



# TORRES SHIRE COUNCIL

*To lead, provide & facilitate a safe, sustainable and  
culturally vibrant community*

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Committee Secretary

House of Representatives Standing Committee on Regional Development, Infrastructure and  
Transport

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The House of Representatives Standing Committee on Regional Development, Infrastructure and Transport is inquiring into and reporting on local government matters, with a particular focus on the financial sustainability and funding of local government.

Torres Shire Council (Council) is pleased to submit to this important Inquiry.

Council has drawn attention to the difficulties with the existing funding model over many years through both the peak body, LGAQ, and in its own multiple submissions.<sup>1</sup>

## **FINANCIAL SUSTAINABILITY AND FUNDING OF LOCAL GOVERNMENT**

Council has consistently advised that it did not believe that the current funding model adequately addressed many of the challenges confronted by local governments in Queensland and notably those challenged by remoteness, such as Torres Shire Council.

Whilst funding has been based for many years on the principle of horizontal equalisation, Council observes that throughout the years (and notably after the Hawker Review)<sup>2</sup> there has not been a

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<sup>1</sup> Note the details contained in Council's submissions regarding sustainability to the 2020, 2021 and 2022 to the Queensland Government, the ten point plan from 2019-2023 to both the Commonwealth and Queensland Governments. Financial sustainability was also considered in such reviews as the Senate Select Committee Inquiry into the effectiveness of the Northern Australia agenda.

<sup>2</sup> The Committee was chaired by Mr David Hawker MP, 2003, Chair of the House of Representatives Economics, Finance and Public Administration Committee, that examined cost shifting, particularly by State Governments onto Local Government,

holistic examination of funding sources and methodologies. It is hoped that this 2024 review achieves such an examination. Furthermore, it is also hoped that the relevant 18 recommendations from the Hawker Review is considered by the Committee.

Council supports the need for a summit on Intergovernmental relations convened by the Commonwealth as proposed at the time of the Hawker Review to examine financial sustainability and the constitutional make-up of the Australian federation in the third decade of the 21st century.

Accordingly, Council makes some observations and requests later in this submission regarding constitutional recognition of local government.

Council draws the committee's attention to Sir Michael Lyons Final Report examining English local government taxation and the funding of local services, where he observed:

*"I want to emphasise that in our discussions about the role of local government, we must not become fixated on the service delivery role that has become so important over the last century. There are three, inter-related but identifiable, sets of roles that local government has played in the past, and continues to play: as service provider; as a vehicle for investment in infrastructure; and as an institution of government – a place for debate, discussion and collective decision making."*<sup>3</sup>

The importance of local government in the Australian federation is a matter Council views as critical to the committee's deliberations and is underscored in this submission.

There is much recorded information and analysis regarding the tension between the three levels of government, especially the differences between these levels of government in their expenditure and revenue raising capacity.

Despite general competency powers, local governments find themselves constantly captive to State constitutional fetters (creatures of the State) whilst simultaneously being required to administer more and more responsibilities previously held by either a State or Commonwealth government, without adequate compensation or reward. Local Governments no longer only provide roads, rates and rubbish.

Council has been forthright in arguing that "gifts" from the State or Commonwealth, such as a splash park or community infrastructure, cannot be considered unless whole-of-life costing is included in the funding.

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<sup>3</sup> Sir Michael Lyons, March 2007, "Lyons Inquiry into Local Government: *Place shaping: a shared ambition for the future of local government*, Final Report", The Stationery Office, London

It is Council's strongly held belief that local governments' financial and structural sustainability are only possible with Commonwealth constitutional recognition and that without a strong local government sector, the government closest to the people, Australian democracy will equally suffer.

Local governments seek the same fiscal and economic certainty that currently applies to other tiers of government. The other two tiers of government plan across the forward estimates – a luxury for our Council that must plan year-to-year, without the benefit of a financial or fiscal horizon, especially so far as operational expenditure is concerned, in circumstances where only 6% of Council's budget is from rates and the majority of its funds having come from grants.

This is a very vulnerable position to be in – especially given the demands placed on local governments and the cost shifting that continues unabated from other tiers of government. Council seeks to partner with other tiers of government in pursuit of a common goal of regionally sustainable economic growth and closing the gap as relevant infrastructure planners, providers and managers, in keeping with the Masig Statement<sup>4</sup>.

