

LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND INC.

**INITIAL SUBMISSION
TO
INQUIRY INTO COST SHIFTING
ONTO LOCAL GOVERNMENT**

26 July, 2002

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Appendix A: Survey Questionnaire

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1. Introduction

This submission has been prepared by the Local Government Association of Queensland (LGAQ) in relation to the Terms of Reference of the House of Representatives Economics, Finance and Public Administration Committee Inquiry into cost shifting onto Local Government by State Governments, and the financial position of Local Government.

It is understood that, as part of the review, the Committee will also examine the findings of the Commonwealth Grants Commission Review (2000) of the Local Government (Financial Assistance) Act 1995.

The LGAQ welcomes the Inquiry and the opportunity to have input on the role of Local Government and issues for consideration within the context of the scope of the Inquiry. The Association regards the Terms of Reference as being somewhat constrictive, particularly the exclusion of Cost Shifting from the Commonwealth Government, and the requirement that the outcomes be “Budget Neutral” from the Commonwealth’s perspective. It is an unrealistic constriction on a full and open investigation on which sphere of government is most appropriate to provide relevant services, and determining the best institutional financial arrangements. These exclusions might seriously restrict the development of beneficial options for consideration.

This Initial Submission has been prepared to meet the Committee’s request for submissions by 26 July 2002. As agreed with the Committee Secretariat, LGAQ is preparing a more detailed supplementary submission which will be presented to the Committee by mid September 2002.

As previously advised, it is important that LGAQ has the opportunity to consult with its members and obtain relevant information and comments prior to the completion of its submissions to the Inquiry. A survey of all Councils is currently being undertaken to assist the LGAQ supplementary submission. A copy of the survey questionnaire is included as **Appendix A** of this Initial Submission.

The supplementary submission will be based on a further analysis of the information and data contained in this submission and the survey data being obtained from Councils in Queensland. It will provide proposals in relation to any changes in roles and responsibilities, and financial arrangements to support these in a realistic and sustainable fashion.

LGAQ believes that changes that have taken place in Local Government over the last decade have resulted in an accountable, responsive sphere of government in this State that is capable of efficiently and effectively meeting the needs of the community, where adequate resources are available. There are nevertheless actions that can be taken at both the Federal and State levels to enhance the performance of the Local Government sector as a partner in delivery of required social and economic outcomes, essential to the ongoing development of Queensland.

The following sections outline the scope, roles, responsibilities and financial aspects of Local Government in Queensland, along with other issues that should be recognised by the Inquiry.

2. Local Government in Queensland

Local Government in Queensland consists of 125 individual Councils under the Local Government Act and a further 32 Aboriginal or Island Councils under the Community Services Act.

The size and geographic circumstances that impact on needs and hence service priorities covers an extreme range. Brisbane City, with a population of over 800,000, is the largest Local Government in Australia with a gross budget in excess of \$1.3 billion. At the other extreme, Diamantina Shire with a population of only 230 services an area of some 94,000 square kilometres. Indigenous Councils in the State range from a population of over 3000 at Palm Island to less than 50 people on Stephen Island.

These differences in geographic and demographic characteristics underline the need for a flexible and responsive system of Local Government in Queensland.

The changes brought about by the Local Government Act 1993 provided the stimulus to enhance responsiveness while ensuring a strong and accountable Local Government sector. Management improvement now features strongly in the agenda of Local Government with Corporate and Operational Plans underpinning a more strategic approach. Local Government in Queensland moved quickly to implement accrual accounting requirements, leading the public sector in Queensland in this area. Asset management and quality assurance measures also now feature strongly in the management systems of Local Government. Business reforms prompted by National Competition Policy are also being implemented across the State.

Under the *Networking the Nation* Program being implemented through LGAQ, the on-line business capacity of Local Government throughout the State will be greatly enhanced. A *Road Management and Investment Alliance* is being implemented in conjunction with Queensland Main Roads Department, enhancing capacity for strategic and cost effective decision making in relation to local and regional road infrastructure.

2.1 Roles and Responsibilities

With a general competence power under the Local Government Act, Queensland Local Government provides a diversity of functions and services as shown by Table 2.1.

Indigenous Councils have the full range of functions common to mainstream Councils in Queensland. However, in some functions they have a much greater role and responsibility. Indigenous Councils have substantial public housing programs, have a major involvement in community employment and training programs, are responsible for Community Police and typically operate a number of enterprises including hotels, motels and community building teams. In addition some Councils provide air transport, operate Emu or Crocodile Farms, or manufacture building materials such as concrete blocks.

In recent years, Local Government has been forced to step in to support services such as hospitals, schools, postal and banking services as well as to provide support to community groups as a result of the insurance indemnity crisis.

Many Councils have also become active in provision of public housing as a result of the lack of affordable housing options from the State or the private sector. This is a particular issue for small rural centres in facilitating local economic growth and allowing families to access required accommodation when moving for employment opportunities. Examples of rural Queensland Councils actively involved in public housing provision include Bendemere, Waroo, Taroom and Tambo.

Private School Ownership – Charters Towers

Charters Towers City Council and Dalrymple Shire Council combined forces to acquire the property that makes up the All Souls St Gabriel's School, when it appeared certain that the school would be closed down. A lease arrangement with ASSG Inc, the school operator, allowed the school to remain open, maintaining an important economic and social contribution to the Charters Towers and Dalrymple Shire communities.

Whilst the return from the lease does not cover the cost of servicing debt raised or capital funds used for the purchase, both Councils supported the arrangement because of the importance of private schooling facilities to the regional community.

However, the issue of affordable housing is also faced by major urban Councils. For example, Brisbane City has invested \$2 million in a Housing Company, and in partnership with the State, plan to develop 100 units of affordable housing.

Table 2.1: Functions and Responsibilities of Queensland Local Government

General Function	Range of Services which may be performed
General Public Services	Council office, Council transactions, governance, leadership, advocacy, information, pensioner rebate scheme, meeting rooms, public halls, showgrounds, community consultation, agency arrangements, collection of Fire Service Levy for State
Public Order & Safety	Animal control, night patrols, public nuisances, street lighting, public space control, litter control, lifeguards, control of declared pests/plants, wild dog control, fire services, natural disaster relief and mitigation, SES
Education	Public awareness campaigns, community education
Health	Inspection/licensing of food and other premises, control of vermin, vector control, refuse services/waste management, community health, immunisation, hospitals
Social Security and Welfare	Child care, aged care, meals-on-wheels, home care, respite care, youth services, disability access, counselling, community development, support of community organisations
Housing and Community Amenities	Public housing (eg aged), hostels, land development, town planning, building control/certification, public conveniences, picnic areas, barbeques, environment protection, natural resource management, acquisition/management of areas of environmental importance, beach control, licensing environmentally relevant activities, recycling, erosion control, cemeteries
Recreation & Culture	Parks, playgrounds, sporting fields and venues, swimming pools, libraries, public internet, galleries, museums, heritage, festivals
Transport and Communications	Roads, footpaths, traffic control, parking, public transport, ferries, barge landings, jetties, airports, television services, internet services
Other Economic Affairs	Economic development, tourism promotion, industrial estates, residential land, tourist facilities/venues, hotels, caravan parks, camping areas, other business activities, saleyards, quarries
Essential services	Water supplies, waste water systems, gas, drainage, flood mitigation

It is important that the Inquiry recognises the important difference in the role and function of Queensland Local Government when considering the Local Government sector across Australia.

Calliope Shire – Postal Service

In 1993, the Australia Post licence for Mt Larcom was offered for sale at \$30,000 but no responses were received. Calliope Shire Council decided to make a bid of \$10,000 and was successful. The alternative was no postal service centre for the small community. Calliope combined the Postal licence with the branch of their library, Gyropost EFTPOS facility and Medicare Service to provide essential services to the community. The library service has been upgraded to 9-5, Monday to Friday, whereas previously, it was a 10-hour per week service. The Shire is now looking to expand the service to include a Rural Transaction Centre. Postal income does not fully meet the costs of the operation, but retention of, and even increased services to the community have been achieved.

Local Government in Queensland plays a significant role in the development of economic and social infrastructure, a role that is far more significant than that of Local Government in any other State in Australia.

Brisbane City Council, unlike any other capital city Council, has responsibility for a major component of the public transport system.

It costs Brisbane ratepayers in excess of \$31 million per annum to subsidise the public transport operation, as well as requiring outlays on facilities such as bus/high occupancy vehicle lanes that would typically be a function of State Governments in other States. In 2002/03 Brisbane City will spend

some \$105 million on this form of transport infrastructure.

Unlike most other States, the vital functions of urban water and waste water provision are undertaken by Local Government.

This vital role impacts on the perceived financial position of the State:-

- by removing the need to invest in major urban water and waste water assets from the State budget;
- removing the long term debt and financing costs from the State accounts;
- resulting in Local Government in Queensland appearing to have a higher level of debt and financing costs than is apparent for Local Government in the rest of Australia.

For Local Government in Queensland, the need to provide urban water and waste water services impacts on the overall capacity to raise revenue at the local level.

For Councils with disabilities in water and waste water provision resulting from geographic and topographic circumstances, this can result in a significant penalty in terms of provision of other services because there is no system of grants which equalises capacities across the full range of service needs. The Financial Assistance Grants provided by the Commonwealth are not used to equalise this service capacity because the Queensland Local Government Grants Commission regards these as business undertakings.

Local Government in Queensland was fortunate in receiving recognition of the need for higher State subsidies for water and sewerage infrastructure, with the subsidy rate for eligible works increasing to 40% from 1996.

In addition, the Smaller Communities Assistance Program (SCAP) provided by the Queensland Government has provided support of up to 100% of capital costs for a range of infrastructure works in regional and rural communities.

