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Committee Secretary
House of Representatives Standing Committee on Regional Development, Infrastructure and Transport
PO Box 6021
Parliament House
Canberra ACT 2600

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Dear Chairperson

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON REGIONAL DEVELOPMENT, INFRASTRUCTURE,
AND TRANSPORT REGARDING THE INQUIRY INTO LOCAL GOVERNMENT SUSTAINABILITY.**

Tablelands Regional Council (TRC) welcomes the opportunity to provide our input and recommendations to the House of Representatives Standing Committee on Regional Development, Infrastructure, and Transport regarding the inquiry into Local Government sustainability.

TRC is facing severe financial pressures due to both revenue constraints and increasing costs. The role of local government has expanded considerably over the last 30 years and Queensland local governments provide services that most local governments in other states don't provide, including water and wastewater. This expansion is primarily due to cost-shifting by other levels of government, rising community expectations and changing infrastructure and service delivery obligations with limited opportunities to recover costs.

Cost shifting, by both state and federal governments, has occurred and is expected to continue through various means, including direct shifting of responsibilities, new compliance requirements and regulatory changes. Examples include emergency warning messaging, reduced margins on works undertaken for the Queensland Government on the state road network, decreasing financial assistance grants, climate mitigation and adaptation, emissions monitoring and offsetting, more stringent requirements for treatment of water and wastewater due to emerging contaminants and reef protection requirements and the Queensland waste reduction strategy.

Cost pressures have also led to challenges in maintaining financial sustainability. Increasing costs are being felt across TRC's entire operation impacting service delivery with increasing costs of construction, labour, energy and insurances, all having a major impact on our financial sustainability. Despite sound financial management, this poses significant long-term financial implications and intergenerational issues.

Revenue adequacy remains a significant concern, with limited options available to local governments to raise revenues and recover costs. TRC faces a considerable challenge in achieving revenue adequacy due to limited options for raising funds through its rates base. This is particularly pronounced in areas, like ours, with a higher -than-average proportion of residents with low socio-economic status, lower than average education and a significantly higher aging population. Finding sustainable revenue sources given our demographic composition poses a significant concern for the TRC. The Socio-Economic Indexes for Areas (SEIFA) (Economy.id 2021) indicates five of the ten TRC district areas fall within the lowest percentile of

disadvantaged in the region, Queensland and Australia. This high level of disadvantage constrains TRC's ability to fund essential services and infrastructure through the limited revenue rates base.

Property rates and fees and charges are the primary sources of revenue for local governments, but we face challenges in meeting the growing demands for infrastructure upgrades and delivery of services while ensuring affordability and equity for ratepayers. TRC is experiencing significant population growth requiring significant upgrades to infrastructure in addition to increasing service expectations from people migrating to our LGA from larger cities with more services.

More recently this has been exacerbated by high inflation and the Australian Government's monetary policy to control it with interest rate hikes. This has had an overwhelmingly negative consequences on local governments who bear the burden as operating and capital costs increases.

The impacts of natural disasters on infrastructure and services in the TRC local government area has also significantly increased operational costs and the wellbeing of staff.

Our recommendations in response to the Terms of Reference are as follows:

Financial Sustainability and Funding:

Ensuring the financial sustainability of local government is paramount for delivering essential services and maintaining infrastructure. TRC faces challenges in balancing service delivery with financial constraints and our ability to raise revenue is strained.

We recommend:

- 1. That urgent action is taken to restore Financial Assistance Grants to at least one percent of Commonwealth taxation revenue (excluding GST), indexed and with timing certainty for when it is paid, to address serious financial sustainability issues experienced by TRC.**
- 2. The reinstating of the very successful Local Roads and Community Infrastructure (LRCI) Program, which is currently set to end on 30 June 2026. This program should retain its original broad program remit as initially introduced and enshrined in legislation.**
- 3. The reinstating of the guaranteed subsidies of 50% of the cost of delivering water and wastewater treatment plants, to support essential service delivery of water and wastewater services to the community. With heightened environmental requirements and significant increases to the cost of construction, the implementation of treatment plants replacing aging infrastructure across the state is placing a significant financial burden on the community.**

Recognition of depreciation as required under AAS27 places increasing pressures on the income statement due to the increasing value of assets and capital works, influenced by escalating prices for construction materials which inevitably flow to our significant asset base of roads, bridges, and buildings. Currently 50% of rating revenue is funding depreciation. To alleviate pressures of escalating depreciation on income statements due to the increasing costs of construction materials that is now more than 50% of our general rates revenue.