## **POPULATION**

### **Concentration**

Population concentration is relevant, especially in Torres Shire's case, where concentration drives service demand and the use of public infrastructure and assets.

Council has the highest population concentration requiring infrastructure and services in the region but receives less than half the operating revenue compared to its neighbouring councils (Northern Peninsula Regional Area Council - NPARC, Torres Strait Island Regional Council – TSIRC).

The Northern Peninsula Area Regional Council (NPARC) and the Torres Strait Island Regional Council (TSIRC) receive funding from the Queensland Government's new Indigenous Council Funding Program (ICFP) that in 2023-2024 will provide \$69.8 million in funding to Queensland's 16 Indigenous councils. Torres Shire Council (TSC) because it generates 6% of its total revenue from property taxes (rates) is not entitled to a cent of this funding, despite the demands on our infrastructure by residents and the Queensland and Federal Governments and their employees.

Council receives no headworks funding from either the Queensland or Commonwealth Governments that could be invested in its infrastructure (particularly its water infrastructure) yet government employee housing is being constructed without any regard to sustainability – duplexes and medium density housing replacing an old Queenslander, thus instead of providing

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<sup>4</sup> <https://www.torres.qld.gov.au/downloads/file/1281/media-release-the-masig-statement-23-august-2022>

water and waste water for one toilet, one bathroom and one kitchen, Council is required to provide water to 8+ toilets, 8+ bathrooms (main and ensuite) and 4+ kitchens on the same land footprint. Council must collect 4+ rubbish collections instead of 1 on each site and yet the Queensland and Commonwealth governments are exempt from the payment of rates.

It is, more often than not, the funding architecture and historic inter-governmental practices and not a derelict or 'delinquent' local government sector that create problems associated with financial sustainability.

The following table summarises the Commonwealth Government's Torres Strait Regional Authority - TSRA grant funding to the TSC, TSIRC and NPARC (the 3 local governments in the region) for the period 2010/11 – 2022/23 expressed in 2022/23 value using the Reserve Bank Board's inflation calculator. These figures are derived from TSRA's published Annual Reports:

	TSC (\$)	TSIRC (\$)	NPARC (\$)	2022/23 (\$)	Value
2010/11	9,120,500.00	13,536,200.00	5,015,000.00	TSC = 12,221,470.00 TSIRC = 18,138,508.00 NPARC = 6,720,100.00	1AUD = 1.34AUD
2011/12	1,035,000.00	8,796,576.00	287,755.00	<b>Year allocated</b>	1AUD = 1.31 AUD
2012/13	254,000.00 <sup>5</sup>	5,967,526.00 <sup>6</sup>	476,850.00 <sup>7</sup>	TSC = 325,120.00 TSIRC = 7,638,433.28 NPARC = 609,856.00	1AUD = 1.28 AUD
2013/14	2,380,000.00	3,248,350.00	60,500	TSC = 2,975,000.00 TSIRC = 4,060,437.50 NPARC = 75,625.00	1AUD = 1.25 AUD
2014/15	446,000.00 <sup>8</sup>	1,911,848.00 <sup>9</sup>	438,590.00 <sup>10</sup>	TSC = 548,580.00 TSIRC = 2,351,573.04 NPARC = 539,465.70	1AUD = 1.23 AUD
2015/16	851,708.00 <sup>11</sup>	2,075,826.00 <sup>12</sup>	127,000.00 <sup>13</sup>	TSC = 1,030,566.68 TSIRC = 2,511,749.46 NPARC = 153,670.00	1AUD = 1.21 AUD
2016/17	124,000.00 <sup>14</sup>	1,713,050.00	123,259.00 <sup>15</sup>	TSC = 147,560.00 TSIRC = 2,038,529.50 NPARC = 146,678.21	1AUD = 1.19 AUD
2017/18	935,000.00 <sup>16</sup>	2,068,555.00 <sup>17</sup>	300,000.00 <sup>18</sup>	TSC = 1,093,950.00 TSIRC = 2,420,209.35 NPARC = 351,000.00	1AUD = 1.17 AUD

<sup>5</sup> First year TSC, TSIRC and NPARC each received \$100,000 for an "Events Coordinator".