Based on ABS GFS data, Local Government in Queensland outlays (capital and current) in excess of \$4.3 billion per annum, and this represents almost 27% of Local Government outlays in Australia. This compares with the Queensland share of the Australian population at around 18.5%.

Private Hospital Ownership - Kingaroy

The imminent retirement of the resident general surgeon and the uncertain future of St Aubyn's Private Hospital threatened a continuing system of general surgery in Kingaroy.

The Kingaroy & South Burnett Medical Workforce Strategy was developed, focused on increasing and stabilising the supply of General Practitioners and Specialists in the community. The Strategy required determination of the future of the private hospital.

Council took the initiative and purchased the closed private hospital (34 beds) and now employs a management company to manage and report on daily operations. Funding was accessed to assist with the initial operating costs. Now it is locally owned, has a full complement of staff, and provides local employment and economic benefits to the region.

The re-opening of the private hospital and its services has overcome the shortfall in medical services experienced since its closure (especially, but not only, to holders of private health insurance) and is helping to provide the service necessary for a regional centre.

2.2 MOUs and Protocols

LGAQ has, in conjunction with relevant government or other agencies, developed a series of MOUs and Protocols aimed at clarifying roles, responsibilities and operational processes for a range of activities where a partnership approach is essential.

These arrangements reflect a positive and mature approach to avoiding duplication and overlap, allowing identification of issues requiring resolution.

A list of these MOUs and Protocols is included at **Appendix B**.

2.3 Population Growth

Queensland has faced rapid population growth over the last twenty years, resulting in an expansion in total population served of more than 50% in this period. This growth has however, been confined to a relatively small geographic area.

Table 2.2 shows the relative concentration of Queensland's growth in the South-East corner, with 75% of the total State growth taking place in SEQ over the period shown. In contrast to the high growth rate for the state as a whole, and for most of the coastal regions, the western portions of the state have shown overall population declines in the last twenty years.

Apart from SEQ, the only other region that grew faster than the State average was Far North Queensland as a result of development activity in the Cairns region.

The urbanisation pressures have focused on the coastal areas of the State, generally providing significant challenges in planning and environmental management as part of the functions of Local Government, in addition to the need for infrastructure and services for the new population.

The diversity of growth situations impacts on the role and function of Local Government across the State and the emphasis required on particular functions.

Table 2.2: Population Growth by Region - 1981 to 2000

Region	1981 Population	1992 Population	2000 Population	Annual Growth % 1981 to 2000
Brisbane & Moreton	1401480	1856473	2321329	2.7%
Wide Bay/Burnett	154660	192688	234751	2.2%
Darling Downs	169240	192419	202352	0.9%
South West	28380	28611	25597	-0.5%
Fitzroy	146720	168368	181206	1.1%
Central West	14480	13098	12135	-0.9%
Mackay	90630	111234	127531	1.8%
Northern	157480	181910	200174	1.3%
Far North	141650	187772	225522	2.5%
North West	40580	38386	35760	-0.7%
Queensland	2345300	2972004	3566357	2.2%

Source: ABS, various publications

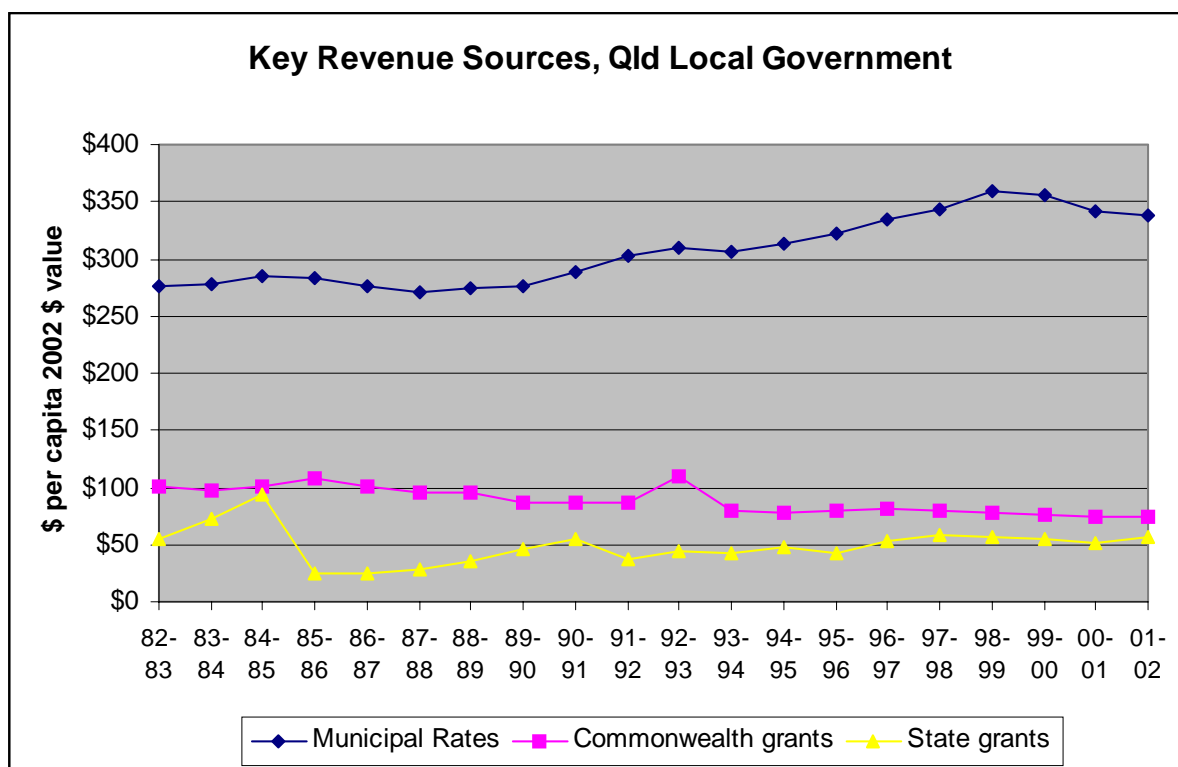
3. Financing Local Government Services

3.1 Pressure on the Rate Base

Local Government has been under pressure to expand the range and quality of services provided of both a general and infrastructure nature. This is a result of community expectations as well as a result of changes in standards and legislative requirements. LGAQ surveys of community attitudes conducted since 1995 have been able to measure the gap between community expectations and the current level of service provision, and identify this pressure on service delivery.¹

As Figure 3.1 shows, the proportion of general outlays funded from rates has increased significantly over the last fifteen years. General rates increased from \$276 per capita in 1982/83 (in 2002 \$ values) to \$343 per capita in 1997/98, an increase of 24%. It has been estimated that general rates are around \$340 per capita in 2001/02 which suggests that rates have remained relatively steady in real terms per capita in the last five years. However, due to changes in ABS collections, the figures beyond 1997/98 must be viewed cautiously.

Figure 3.1



Source: Commonwealth Grants Commission Working Papers, 2001 with estimates for 98/99 to 01/02 from unpublished sources

One of the key factors driving the increase in rates levied by Local Government over the last fifteen to twenty years has been the real per capita decline in grants provided by other spheres of government, particularly by the Commonwealth.

For the period from 1982/83 to 1997/98, grants from the Commonwealth declined in real terms (2002 \$s) per capita from \$101 to \$79, a 22% decline. Since 1997/98, Commonwealth grants have shown a marginal decline in real terms per capita.

State grants have remained relatively constant in real terms per capita, based on the data source used. However, there appear to be some inconsistencies in the data for State grants, particularly for the 1984/85 to 1985/86 period.

¹ Community Satisfaction Tracking Study, LGAQ, 2001

Data from other ABS publications (Cat. 5502.3) shows that State grants may have reduced by around \$40 million between 84/85 and 85/86 rather than the \$85 million included in the data for Figure 3.1. As the figure shows, State grants have increased in real terms per capita since 1996, primarily as a result of the increased capital works subsidies, but also as a result of a number of new State initiatives.

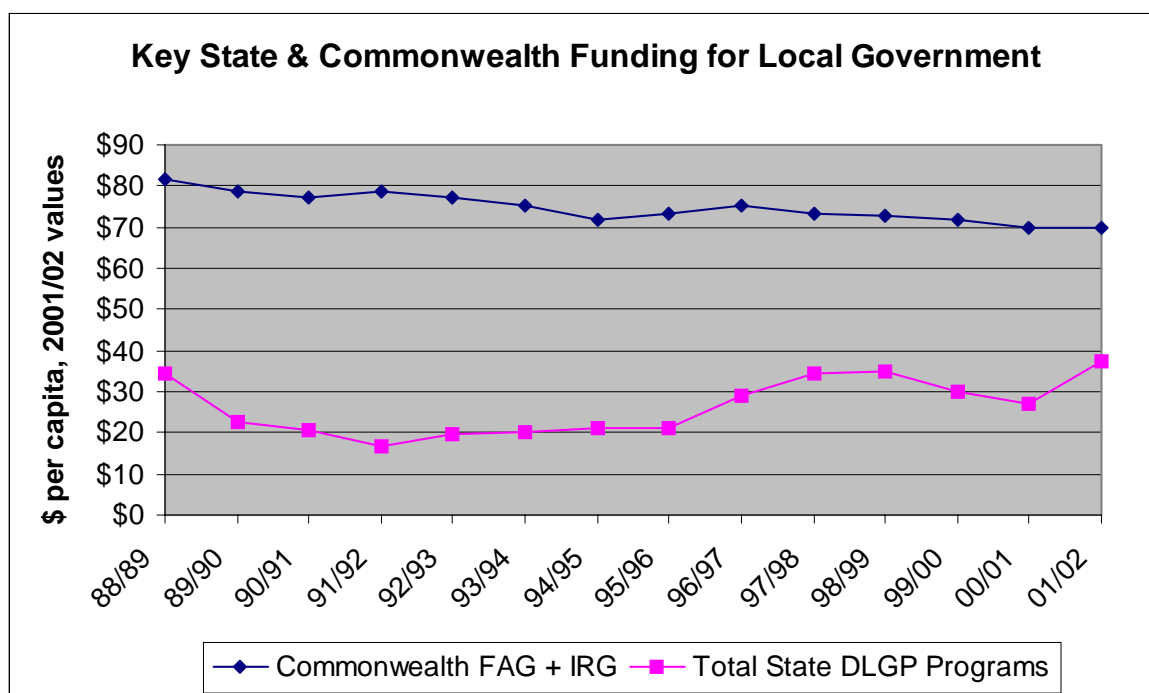
Figure 3.2 provides further details on key State and Commonwealth funding from 1988/89 through to 2001/02. The State funding includes all Department of Local Government programs of relevance to Councils (Capital Works Subsidy, Rural Living Infrastructure Program, as well as a number of one-off initiatives such as the Townsville Strand Rock Wall).

