaged communities.

The Turnbull Government must immediately rule out any extension of the Financial Assistance Grants freeze which has had such a detrimental impact on regional services across Australia.

With the deficit for local government infrastructure estimated by the Australian Local Government Association (ALGA) already at around \$14.5 billion, the Coalition's indexation freeze is limiting the capacity for local councils to meet the infrastructure needs of their communities, particularly in regional Australia.

In October last year, Infrastructure Minister Darren Chester refused on three separate occasions during parliamentary questioning in October last year to rule out further freezes to the Financial Assistance Grants which provide untied funding for Local Governments.

Financial impact of recommendations (\$m):

Issue/Measure	2016-17	2017-18	2018-19	2019-20	Total
	0.0	-618.6	618.6	0.0	0.0

*Impact on the underlying cash balance. A negative figure indicates spending, whereas a positive figure is a saving.