We recommend:

- 4. Amending grant conditions to allow for operational and whole of life cost support on sizable capital works projects.**
- 5. Amending depreciation accounting standards to allow local governments to not depreciate assets where there is no financial capacity to replace the asset in the future without grants or subsidies.**

The process and cost of making funding applications for competitive federal and state government grants, is a major factor in local government sustainability. The time and resources taken to prepare applications, the uncertainty around the approval process/guidelines and approval timeframes adds further costs to TRC operations. Significant human resources are required to prepare applications. This means that rather than focus on the 'core business' of local government, staff and resources are consumed during the preparation of applications. In addition to these resources, advocacy is also undertaken - in the form of meetings with elected members of parliament and associated travel to Canberra and Brisbane, in support of the applications adding further costs. Certainty around regular and reliable grants would greatly assist the sustainability of TRC.

Case study – Grant Funding Uncertainty (Growing Regions Program)

On 1 August 2023 Tablelands Regional Council submitted an expression of interest (EOI) to the Australian Government's Growing Regions Program seeking \$5M funding for its Priors Creek Precinct Development. The project involved a visionary and transformational community infrastructure project in an underdeveloped and underutilised precinct within the Atherton township landscape. The project demonstrated economic development and job-creation opportunity for the region and aligned strongly to regional priorities. The Priors Creek Development project was developed with extensive community consultation and at time of EOI application was ready to commence construction.

The EOI application was assessed and shortlisted, and a formal funding application was submitted on 15 January 2024. At that time, the project estimates had been reviewed, and the funding being sought was increased to \$5,851,003.00. Evidence of co-contribution was required as part of the application process, and this included confirmation of Tablelands Regional Councils cash contribution in addition to non-Commonwealth government grants valued at more than \$2.5M.

The funding guidelines provided an indicative timeframe of 12 weeks total for assessment and approvals of EOI applications; however, this process took significantly longer. Further, the guidelines provided an indicative timeframe of 13 weeks total for assessment, approval, announcement of successful applicants and negotiation of funding agreements for the full application phase. This process took over 17 weeks.

The funding guidelines provided a latest start date of project as 15 May 2024. On 16 May 2024 Tablelands Regional Council received advice of an unsuccessful outcome for the formal funding application process. A request was made for feedback, to enable Tablelands Regional Council to consider future funding opportunities, however, to date this has not been received.

Case study – Grant Funding Uncertainty (State Government - Building Our Regions)

On 23 November 2021 Tablelands Regional Council submitted an expression of interest (EOI) to the Queensland State Government Building Our Regions Round 6 program seeking \$2,000,000 funding for stage 2B of its Water Quality Improvement Plan. The project involved the provision of a multi barrier water treatment plant in Ravenshoe to improve water quality security to Ravenshoe, Millstream, Cassowary and Bellview communities and new pipelines and pump station to deliver

treated water to the Bellview, Cassowary and Millstream communities. These communities are subject to frequent boil water alerts due to poor raw water quality and the absence of a water treatment plant. The new water treatment plant would sustainably meet Australian Drinking Water Guidelines and be sufficiently sized to accommodate future population and industry growth and is future-proofed using the Water Services Australia Health Based Treatment Targets.

The EOI application form requested confirmation of the stage that the project was at when the submission was lodged and provided options ranging from concept design to ready to commence construction. Tablelands submission specified that the detailed design was at 40% complete with and expectation that this would be completed in March 2022.

Tableland Regional Council's EOI was shortlisted, and a formal funding application was submitted on 17 May 2022.

This submission was determined to be ineligible in August 2022 as the funding guidelines required provision of the final detailed construction/engineering design. Detailed designs of the pipelines were included in the submission and a functional specification was provided for the treatment plant, which was to be delivered through design and construct procurement methodology. This is a common procurement option for the delivery of complex treatment processes as it allows innovation in design and optimises value for money outcomes.

The funding application included \$820,000 for the pipeline component of the project, which had detailed designs. Regardless no funding was provided to Tablelands Regional Council for any part of the project.

As the Building Our Regions Round 6 funding program was specifically targeted towards water and wastewater projects and delivery of treatment plants is commonly conducted using collaborative procurement methodologies including alliances, early contractor involvement and design to construct it seems the program guidelines were not fit for purpose resulting in Tablelands Regional Council missing out on significant external funding, requiring it to seek a loan to deliver this approximately \$17 million project, and affecting its financial sustainability.