The State funding shown is based on expenditures rather than on approved funding. The 1988/89 data for State Grants includes funding for a Special Employment Program which finished in 1989/90.

This figure also reveals an increase in State funds in real terms per capita, resulting primarily from the increase in the water and sewerage subsidy after 1996. The substantial increase in expenditure in 2001/02 is primarily related to a catch-up on approvals from earlier years in water subsidies along with some significant expenditure in the Regional Centres Program.

The Commonwealth funding is the Financial Assistance Grant (including Identified Road Grant). As noted previously, there has been a decline in real terms per capita in Commonwealth funding over the period shown.

Figure 3.2



Source: DLGP information

Table 3.1 provides details of the State funding by broad program area.

The table reveals the significant increase in funding for water and sewerage under the Capital Works Subsidy Scheme from 1996/97 onward. As noted earlier this was the result of the increase in the subsidy rate to 40%.

The introduction of the Smaller Communities Assistance Program (SCAP) and the Rural Living Infrastructure Program (RLIP) has also resulted in a substantial increase in funding, particularly as this program is targeted at a limited number of rural communities.

Natural Disaster Relief is also shown in this table (but not included in Figure 3.2). As can be seen this has represented a significant outlay in recent years, with potential to distort program funding trends if included in an aggregate figure for State grants.

Table 3.1: Key Local Government Funding Programs

Program (State Outlays \$ 000s)	88/89	90/91	92/93	94/95	96/97	98/99	00/01	01/02
Road/Drainage Subsidies	\$16,380	\$19,500	\$25,004	\$25,000	\$25,063	\$26,000	\$27,236	\$27,836
Water/Sewerage Subsidies	\$30,195	\$15,703	\$16,912	\$15,663	\$27,483	\$30,791	\$28,826	\$49,041
Other Subsidies	\$4,661	\$8,733	\$3,036	\$6,814	\$13,609	\$9,883	\$8,776	\$6,314
Smaller Communities Assistance	\$0	\$0	\$0	\$0	\$1,355	\$15,750	\$13,974	\$17,239
Advanced Wastewater Treatment	\$0	\$0	\$0	\$0	\$0	\$617	\$918	\$809
Special Employment	\$11,840	\$10	\$0	\$0	\$0	\$0	\$0	\$0
Rural Living Infrastructure	\$0	\$0	\$0	\$7,360	\$10,014	\$1,673	\$2,145	\$4,345
Rural Communities Infrastructure	\$0	\$0	\$0	\$0	\$0	\$3,776	\$720	\$200
Other Programs/Support	\$3,190	\$3,460	\$3,679	\$3,473	\$8,816	\$20,331	\$12,810	\$31,763
Total State DLGP Programs	\$66,266	\$47,406	\$48,631	\$58,310	\$86,340	\$108,821	\$95,405	\$137,547
Natural Disaster Relief Arrangements	\$2,187	\$25,000	\$17,503	\$14,658	\$45,580	\$50,231	\$79,548	\$55,556
Outlays - \$/capita, 01/02 \$ values	88/89	90/91	92/93	94/95	96/97	98/99	00/01	01/02
Road/Drainage Subsidies	\$8.5	\$8.6	\$10.1	\$9.1	\$8.5	\$8.3	\$7.7	\$7.5
Water/Sewerage Subsidies	\$15.7	\$6.9	\$6.8	\$5.7	\$9.3	\$9.9	\$8.2	\$13.3
Other Subsidies	\$2.4	\$3.8	\$1.2	\$2.5	\$4.6	\$3.2	\$2.5	\$1.7
Smaller Communities Assistance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.5	\$5.1	\$4.0	\$4.7
Advanced Wastewater Treatment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.3	\$0.2
Special Employment	\$6.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rural Living Infrastructure	\$0.0	\$0.0	\$0.0	\$2.7	\$3.4	\$0.5	\$0.6	\$1.2
Rural Communities Infrastructure	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2	\$0.2	\$0.1
Other Programs/Support	\$1.7	\$1.5	\$1.5	\$1.3	\$3.0	\$6.5	\$3.6	\$8.6
Total State DLGP Programs	\$34.4	\$20.8	\$19.7	\$21.2	\$29.1	\$34.9	\$27.1	\$37.3
Natural Disaster Relief Arrangements	\$1.1	\$11.0	\$7.1	\$5.3	\$15.4	\$16.1	\$22.6	\$15.1

Source: DLGP data

In addition to the key program funding through the Department of Local Government and Planning, there are other grant programs provided through various State departments.

Table 3.2 provides an overview of these programs based on budget papers and departmental statements.

The main programs involved, and the expenditure estimated for 2000/01 in Table 3.2 include:

1. Public Library Subsidies \$13.6 million

2. State Government Financial Assistance (Indigenous Councils)	\$17.5 million
3. Pensioner Rate Remissions	\$37.8 million
4. National Competition Payments	\$27.6 million
5. Aboriginal Housing Program (Indigenous Councils)	\$33.9 million
6. Transport Infrastructure Development Scheme	\$37.4 million
7. Heritage Trails	\$11.9 million

The drop in MRD funding in 2000/01 is likely to be the result of the carry-over of Transport Infrastructure Development Scheme (TIDS) funding into 2001/02 of around \$13 million as a result of delays caused by wet weather in North Queensland. However, the MRD Roads Implementation Program does show a decline in firm allocations for TIDS in 2002/03.

It should be noted that some of these programs involve funding passed on from the Commonwealth. For example, the ATSI Housing Program includes Commonwealth/State Housing Agreement funding. The National Competition Payments are part of funds provided by the Commonwealth, but as Queensland is the only State other than Victoria currently sharing these payments with Local Government, these should be recognised as State grants.

Table 3.2: State Funding by Key Agency

Department	1999-00 Actual (\$m)	2000-01 Actual (\$m)
Aboriginal & Torres Strait Islander Policy	20	22 ^(a)
Arts	20	27 ^(b)
Emergency Services	1	2
Employment & Training	15	19
Environment Protection Agency	3	4
Families	45	44 ^(c)
Housing	41	50 ^(d)
Local Government & Planning	100	95
Main Roads	64	37
Natural Resources & Mines	4	6
Premier & Cabinet	0	8
Queensland Transport	1	1
Sport & Recreation Queensland	6	13
State Development	1	6
Total	321	334

Note: (a) Predominantly funding aid to Aboriginal and Torres Strait Islander Councils (b) Predominantly public library subsidy schemes (c) Predominantly pensioner rate subsidy scheme (d) Predominantly Aboriginal and Torres Strait Islander Housing.

Source: State Budget Papers and Ministerial Announcements

3.2 Financing Water & Sewerage

The role of Queensland Local Government in the provision of water and waste water services is vital to the economic development capacity of the State. Queensland Local Government spends annually in excess of \$1.2 billion on these functions that, in most other States, are not a Local Government responsibility.

The State Government increased the subsidy rates for capital works on water and waste water infrastructure to 40% from 1996. This had a major impact on investment in capital works by Local Government.

Implementation of standards required under the Environmental Protection Act (EPA), including tertiary treatment has been a major issue in terms of the requirement for major injections of capital over a short period. It has previously been estimated that over \$300 million was required to fund upgrades to meet EPA standards alone, ignoring the additional capital required to accommodate growth.

As Table 3.3 shows, in real terms per capita, charges for water supplies have declined marginally over the last ten years. However, sewerage charges have increased in real terms per capita by 24% since 1987/88, the result of both growth pressures and the cost of meeting upgraded standards for treatment. This underlines the importance of maintaining the current quantum of subsidies for capital works provided by the State Government.

Table 3.3: Water and Sewerage Charges, 1987/88 to 1999/00

	87/88	93/94	99/00
Water Charges \$m	\$279.2	\$444.3	\$481.1
Sewerage Charges \$m	\$192.5	326.7	\$449.3
Population (millions)	2.7	3.2	3.5
CPI	85.5	110	124.1
Water charges/capita (1999 \$ values)	\$150.1	\$156.6	\$137.5
Sewerage charges/capita (1999 \$ values)	\$103.5	\$115.2	\$128.4

Source: Queensland Local Government Grants Commission Data (provided by ABS)

3.3 Funding Roads & Transport

The other area of major infrastructure responsibility of Local Government, and one that is significant to economic development, is local roads. The local road network in Queensland represents over 140,000 kilometres of the total road network of 174,000 kilometres. It is estimated that, in 2000/01, Local Government outlaid more than \$700 million on these local roads as well as undertaking over \$150 million in road works for Queensland Main Roads.

Tables 3.4 and 3.5 provide details of road funding for the ten year period to 1997/98 for both Queensland and Australia as a whole, grouped by source of funds. The data relates to all roads in the State, not just those of Local Government.