<sup>6</sup> As per above notation

<sup>7</sup> As per above notation

<sup>8</sup> Includes \$300,000 Events Coordinator position.

<sup>9</sup> Does not include Events Coordinator position.

<sup>10</sup> Includes \$300,000 Events Coordinator position.

<sup>11</sup> Inclusive \$100,000 Events Coordinator

<sup>12</sup> No funded Events Coordinator

<sup>13</sup> Includes \$100,000 Events Coordinator

<sup>14</sup> Inclusive \$100,000 Events Coordinator

<sup>15</sup> As above per footnote 25

<sup>16</sup> Includes \$300,000 for a Tourism Officer

<sup>17</sup> \$500,000 allocation for a tourism/officer/events coordinator

<sup>18</sup> Tourism Officer

2018/19	1,556,185.00 <sup>19</sup>	203,411.00	56,490.00 <sup>20</sup>	TSC = 1,789,612.75 TSIRC = 233,922.65 NPARC = 62,663.50	1AUD = 1.15 AUD
2019/20	135,587.00	133,945.00 <sup>21</sup>	5500.00	TSC = 154,569.18 TSIRC = 152,697.30 NPARC	1AUD = 1.14 AUD
2020/21	254,106.00 <sup>22</sup>	555,579.00 <sup>23</sup>	0	TSC = 284,598.72 TSIRC = 622,248.48	1AUD = 1.12 AUD
2021/22	25,000.00	See note <sup>24</sup>	0	TSC = 26,750.00	1AUD = 1.07 AUD
2022/23	0	237,500.00	21,000.00	TSIRC = 237,500.00 NPARC = 21,000.00	1AUD = 1.00 AUD

Thus, in a little over a decade, Torres Shire Council's operational funding has gone from \$9,120,500.00 to zero. Furthermore, nowhere is the methodology behind the funding decisions made transparent by TSRA.

Funding, in large measure, appears to be lack transparency; is thus "ephemeral"; based on officer preference or prejudice and not on transparent criteria associated with regional planning or sustainability of the local governments in the region. One immediate practical recommendation that can be made by the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport is to recommend an examination of the Commonwealth's TSRA funding to the region with a view to examining whether this funding and this entity is fit-for-purpose in the 3<sup>rd</sup> decade of the 21<sup>st</sup> century.

### Funding Assumptions

The *Local Government (Financial Assistance) Act 1995* (CTH) (the Act) provides for a Financial Assistance Grant program consisting of two components:

- a general purpose component, which is distributed between the states and territories according to population (i.e. on a per capita basis), and
- an identified local road component, which is distributed between the states and territories according to fixed historical shares.

These fixed historical shares so far as local roads are concerned has been population- derived; however, the total linear kilometres of council-managed roads in Queensland = 752,627.

The total linear kilometres of council-managed roads in NSW = 160,000 and Victorian councils are responsible for an even smaller network than New South Wales.

<sup>19</sup> \$568,272 subject to FC case.

<sup>20</sup> Excludes \$386,000 MIP minor infrastructure.

<sup>21</sup> Excluding MIP for seawalls Project Stage 2

<sup>22</sup> Events Coordinator

<sup>23</sup> Inclusive \$340,579.00 Tourism Officer and Events Coordinator and excluding \$8.5M coastal inundation mitigation funding for Torres Strait

<sup>24</sup> MIP for Duan Multipurpose courts upgrade \$600,000.



Accordingly, reliance on population only as the principal determinant results in significant underfunding of Queensland councils.