Tablelands Regional Council subsequently successfully applied for the Building Our Regions Planning program to further the treatment plant design and was granted \$300,000.

Changing Infrastructure and Service Delivery Obligations:

TRC provides vital infrastructure and services that help grow our local economy. We deliver roads, water, and sewerage to a growing population. We also provide our communities with open spaces, public amenities, footpaths, sporting grounds, swimming pools and cultural facilities including museums and libraries. We provide a wide range of free and low-cost services and are delivering real cost of living relief in our local communities. With growth above Treasury forecasts comes the need to invest significantly in our infrastructure not only to service the existing population but also the expectations of people migrating to our area from cities with more services.

Case study - Provision of Library Services

The TRC local government area boasts seven (7) Library services, primarily financed by TRC using the rates base. TRC covers 90% of all expenses, encompassing operational, whole-life, depreciation, and capital costs. Additionally, TRC receives a modest resource grant from the Queensland State Library, constituting 10% of current expenditure and the funding is calculated based on population number only. Comparative analysis of library services nationwide reveals that most state and territory governments employ a more robust funding model for supporting libraries. Acknowledging that the Northern Territory government fully funds its library service, unlike the model employed by Queensland government which relies heavily on local government rate base which is not sustainable given the population demographic and geographical area. The delivery of library services now and

into the future will continue to be a financial burden for Councils particularly with increases in the cost associated with labour, asset depreciation, overheads and general repairs and maintenance.

The evolving infrastructure and service delivery demands place additional pressures on TRC. We strive to adapt our strategies to meet the needs of our diverse communities, however structural impediments, such as the current infrastructure charging regime in Queensland, inadequate funding, workforce shortages, housing availability and affordability, hinder our ability to fulfil our obligations efficiently and effectively.

Our sustainability is more than just financial. It is linked to the success of our local community, where local businesses are economically viable, and people have access to basic services, such as education, employment, housing, and clean water. Our communities and ultimately our nation will thrive when we can afford to operate, maintain, and renew our assets to deliver the level of service that our growing community requires and expects.

Structural Impediments to Security for Local Government Workers and Infrastructure and Service Delivery:

The security and well-being of our workforce is vital for maintaining service delivery and community resilience. Structural impediments, such as funding constraints and regulatory challenges, undermine workforce security and infrastructure resilience. Addressing these issues requires collaborative efforts and targeted investments in workforce development and workplace safety standards.

Trends in the Attraction and Retention of a Skilled Workforce:

Attracting and retaining a skilled workforce is crucial for the TRC's long-term sustainability. We recognise the importance of addressing trends in workforce attraction and retention. Initiatives to enhance career pathways, provide professional development opportunities, and improve work-life balance are essential for fostering a skilled and motivated workforce. TRC, like many other regional councils, face challenges in attracting and recruiting a skilled workforce due to access to services such as health, entertainment, childcare etc.

A recent report commissioned by Australian Local Government Association - '2022 Local Government Workforce Skills and Capability Survey Queensland Report', highlights the significant challenges faced by Local Government relating to recruitment and retention, skill shortages and training needs.

Housing availability and affordability is also a key determinant for the attraction and retention of skilled and professional staff and their families. The Real Estate Institute of Queensland Residential Vacancy Report for the March 2024 Quarter shows rental availability remains at critical lows in the Tablelands, with a vacancy rate at 0.3%.

The Role of the Australian Government:

The Australian Government plays a significant role in supporting the sustainability of local government's through policy frameworks, funding programs, and regulatory mechanisms. We urge the Australian Government to address the issues raised in this submission by providing equitable funding arrangements, strengthening regulatory frameworks, and leading and facilitating intergovernmental cooperation.

We recommend:

- 6. Enter into a new tripartite agreement between all three levels of government that works to ends the cost shifting onto local governments.**
- 7. Recognise the essential role of local government in achieving national priorities with mandated Cabinet consideration on local government impact and cost shifting analysis for every government policy decision under a revised Cabinet Handbook.**

In conclusion, TRC remains committed to working collaboratively with all stakeholders to ensure the long-term sustainability and resilience of our communities. We appreciate the Committee's attention to these critical issues and look forward to contributing to the inquiry process.

Thank you for considering our submission.

If you require further information regarding this matter, please do not hesitate to contact me on email, [REDACTED] or mobile [REDACTED].

Yours faithfully

[REDACTED]

GARY RINEHART
CHIEF EXECUTIVE OFFICER