Of total outlays on roads in Queensland, the Commonwealth contributed only 18% (cf. 23% nationally) in 1997/98, and this has declined in real terms per capita over the ten year period to 1997/98. Queensland only receives some 20.4% of Commonwealth road funds, similar to the share it received in 1988/89. Given rapid population and economic growth in Queensland relative to other States, and the consequent demand for new and upgraded road infrastructure, it may have been expected that the Queensland share of Commonwealth road funds would have increased.

While the *Roads to Recovery* Program has provided a significant increase in funds for local roads from 2000/01, this is only a four-year program and does not overcome the fact that the Commonwealth has been effectively cost shifting the road burden to the States and Local Government.

Road funding is a major issue for Local Government across Queensland, and it is essential that the Commonwealth provides adequate funding to National Highways and to regionally significant state and local roads.

Local Government own source funds contribute around 30% of road outlays in Queensland compared with 28.5% for Local Government nationally.

In 1997/98, Queensland Councils accounted for some 27.8% of funds spent by Local Governments across Australia on roads whereas in 1988/89 Queensland Councils accounted for 21.5% of road outlays by Local Governments across Australia from own source funds.

In the ten year period to 1997/98, State funding (for the State-controlled road network) in Queensland increased by 97% on a per capita real terms basis. This compares with an increase of 45% for State funding across Australia in real terms per capita. On this measure, the Queensland Government has evidently recognised the need to increase road funding relative to what has occurred in other States, although this has not involved increased State funding of the local road system.

On a per capita real terms basis, Queensland Council road outlays increased by 14.7% in the ten year period to 1997/98 compared with a decline of 2% in real terms per capita for all Councils in Australia. Queensland Local Government has been making a strong effort in relation to funding of its significant road responsibilities. However, new funding sources are required, as outlined in the recent Layton Inquiry². Both the Commonwealth and State Governments must address this issue if we are to arrest the alarming decline in the standard of the nation's road and transport infrastructure.

Table 3.4: Road Funding by Source, all Roads

	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
Commonwealth Funds										
Qld \$m	\$241.1	\$268.8	\$298.8	\$318.8	\$443.0	\$301.8	\$293.1	\$311.3	\$344.8	\$328.6
Australia \$m	\$1,192.6	\$1,335.1	\$1,519.0	\$1,599.5	\$2,057.5	\$1,523.1	\$1,502.9	\$1,560.3	\$1,594.4	\$1,608.4
Qld. Share	20.2%	20.1%	19.7%	19.9%	21.5%	19.8%	19.5%	20.0%	21.6%	20.4%
State Funds										
Qld \$m	\$303.3	\$367.5	\$350.5	\$335.8	\$395.3	\$473.1	\$501.2	\$584.5	\$758.8	\$941.2
Australia \$m	\$1,642.9	\$1,930.9	\$2,300.9	\$2,167.8	\$1,997.0	\$2,236.7	\$2,297.0	\$2,658.2	\$2,933.3	\$3,405.6
Qld. Share	18.5%	19.0%	15.2%	15.5%	19.8%	21.2%	21.8%	22.0%	25.9%	27.6%
Local Government Funds										
Qld \$m	\$307.0	\$359.0	\$405.0	\$387.0	\$371.0	\$373.0	\$395.0	\$499.0	\$529.0	\$555.0
Australia \$m	\$1,431.0	\$1,635.0	\$1,556.0	\$1,570.0	\$1,706.0	\$1,636.0	\$1,503.0	\$1,654.0	\$1,845.0	\$2,000.0
Qld. Share	21.5%	22.0%	26.0%	24.6%	21.7%	22.8%	26.3%	30.2%	28.7%	27.8%
Per capita outlays (1998 \$ values)										
Commonwealth Funds										
Qld	\$110.03	\$109.45	\$115.19	\$118.54	\$157.56	\$103.04	\$93.48	\$94.17	\$102.05	\$95.15
Australia	\$90.90	\$92.36	\$100.32	\$103.20	\$129.11	\$92.83	\$86.60	\$86.07	\$86.61	\$85.89
State Funds										
Qld	\$138.41	\$149.63	\$135.13	\$124.86	\$140.59	\$161.52	\$159.84	\$176.82	\$224.58	\$272.54
Australia	\$125.23	\$133.57	\$151.95	\$139.87	\$125.31	\$136.32	\$132.36	\$146.63	\$159.34	\$181.85
Local Government Funds										
Qld	\$140.10	\$146.17	\$156.14	\$143.90	\$131.95	\$127.35	\$125.97	\$150.96	\$156.57	\$160.71
Australia	\$109.08	\$113.10	\$102.76	\$101.30	\$107.05	\$99.71	\$86.61	\$91.24	\$100.22	\$106.80

Source: BTE 1999; BTE 2001; AECgroup 2000

² LGAQ Public Inquiry on Mechanisms to Fund Queensland's Road and Transport Infrastructure, May 2002. A full copy of this report is available at www.lgaq.asn.au

Table 3.5: Share of Total Road Outlays by Source

	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
Queensland \$m	\$851.4	\$995.3	\$1,054.3	\$1,041.6	\$1,209.3	\$1,147.9	\$1,189.3	\$1,394.8	\$1,632.6	\$1,824.8
C'wealth Share	28.3%	27.0%	28.3%	30.6%	36.6%	26.3%	24.6%	22.3%	21.1%	18.0%
State Share	35.6%	36.9%	33.2%	32.2%	32.7%	41.2%	42.1%	41.9%	46.5%	51.6%
Local Share	36.1%	36.1%	38.4%	37.2%	30.7%	32.5%	33.2%	35.8%	32.4%	30.4%
Australia \$m	\$4,266.5	\$4,901.0	\$5,375.9	\$5,337.3	\$5,760.5	\$5,395.8	\$5,302.9	\$5,872.5	\$6,372.7	\$7,014.0
C'wealth Share	28.0%	27.2%	28.3%	30.0%	35.7%	28.2%	28.3%	26.6%	25.0%	22.9%
State Share	38.5%	39.4%	42.8%	40.6%	34.7%	41.5%	43.3%	45.3%	46.0%	48.6%
Local Share	33.5%	33.4%	28.9%	29.4%	29.6%	30.3%	28.3%	28.2%	29.0%	28.5%

3.4 Debt Situation

As noted earlier, Local Government in Queensland has significantly higher levels of debt than is typical for Local Government elsewhere in Australia. This is the result of the major capital infrastructure responsibilities of water and sewerage being financed by Local Government in this State.

Table 3.6 provides details of total borrowings and the net debt of the Local Government sector in each State. As can be seen, Queensland Local Government has the highest per capita level of borrowings and net debt. In most States, the Local Government sector has a negative net debt situation. Debt levels of Queensland Local Government have however been reducing, with net debt falling from around \$2.2 billion in 1997/98 to under \$1.7 billion by 1999/00. Total borrowings reduced from \$3.3 billion in 1997/98 to \$3.0 billion in 1999/00.

There are a number of factors that have influenced the reduction in the debt situation for Queensland Local Government in recent years. The introduction of the 40% subsidy for water and sewerage from 1996 will have been a key factor, reducing the amount of Local Government funds required for new infrastructure investments. It is also likely that the high interest rates of the 1980s resulted in a negative perception of the use of debt and a desire within many Councils to be "debt free". However, borrowing must remain as a key funding source for major infrastructure assets such as water and sewerage because of the necessity to provide significant steps in infrastructure capacity to efficiently and effectively cater for growth.

Table 3.6: Net Debt Comparison, Australian Local Government

	NSW	Vic.	Qld.	SA	WA	Tas.	NT	Total
Borrowings (June 2000) \$m	\$1,464	\$647	\$3,025	\$120	\$209	\$224	\$2	\$5,691
Net debt (June 2000) \$m	(\$1,773)	(\$326)	\$1,652	\$213	(\$416)	\$83	(\$39)	(\$607)
Population 1999 (millions)	6.41	4.72	3.51	1.86	1.49	0.47	0.19	18.65
Borrowings/capita	\$228	\$137	\$862	\$65	\$140	\$476	\$11	\$305
Net debt/capita	(\$277)	(\$69)	\$471	\$115	(\$279)	\$177	(\$205)	(\$33)

Source: ABS Cat. 5512.0, 99/00

3.5 Other Funding Sources

Most Councils do not have access to other revenue sources to fund required services in lieu of use of the primary rate base source. Local Government in Queensland is however fortunate to have a flexible legislative basis around which to fine tune its revenue raising. Unlike some other States where restrictions are placed on Local Government's rating increases by the State Government, Queensland Councils are free to determine the appropriate rating level, and to use differential rates, special or separate rates and charges to achieve a fair and equitable distribution of the rate burden.

The special rating power has allowed a number of Councils affected by activities such as mining or other heavy transport operations, to establish specific charges under an Overall Plan, to directly levy those ratepayers for additional costs imposed on, for example, the road system in the Local Government area.

Some major urban Councils have considered ways to implement Public/Private Partnerships to implement major infrastructure works. Brisbane City Council has been investigating projects such as a cross-river tunnel, to be funded by tolls, although implementation of a project of this nature will require changes in legislation by the State Government that have not as yet been agreed.

Other Councils have made use of innovative financing approaches to provide major infrastructure. Noosa Shire for example, developed a major tertiary treatment plant for sewerage through an effective partnership with the private sector.

Some other funding mechanisms have been suggested by Local Government in Queensland, but require legislative changes if they are to be implemented. Brisbane City for example, has advocated introduction of an annual parking levy to assist in the capture of road user costs imposed on the CBD as well as to encourage greater use of public transport. Such charges exist in other State capital cities, but this is because the State Government in those States has the prime responsibility for CBD traffic arrangements.