Little or no regard is given to the challenges of a local government operating in an extensive marine area occupied principally by Aboriginal and Torres Strait Islander peoples, 20% of whom are in the poorest quintile in Queensland (meaning there is no one poorer in Queensland).<sup>25</sup>

Torres Shire occupies a significant part of the marine area of Queensland that is the largest marine area in the Commonwealth. The marine areas of states and territories are referred to as coastal waters. This is a belt of water between the territorial sea baseline, which usually is the low water line along the coast of the states and the Northern Territory, and a line three nautical miles or 5.5 kilometres seaward from the baseline. The following table illustrates the size in square kilometres of the various marine areas:

STATE/TERRITORY	%	MARINE AREA (square kilometres)
Queensland	29.7	121 994
Western Australia	28.2	115 740
Northern Territory	17.5	71 839
South Australia	14.6	60 032
Tasmania	5.4	22 357
Victoria	2.5	10 213
New South Wales	2.1	8802
<b>AUSTRALIA</b>	<b>—</b>	<b>410 977</b>

Source: Maritime Boundaries Program, Geoscience Australia. 12 January 2001.

- Albers projection was used to calculate areas.

<sup>25</sup> Refer Queensland Treasury, Queensland Government Statistician's Office, Regional Profiles

- The adjacent areas of each of the states and the Northern Territory as determined under the *Petroleum (Submerged Lands) Act 1967* was used to split into state and territory jurisdiction.
- Figures include water areas around offshore islands where appropriate. The Queensland figure includes the water area around the Torres Strait Islands and reef islands, but not Coral Sea Islands<sup>26</sup>

The Commonwealth's Financial Assistance Grant program has no regard to the square kilometres of marine area in its design/funding architecture to regions such as the Torres Strait and Northern Peninsula/Cape York's appreciable disadvantage. Perhaps the committee may consider recommending equalising road and marine areas for relevant transport and infrastructure funding purposes?

## **STRUCTURAL IMPEDIMENTS TO SECURITY FOR LOCAL GOVERNMENT WORKERS AND INFRASTRUCTURE AND SERVICE DELIVERY**

### **Constitutional Recognition**

One critical impediment to achieving improved infrastructure and service delivery outcomes, necessary to the nation's prosperity and its future, is the current lack of recognition of local government in the Australian Constitution.

It is now approximately a decade since serious consideration of Commonwealth constitutional recognition of local government has occurred and much has changed in local government since that time.

Notwithstanding the current exclusion of local government from the Australian Constitution, local government is seen as Australia's third tier of government. It is increasingly called upon to assist in the delivery of Commonwealth Government initiatives at the local level. Through its membership of COAG/National Cabinet, Ministerial Councils and the Australian Council of Local Government (ACLA), it is closely consulted on national policies and programs that affect local and regional communities. At the national level, local government has been increasingly called upon as a partner in the delivery of initiatives that foster Australians' wellbeing (one notable example being COVID-19).

For a range of fiscal and financial reasons, Council supports the opening up of a public debate about this recognition and a recommendation of the Committee may be to facilitate an opportunity for the community and the Parliament **to discuss** a contemporary approach to constitutional recognition of local government in the Australian Constitution.

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<sup>26</sup> Ibid p.1

### **Changing infrastructure and service delivery**

So far as better responding to the changing infrastructure and service delivery obligations of local governments (see earlier remarks on the Hawker Review and cost shifting), along with addressing trends in the attraction and retention of a skilled workforce in the local government sector, Council is supportive of the following initiatives:

1. establishing, where appropriate, improved economies of scale through regional local governments/initiatives. Council has commenced this approach through the Torres Strait and Northern Peninsula Regional Organisation of Councils (TS&NPAROC)
2. regional certified agreements facilitating the movement of skilled labour throughout a remote region is obviously attractive and has immediately obtainable benefits for the Torres Strait and Northern Peninsula Area, as indeed it does in many other regions throughout Australia.
3. streamlining of services, especially to overcome wasteful duplications between the three tiers of government involving State and Commonwealth transfers to local governments; and
4. establishing improved synergies through regionalism resulting in less overheads and greater co-ordinated outcomes.

Council believes that these approaches are worthy of pursuing in the near term.

It has often been thought that such approaches were the preserve of the various State and Territory governments. It is Council's view that the benefits of regional solutions proposed by the Commonwealth such as by the Whitlam government through the Regional Employment Development scheme (RED Scheme) is as relevant today as they were more than half a century ago.

Council has considered the issues posed by the Committee in this enquiry over many years and would be very pleased to appear before the Committee to further elaborate on any points made in this submission, should the Committee so wish.

Yours faithfully



Dalassa Yorkston

**Chief Executive Officer**