3.6 Future Funding Options

The introduction of the GST was expected to provide State Governments with an enhanced revenue base from 2003/04 compared with the previous system of Commonwealth funding to the States. GST growth has not been as rapid as forecast, and it is now expected that Budget Balancing Assistance to the States will be necessary until 2006/07. However, Queensland is expected to be in a stronger financial position from 2003/04. This anticipated growth in GST payments should not be seen as an opportunity for the Commonwealth to reduce Special Purpose Payments (SPPs) such as for Health, Housing and Disabilities or other purposes.

Prior to the introduction of the GST, LGAQ had advocated the inclusion of Federal Local Government assistance in GST payments to the States, with States being responsible for financing Local Government from GST payments. The rationale for this approach was the opportunity for Local Government to be funded from a growth revenue stream.

In fact, when the original taxation package was announced by the Commonwealth Government in 1998, LGAQ negotiated a unique tax sharing arrangement with the State Government. This would have resulted in an extra \$500 million over ten years. This arrangement received bipartisan support within Queensland and was applauded by the Commonwealth. Regrettably, the Democrats intervention resulted in the package being revised and the offer was withdrawn by the State because of the reduction in GST revenues.

LGAQ considers that it is essential that the Commonwealth identify ways in which it can provide a growth form of financial assistance to Local Government rather than simply maintaining Federal financial assistance in real terms per capita. Local Government outlays have been increasing in real terms per capita in response to community needs and expectations, and the requirement for higher service standards and a wider range of Local Government services.

The LGAQ has also advocated the amendment of the per capita relativities for distribution of the Financial Assistance Grant component for Local Government to a method based on equalisation. This remains a key concern for Queensland Local Government, and one that should be addressed by this Inquiry. The result of this approach by the Commonwealth has been to further increase pressure on the narrow rate taxation base of Local Government in Queensland as it attempts to meet desirable standards of service provision.

There is very limited opportunity for Councils in Queensland to generate additional own source revenues. To meet increasing community expectations and to respond to Commonwealth and State initiatives and changing requirements, Local Government needs not only increased financial support but also greater certainty and predictability in the financial arrangements with the other spheres of government.

4. Capacity to Meet Obligations

4.1 Overview

As noted earlier in this submission, the Local Government rate base is being pushed beyond its capacity, with ratepayers being faced with real terms increases in the rate burden if the desired range and quality of services are to be provided.

As Table 4.1 reveals, the general rate revenue of Queensland Local Government increased by 95% between 1989/90 and 1999/2000 compared with a 69% increase in Commonwealth taxation revenue. The figures illustrate the view that Local Government in Queensland has already been pushed beyond its rating capacity.

Table 4.1: Taxation Revenue of the Commonwealth and Queensland Local Government

	1989/90	1999/2000	Increase % '89 to '99
Commonwealth Taxation \$m	\$90,550	\$152,576	68.5%
Qld. Local Government General Rates \$m	\$596	\$1162	95.0%

Source: ABS GFS data

Some of the cost increases for Local Government have been a result of legislative changes, and introduction of enhanced standards. As previously indicated, requirements of the Environmental Protection Act have resulted in a need to upgrade waste water treatment plants, water treatment plants and refuse disposal facilities.

These cannot be regarded as cost shifting, but rather are a result of greater community concerns in relation to protection of the environment. Nevertheless, the requirement for Local Government to implement licensing of Environmentally Relevant Activities (ERAs) was devolution of a responsibility that could have been implemented by a State agency, albeit that Local Government deliver this regulatory function more efficiently.

Councils have also faced cost pressures in relation to administrative functions, with enhanced reporting and financial standards required to achieve open and accountable Local Government. This trend can be seen throughout the public sector, and is again a result of community expectations. Other legislative requirements including workplace health and safety have also resulted in cost increases for Local Government.

Councils throughout Queensland have embraced the opportunity to improve efficiency and effectiveness in service delivery through changes in operations and workplace reforms. This was driven initially by requirements of Main Roads in relation to contracts for construction and maintenance. A productivity gain of around 17% was reported by Main Roads across the total State road program between 1992/93 and 1998/99, and efficiency gains achieved by Local Government in the road-making function mirror this picture.

However, the general view is that there are no longer many opportunities for productivity improvements across Local Government functions, and that other funding sources will be required if the range and quality of services required by the community are to be achieved.

4.2 Regional Arrangements

Local Governments across the State are seeking opportunities to enhance service provision through regional arrangements. Regional Organisations of Councils cover South East Queensland, WideBay/Burnett, the Eastern Downs, Central Queensland, Mackay/Whitsunday, Far North Queensland and the Gulf Region. Regional arrangements involving Local Government have also been developed as part of regional planning arrangements led by the State. Regional Planning Advisory Committees, established under the Integrated Planning Act, are an important mechanism to integrate social, economic and environmental issues in planning and development throughout the State.

LGAQ, in conjunction with MRD, have been developing a *Road Management and Investment Alliance*. This seeks to achieve additional productivity gains by more effective targeting of funds as well as through economies of scale. The Alliance is intended to provide a more strategic approach to road investment decisions at a regional level.

Some recent Commonwealth programs have bypassed established regional arrangements involving Local Government. The Federal Regional Assistance Program (RAP) and Regional Solutions Program (RSP) as well as the Natural Heritage Trust (NHT) funding are examples of programs where the Commonwealth has sought to establish its own arrangements for regional input. The National Action Plan on Salinity and Water Quality (NAPSWQ) is a further example where the Commonwealth identified regions that had little relevance to administrative arrangements. Consequently implementation of NAPSWQ is now facing a need to develop effective arrangements involving the three spheres of government.

LGAQ believes that the Inquiry should examine the way in which decisions are made by Commonwealth departments which involve regional arrangements, and identify mechanisms to better coordinate these programs with regional arrangements involving Local Government.

5. Expenditure Patterns

5.1 Trends in Expenditure by Purpose

Unfortunately, recent ABS publications on Local Government finance do not provide a sound basis for analysis of Local Government finances. In particular, it is not possible to compare expenditure by purpose in the 1999/00 ABS Government Finance Statistics (Cat. 5512.) because depreciation is added into the General Public Services (GPS) component for Queensland Local Government, distorting the expenditure profile. The 1999/2000 figures suggest that Queensland Local Government spends 30% of its resources on GPS, compared to 14% in the 1997/98 ABS GFS data. It appears that this is treated differently in other States.

This raises a significant issue for the Local Government sector across Australia in relation to the Commonwealth's substantial reduction in financial data collections for Local Government. The Inquiry should be aware of this issue, and identify mechanisms to address the problem. It should also be noted that ABS data does not adequately describe the Local Government sectors of both Queensland and the Northern Territory. This is a result of the non-inclusion of indigenous Local Governments in ABS statistics.

Table 5.1 provides details of expenditure trends, on a per capita real terms basis, by broad purpose for Queensland Local Government over the period from 1982/83 to 1997/98. This was the last year for which there is data of a comparable nature. While there are limitations in interpreting the ABS data at a functional level, the fact that can most probably be relied on is that overall outlays of Local Government have risen in real terms per capita over the past fifteen years, with most of this increase taking place from the early 1990s.

Table 5.1: Outlays per capita of Queensland Local Government by Purpose, 1998 \$ values

Purpose	82-83	84-85	86-87	88-89	90-91	92-93	94-95	96-97	97-98	Increase 83 to 98
Transport and communications	\$211	\$239	\$217	\$197	\$226	\$204	\$190	\$252	\$255	21%
General public services	\$68	\$55	\$57	\$43	\$90	\$73	\$73	\$104	\$111	63%
Education, health, welfare and public safety	\$23	\$18	\$18	\$19	\$21	\$25	\$27	\$32	\$33	43%
Recreation and culture	\$68	\$90	\$84	\$77	\$79	\$98	\$100	\$123	\$125	84%
Housing and community amenities	\$113	\$115	\$109	\$115	\$122	\$152	\$151	\$144	\$148	31%
Services to industry	\$14	\$13	\$11	\$11	\$13	\$14	\$15	\$18	\$18	29%
Other purposes	\$168	\$184	\$169	\$172	\$174	\$150	\$142	\$92	\$75	-55%
Total Expenditure	\$664	\$713	\$666	\$634	\$726	\$717	\$699	\$765	\$765	15%

Source: Commonwealth Grants Commission Working Papers, June 2001

The table shows that over the fifteen year period, total outlays by Queensland Local Government increased by 15% in real terms per capita. Outlays on transport and communications (roads) increased by 21% over the period, although this growth in outlays is in the latter few years.

It is also relevant to note the significant growth in the general public services (GPS) classification. Since 1982/83, GPS outlays increased by 63% in real terms per capita in the period to 1997/98. Most of this increase has occurred since the implementation of the Local Government Act 1993, and may represent the additional administrative burdens that have been identified by many Councils.

Unfortunately, it is not possible to confirm whether the data does reflect the actual changes taking place or whether there are inconsistencies in the data set. However, a significant increase in GPS expenditure would nevertheless be

expected. Part of the problem in interpreting the data is the transfer of outlays from “other purposes” to some other functional classification.

The last fifteen years has seen an expanding service role for Queensland Local Government in Human Services (Education, Health, Welfare, Recreation, Culture). Whereas in 1982/83 only 13.7% of total outlays were for these Human Services purposes, by 1997/98 these functions accounted for 20.7% of total outlays.

In real terms per capita, outlays for the Human Services categories increased from \$91 in 1982/83 to \$158 in 1997/98, an increase of 74% over the fifteen year period.

In the library function, LGAQ research shows that Local Government outlays in real terms per capita have almost doubled over the period from 1990/91 to 1999/00. This is a result of increasing membership, an expanding level of service provision particularly in relation to Information Technology, and community expectations on the role of libraries in a community.

In 1999/00, Council own source outlays on library operations amounted to \$21.50 per capita. State funding support to Council libraries has however only been maintained at the 1990/91 level in real terms per capita and has reduced in real terms per member by almost 9% since 1990/91.

In 1990/91, the State Library Grant represented some 25.5% of total outlays on Council operated public libraries. By 1999/00, only 15.4% of Council outlays on library operations were provided by the State.

5.2 Impacts of Changes in Powers, Functions and Responsibilities

As noted previously, new legislative requirements have had a substantial impact on the administrative workloads of Councils.

5.2.1 Local Government Act

The introduction of the Local Government Act 1993 resulted in a significant change in the operating environment of Queensland Councils. The Act clarified the roles and responsibilities of elected members and established an enhanced management structure under the direction of a Chief Executive Officer. Corporate and Operational Plans are now required, and provide the opportunity for a more strategic approach.

As a result of changed responsibilities for the CEO, there was a substantial turnover of CEOs in the five years following the legislative change, with more than 60 CEO changes in the 125 non-indigenous Councils.

There has also been a substantial turnover of elected members. At the March 2000 elections, 37 Mayors were elected for the first time. There are now 19 female Mayors, up from 17 in 1997, and this is the highest number of women ever to hold this office.

The introduction of the new Act also required substantial effort in consolidation of local laws.

5.2.2 Integrated Planning Act

The introduction of the Integrated Planning Act 1997 (IPA) has also impacted on workloads of Councils, with IPA compliant strategic plans being required. For many smaller Councils this is a significant expense and time consuming, and LGAQ has requested an extension of time of one year to March 2004 to allow Councils to complete these reviews.

In the building function, introduction of private certification has allowed commercial operators to provide a service that was previously a requirement for each Council. This has improved efficiency and effectiveness in this service. In the recent Building and Other Legislative Amendment Act 2002, responsibility for building fire safety for budget accommodation has been devolved to Local Government, with significant cost implications for some Councils.

It is estimated that Local Government public liability premiums have increased state-wide by over \$2 million per annum as a result of this specific requirement.

5.2.3 Environmental Protection Act

The implementation of the Environmental Protection Act (EPA) also had a significant impact on the roles and responsibilities of Local Government in Queensland.

Licensing of Environmentally Relevant Activities (ERAs) has been devolved to Local Government, with a need for additional specialised staff. In addition, requirements for licensing sewerage treatment plants resulted in a need for significant upgrading of this infrastructure.

Similarly, EPA requirements have resulted in closure of a substantial number of local tip sites, with transfer of waste to regional facilities adding to operating costs for some Councils.

A serious problem also exists as a result of the EPA in relation to waste disposal sites now declared as contaminated as a consequence of upgraded legislative standards. Surveys conducted by LGAQ during 1998 revealed that an estimated \$250 million would be required to rehabilitate closed contaminated sites, upgrade sites that cannot be closed and assist existing contaminated sites to be closed.

Approaches to the State Government for assistance in this regard have been unsuccessful. However, the State Government introduced the Landfill Remediation Assessment Program (LRAP) with a fifty percent subsidy to assist Local Governments identify the nature and extent of contamination. Some \$4.4 million (\$2.2 million from Local Government funds) has been spent by Councils since the introduction of the LRAP in 1998.

However, there is growing reluctance on the part of Local Government to undertake these studies which reveal the level of contamination and hence potential legal liability, particularly if they fail to take remedial action. In the absence of financial assistance from the State, the capacity of Local Government to undertake such works is extremely limited given the costs involved. Local Government's position is consequently compromised because of statutory obligations imposed by the State and its lack of financial assistance to address the problem.

The last two decades have seen a significant increase in the amount of packaging waste produced to transport and market an ever-increasing quantity of consumable products. The increase in packaging waste continues to be disproportionate to population increase.

Councils continue to incur the cost burden associated with the management and ultimate disposal of this waste. Specifically, from 1998/99 to 2000/2001, Queensland Local Government's expenditure on waste management increased from \$153 million per annum to \$277million per annum.

Additionally, communities are encouraged by industry under various product stewardship arrangements to recycle these products, and Commonwealth and State Government policies support and actively encourage recycling.

Consequently Councils face increasing community pressure to offer recycling services. However, as a result of the continuing decline of commodity prices, Councils are subsidising recycling schemes to meet these community expectations. The cost to Councils of this subsidisation has been calculated at approximately \$50 per household or \$75million per annum in Queensland.

Despite the uneconomic situation involved in recycling, it is virtually impossible for Councils to withdraw from the provision of recycling services if they wished to do so.

5.2.4 Other Acts

The Vegetation Management Act amended IPA to include clearing of vegetation on freehold land as operational work, and therefore assessable development as part of Local Government's planning responsibilities.

State coastal management legislation requires preparation of Regional Coastal Management Plans, and this also needs active involvement of relevant Councils.

Implementation of the Water Act 2000 has also impacted on Local Government, with some Councils facing substantial increases in bulk water charges as well as changes to water allocations.

In recent years, Councils have implemented reforms flowing from National Competition Policy including corporatisation of business undertakings, adopting full cost pricing, reform of water pricing, contracting-out of service delivery and adoption of the Code of Competitive Conduct. In some instances, separate commercial business units have been established.

Twenty-seven large business activities within Queensland Local Government account for more than 85% of the expenditure in these functions which cover water and sewerage, public transport and refuse services.

State Government funds have been provided from the NCP dividend to assist required reform.

5.2.5 Operating Environment – Legal/Liability

The majority of the High Court, in the recent decisions of *Ghantous v Hawkesbury City Council* and *Brodie v Singleton Shire Council*, abolished the non-feasance immunity for Local Governments (and other Authorities acting as highway authorities) and concluded that the liability of Authorities who had previously enjoyed the particular immunity under the non-feasance principles should be determined according to the ordinary and general principles of negligence.

Prior to the High Court's decision, the position was that Local Government (and other Government Authorities) when acting as "highway (including footpath) authorities" had the benefit of a specific immunity from legal liability known as the non-feasance immunity.

Under this non-feasance immunity highway authorities were immune from liability for injury or damage sustained by users of roads and footpaths on the basis of them historically not having an obligation to construct or maintain roads, footpaths and associated infrastructure.

On the basis of the immunity, Local Government as a highway authority was able to avoid legal liability for injury or damage caused by a failure to take steps to maintain roads and footpaths

The High Court's recent decision has certainly increased Local Governments legal liability exposure in respect of roadway and footpath responsibilities by removal of the non-feasance immunity.

The actuarially estimated impact of this on annual claims costs and, consequently, premiums payable by Local Government is an increase in the range of 3 – 5.5%. Based on projected claims costs for 2001/02, this would involve an increase of up to \$825,000 per annum.

5.3 Summary of Changes

Table 5.2 illustrates the range and extent of changes that have taken place in the roles, responsibilities and requirements for Queensland Local Government over the last ten to fifteen years.

Most of the changes have been introduced from the mid 1990s.

Table 5.2: Changes in Local Government Roles and Responsibilities

General Function	New Requirements	Expanded Responsibility	Devolved Function
General Public Services	Corporate/Operational Plans, Annual reports, Pecuniary Interest Register, Delegation Register, Gifts/Donations Register, Public Benefit Test, Competitive Neutrality, FBT, GST, Accrual Accounting, Internal Audit Committee, EEO, Freedom of Information, Privacy Act, Enterprise Bargaining, Quality Assurance, Public Records Act 2002	Local Law Review, Electoral Boundary Review, Powers of Entry, Workplace Health & Safety	
Public Order & Safety	Speed Limits Residential Areas, Swimming Pool Fencing, Pest Management Plans, Dangerous Dogs, Nuisance Wildlife, Pest Fish, Public Space Management including security systems and services, Recreation Vehicles,	Management Plans for Reserves, Stock Route Management Plan Coordination, Pest Management non-Council Land, Wild Dog Control, NDRA Flood Mitigation, Rural Fire Protection, Counter Disaster Management, Community Organisation Indemnity	Clean-up of spills (proposed), Nuisance Regulation, Fire Safety for Budget Accommodation, Dangerous Goods Regulation
Health & Education, Social Security and Welfare	Child Care Accreditation, Disability Action Plans, Anti-Discrimination	Drug/Alcohol Programs, Immunisation, Mosquito Control on Crown Land	
Housing, Community Amenities, Planning, Protection of Environment, Recreation & Culture	Annual EPA Reporting, Waste Management Reporting, Waste Management Strategy, Waste Tracking, Regulated Waste, Stormwater Management Plans, Native Title, Cultural Heritage, Private Certification, Vegetation Management, Residential Services Accreditation, Coastal Management Plans, Land for Wildlife, Environmental Protection & Biodiversity Conservation Act, Migratory Birds, Natural Heritage Trust, NAPSWQ, Road Corridor Management, Prostitution Act, Gaming,	Planning Scheme Process, Consultation Requirements, Regional & State Interests, RPACs, IDAS process, Infrastructure Charges Plans, Rate Rebates for Conservation, Covenants for Conservation, Acquisition of Land for Environmental Purposes, Affordable Housing, Heritage, Beach Protection, Erosion Control	Licensing ERAs
Transport and Communication	Damage to Roads Policy, Mass Limits Review, Telecommunication Approvals	Road Maintenance Performance Contracts, Boat ramps, School Parking/Set-down, Other infrastructure external to State Govt. sites	
Essential Services	Licensing Requirements, Customer Service Standards (water), NCP Requirements	Environmental Standards, Asset Management Plans, Water Allocations	

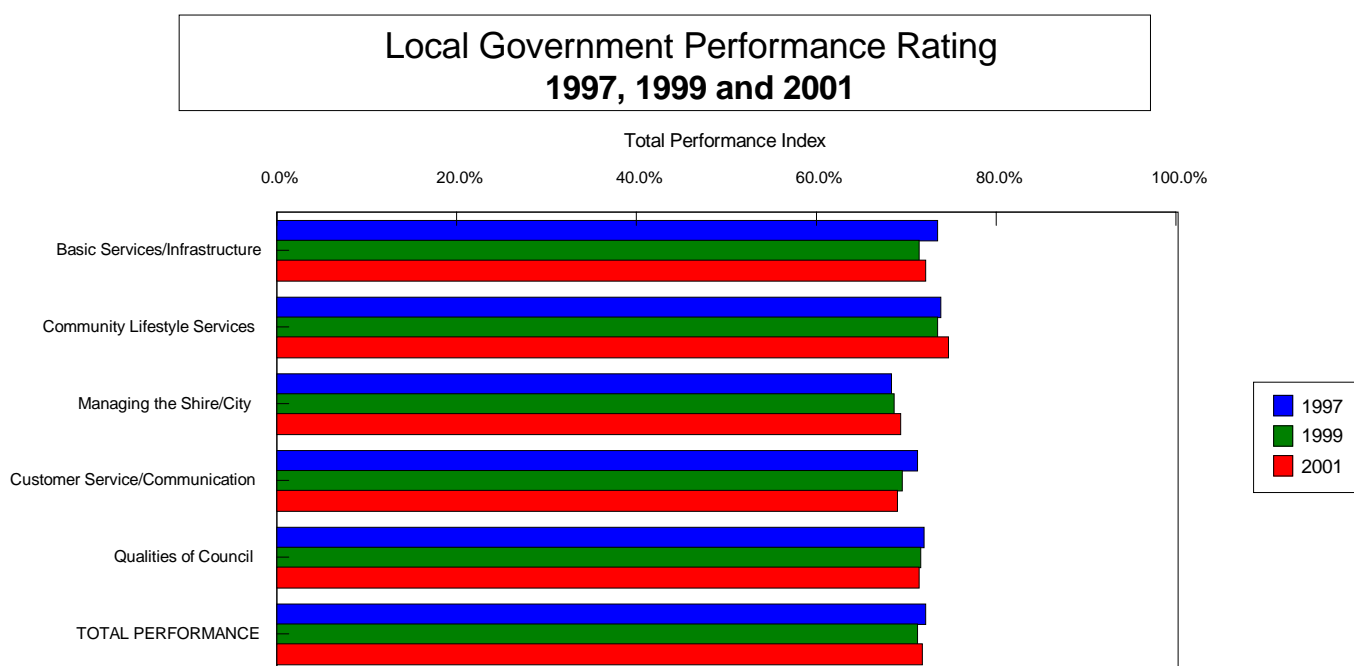
6. Scope for Rationalisation of Roles and Responsibilities

6.1 Performance of Queensland Local Government

As part of its role in servicing its members, LGAQ is constantly monitoring the performance of Councils across the State, and promoting opportunities for "best practice". Surveys of "Community Attitudes to Local Government" conducted by LGAQ in 1995, 1997, 1999 and 2001 show very high levels of satisfaction with the way in which Local Government in Queensland operates and provides services. The performance rating of Queensland Local Government across all these surveys has remained at a score of around 72%, which is regarded as quite high.

Figure 6.1 below, taken from the 2001 Community Attitude Tracking survey provides further details on the community perceptions of the performance of Queensland Local Government.

Figure 6.1



6.2 Community Perceptions of Governance Responsibilities

In the initial 1995 study, a number of questions were asked in relation to roles and responsibilities of the three spheres of government. Of particular significance to this Inquiry was the perception of greater efficiency and better performance of Local Government when compared with State or Federal governments. The community showed greater confidence in Local Government as a service provider than appears to exist for services delivered by other spheres of government. These considerations should be kept in mind when looking at rationalisation of roles and responsibilities between the spheres of government, including better use of resources and better quality services to local communities.

The 1995 survey³ also explored community views on which sphere of government should have the greatest responsibility across a range of services.

³ Community Attitudes to Local Government, Market Facts (Qld) Pty Ltd and LE Plan, June 1995

Table 6.1 provides details of the response obtained, and reveals that there are no functional areas of relevance to local communities where there is a perception that the Commonwealth should have the greatest level of responsibility. Primary responsibility for Local Government was felt to be particularly relevant to Sport, Parks and Recreation, Management of Residential and Commercial Development, Infrastructure Development and Management. Local Government's prime role also exceeded that seen for the State Government in areas such as Traffic Planning and Control, Community Development and Human Services, Generation of Local Economic Development and Employment, Public Transport, and Environmental Management and Protection.

Only in functions such as Emergency Services and Community Safety/Law and Order was the State Government identified as having a more substantial role than Local Government.

What was clear from the surveys is that there is a strong community perception of a wide functional responsibility for Local Government. The results could well be interpreted as showing greater community confidence in Local Government as a service provider for local communities than for other spheres of government.

**Table 6.1: Sphere of Government that should have greatest Level of Responsibility
(proportion of respondents identifying primary role)**

Function	Local %	State %	Federal %	Don't Know %
Sport, Parks and Recreation	79.2	14.2	1.2	5.4
Management of Residential and Commercial Development	77.5	14.7	1.6	6.2
Infrastructure Development and Management	65.6	24.3	4.6	5.5
Traffic Planning and Control	54.5	34.7	4.7	6.1
Community Development and Human Services	53.3	31.8	8.3	6.5
Generation of Local Economic Development and Employment	47.8	34.6	10.6	7.1
Public Transport	46.4	41.6	4.1	7.9
Development of Tourism	40.8	44.1	8.4	6.7
Environmental Management and Protection	39.9	34.4	18.6	7.2
Community Safety/Law and Order	37.7	47.0	9.8	5.6
Emergency Services	35.8	52.0	6.7	5.5
Arts and Cultural Development	32.2	41.4	16.2	10.2

Source: LGAQ Community Attitude Survey, 1995

Other points to emerge from this 1995 survey were:-

- A perception Local Government is more understanding and caring than other spheres of government;
- A feeling that the community is more able to influence Local Government decisions than those of other spheres of government;
- A strong view that the value-for-money received from rates paid to Local Government was equal or better than that received from the taxes and charges paid to other spheres of government.

When asked if there was a sphere of government that could be eliminated, there was no strong view that any sphere could be removed, although Local Government was the sphere of government which very few felt was unnecessary.

The strong role played by Local Government in the community was also reinforced in a recent tracking survey (July 2001). In this survey, respondents were asked who they first contacted regarding issues or concerns not related to Council services. Some 22% indicated they contacted their local Councillor compared with only 14% nominating a State Member of Parliament. A further 21% said they contacted the Council staff compared with only 12% contacting a specific government department.

6.3 *Scope for Rationalisation*

The LGAQ accepts that there are a range of functions and activities which can be provided more efficiently and effectively through Local Government involvement.

As examples, LGAQ has previously noted that individual Councils may be able to more efficiently provide maintenance services to National Parks as an extension to their local works capacity. At times it appears quite inefficient for the Queensland Parks and Wildlife service to establish its own maintenance crews and equipment, when these skills are already available within the locality.

Another example is the way in which the Wild Dog Barrier Fence is maintained in South West Queensland. At present, the Councils involved pay a precept to the State agency who then provides the maintenance gangs supplemented with State funding. A number of Councils in the region have commented that they believe they could more efficiently maintain the sections of fence within their area. However, what concerns them in pursuing such an approach is the willingness of the State to adequately provide ongoing funding for what is a facility of State significance.

These examples underline one of the key issues for Local Government. Other spheres of government must commit themselves to contractual arrangements of a long term funding nature when looking at opportunities to rationalise service delivery or devolve responsibilities. Unfortunately, the nature of Federal and State budget arrangements appears to make this difficult to achieve, with programs often being for only a three-year period.

In the past, Councils have agreed to become involved in services which may previously have been considered as the role of the State eg services for children, youth, the aged and disabled based on initial funding support. However, Councils have then seen the funding withdrawn or dramatically reduced after a three-year period. While it would be feasible for Councils to cease to provide the activity, it is always difficult at the local level to explain withdrawal from a service when the community does not have a clear understanding of roles and responsibilities between spheres of government.

Long term funding security is therefore the key issue when considering the scope for service rationalisation.

Further comments on the scope for rationalisation will be provided in the LGAQ supplementary submission to the Inquiry. Those comments will be based on the further analysis and discussion of the material contained in this submission, as well as analysis of the data obtained from the survey of Queensland Councils currently underway.

The LGAQ is keen to advance the opportunities for rationalisation of service provision, and is actively seeking to engage the State and Federal Governments in three way talks.

6.4 *Constitutional Recognition*

Local Government in Queensland has long held that the system of Local Government should be recognized in the Commonwealth Constitution. In 1985, LGAQ adopted a formal policy to this effect.

When the Constitution was formed a century ago, Local Governments covered only a limited area of the continent, they were based on property franchise, and they were so limited in their operation that they were often called Roads Boards. As such no thought was put towards recognising Local Government in the Constitution.

Things have changed. Local Governments virtually spans the whole nation, providing a wide range of community services and infrastructure, demanded through the most direct form of democracy in the nation. In fact, if the Constitution were to be written today, it would be impossible to imagine that Local Government would be ignored.

Constitutional recognition of Local Government was considered in 1998. Widespread polling at the time revealed that support for recognition greatly exceeded opposition. However given the large number of undecided citizens, it was not possible to succeed in a referendum without bipartisan support. In an unusual turn of events, this bipartisan support was not forthcoming despite strong support for Constitutional recognition on both sides of politics before the 1988 referendum was announced. Because of this, the question on Constitutional recognition of Local Government was defeated along with the three other questions posed at the time.

Local Government in Queensland seeks a statement in the Constitution that merely asserts that each State shall provide for the establishment and continuance of its own system of Local Government, which is to operate and be elected according to the laws of the State. This is a reasonable reform, being neither tokenistic nor radical.

Despite the fact that such a statement is largely descriptive of the current situation, its inclusion in the Constitution would be significant. The Constitution is the most powerful and important document of our nation, yet it can protect our federal system only by properly reflecting that federal system. As the future path of a nation cannot ever be foreseen, the best way to secure progress is to entrench the positive elements of the nation that we currently enjoy.

Another reason that Local Government recognition is not tokenistic is that it would formalise an important democratic convention. Whilst States would maintain the right to dismiss the Local Government of a particular area, they would not be able to deny the citizens of that area the right to elect a new Local Government. A State would not be able to allow a commissioner to administer a Council for an unreasonably long term.

State Constitutions can recognise Local Government, and a number already do. In Queensland's case, amendments were made to the Constitution Act in 1989. The recognition of and commitment to the continuation of the system of Local Government, combined with set procedures for the dismissal and fresh election of Councils, clearly set out the relationship between the State and Local Government in Queensland.

But this is no substitute for recognition in the Commonwealth Constitution, as State Constitutions can be changed merely by State legislation. Local democracy can only be fully protected through the Federal Constitution, as it can be changed only through referendum.

No radical change would ensue from Constitutional recognition of Local Government. State Governments would continue to have legislative authority over Local Government and the Federal Government would be granted no extra powers. No change to federal financial relations would arise from the recognition. Inappropriate High Court interpretation, so often seen as a problem with Constitutional change, would be easily avoided in this case by clearly asserting that the State maintains the right to define the Local Government system, its electoral process and its administrative powers.

Despite not involving radical change, Constitutional recognition would promote a beneficial cultural shift in the operation of the federation. Local Government would be acknowledged as a legitimate and permanent partner in the progress of the federation. With the three spheres of government working in partnership to provide services, overlap and duplication would be reduced. Moreover, by deeming Local Governments to be partners rather than servants in the federation, and by entrenching the concept of Local Governments being answerable to the electorate, Constitutional recognition would promote greater responsibility and accountability in Local Government.

7. Conclusion

This initial submission by LGAQ to the Inquiry has discussed a number of issues of relevance to the Inquiry Terms of Reference.

As noted previously, a supplementary submission will be forwarded to the Inquiry following analysis of responses to the LGAQ survey from member Councils.

The supplementary submission will include specific detail on the form, extent and cost of changes in the functions and services provided by Councils arising from new, expanded and devolved responsibilities from the State and Commonwealth Governments.

Key points made in this submission include:-

- 1. the extent to which the rate base of Councils in Queensland has been stretched beyond reasonable capacity, impacting on capacity to provide required services;*
- 2. the wider range of service responsibilities provided by Queensland Local Government in comparison with other States, and the impact this has on finances, including debt;*
- 3. the rapid population growth occurring in Queensland in comparison with Australia as a whole, and the impact this has on capacity to meet service needs;*
- 4. the impact on the roles and responsibilities of Queensland Local Government resulting from a range of legislative changes implemented by the state over the last ten years;*
- 5. the requirement for the Commonwealth to identify an enhanced revenue base for Local Government to ensure that Councils can effectively meet the needs of the communities they serve;*
- 6. the need for the Commonwealth to review its sharing of funds for Local Government across all states to ensure that they are distributed fairly in terms of both expenditure needs and revenue capacity;*
- 7. the importance of recent State funding initiatives for capital works and the need to maintain current levels of State grants in real terms per capita in the longer term;*
- 8. the importance of Commonwealth recognition of governance processes established at the regional level by States and Local Government rather than introducing new arrangements which do not effectively engage Local Government;*
- 9. opportunities for rationalisation of service delivery, but with a clear requirement for long term funding arrangements to be agreed if Local Government is to undertake an expanded role in service delivery;*
- 10. the need for the Commonwealth to amend the Constitution Act to provide recognition of Local Government;*
- 11. the inadequacy of financial data provided by the Australian Bureau of Statistics in relation to the Local Government sector in each State.*

APPENDIX A

LGAQ SURVEY OF MEMBER COUNCILS – QUESTIONNAIRE

MAJOR SURVEY OF QUEENSLAND LOCAL GOVERNMENT

ON

COMMONWEALTH INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING

This Major Survey has been developed to gather data needed to prepare a detailed and comprehensive submission to the Commonwealth Inquiry into Cost Shifting by State Government to Local Government. The information provided by responding Councils is vital to provide quantitative and empirical evidence to the Inquiry in accordance with an Action Plan adopted by the Executive of the Association.

Background

The Federal Minister for Regional Services, Territories and Local Government has asked the House of Representatives Economics, Finance and Public Administration Committee to inquire into cost shifting onto local government by state governments and the financial position of local government.

This Inquiry will include an examination of:

1. Local government's current roles and responsibilities.
2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.
3. The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.
4. Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments.
5. The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities.
6. The findings of the Commonwealth Grants Commission Review of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the views of interested parties as sought by the Committee. The inquiry is to be conducted on the basis that the outcomes will be budget neutral for the Commonwealth.

Minister Tuckey has also linked the issue of constitutional recognition of Local Government to the Inquiry.

The LGAQ is seeking an urgent response to the attached questionnaire to assist with the preparation of a submission on behalf of Local Government in Queensland.

Nothing short of your Council's future roles, responsibilities and funding could be at stake. Hence our request for your total and immediate cooperation.

The Inquiry requires initial submissions by 26 July 2002, although the Inquiry is not expected to report until mid 2003. While LGAQ will lodge an initial submission by 26 July, 2002, the data from this survey will form part of a supplementary submission lodged in August 2002.

Response to the attached questionnaire by Wednesday 31st July 2002 is therefore requested.

Council Name _____ **Date** _____

Contact Person _____ **Phone** _____

Position _____ **Fax** _____

E-mail Address _____

Q.1 Regional Arrangements (TOR 3)

Is your Council a member of a Regional Organisation of Councils?

Yes No (mark box) **If ‘yes’** name of ROC

(a) Could you please provide details of your financial contribution to activities carried out through regional arrangements (including annual subscriptions, if any) over the last five years (please include contributions to all activities undertaken through a specific regional organization, not just through a ROC (eg Economic Development Board, River Improvement Trust, etc).

Type of Regional arrangement (specify)	1997/98 \$ outlays	1998/99 \$ outlays	1999/00 \$ outlays	2000/01 \$ outlays	2001/02 \$ outlays
ROC					
Regional Dev/Tourism. Board					
Regional Community Dev. Body					
Regional Natural Resource/Pest Management					
River Improvement Trust					
Other (specify)					

(b) Do you consider there is scope for more regional level activities involving Local Government to provide enhanced outcomes and improved services for communities, including more effective use of resources?

Yes No (mark box) **If ‘yes’**, what opportunities do you consider exist:

.....

Q.2. Agency Arrangements

Could you please identify below specific **contract works** (and value in 2001/02) undertaken for State, Federal or other semi-government agencies. This relates to reimbursable works undertaken on a fee for service basis for these other bodies.

Agency	Nature of activities	Value of contracts (01/02)
Main Roads		
Dept Natural Resources & Mines		
Qld Parks & Wildlife Service		
Environmental Protection Agency		
Public Works Dept.		
Queensland Health		
Queensland Education		
Telstra		
Ergon/Energex		
Others (specify)		
Others (specify)		

Q.3. “Discretionary” Activities

Could you please identify below, specific functions and activities (and value in 2001/02) undertaken by your council, which would not normally be regarded as an activity of local government, or would typically be provided by a State or Federal agency (including corporatised/privatised organizations) elsewhere in Australia. The reason for involvement could be inadequate or non existent services.

Function	Nature of Activity	Outlays (01/02)	Revenue 01/02 (if any)
Law & Order (eg night patrols)			
Health (eg support for rural doctor, hospital funding)			
Education (eg support to some aspect of primary/secondary education)			
Welfare (eg aged care)			
Public Housing (not staff housing)			
Communications (eg television/radio)			
Roads/Transport (not Council roads or MRD contract works)			
Environment Protection (eg clean-up of chemical spills)			
Other (specify)			

Q.4 Devolution of Responsibilities (TOR 4)

The following question seeks to identify both costs imposed on Local Government through transfer from Commonwealth or State Governments [**part (a)**] as well as costs resulting from increased compliance or administrative requirements of other spheres of government [**part (b)**].

(a) Do you consider that devolution of responsibilities (ie functions transferred from the Commonwealth or State to Local Government) over the last ten years to your Council have placed an increased financial burden on your council, after allowing for any increased revenues resulting?

Yes No (mark box)

If “**yes**”, please identify below those functions or activities that you consider have been devolved from the State or Commonwealth in the last ten years and have resulted in increased financial burdens (eg environmental responsibilities, emergency services, etc).

Activity/Function	Estimated annual cost	Estimated annual income (ie fees, user charges or specific purpose grants)

- (b) Could you please identify other functions and activities where requirements of Commonwealth or State legislation have resulted in increased compliance/administrative costs for Local Government over the last ten years. Could you also estimate the additional annual compliance costs you believe are associated with each activity identified.

Activity/Function	Additional Annual Compliance cost

- (c) In relation to both the devolution of responsibilities [part (a) above] or the additional compliance and administrative costs [part (b) above], could you please estimate the number of additional staff required (if any) to meet these additional responsibilities over the last ten years.

Estimated additional staff required for (a) and (b) above:

Q.5 Rationalisation of Roles (TOR 5)

- (a) Are there any specific areas of service provision in your local area which are currently undertaken by State or Commonwealth Government departments or agencies which you feel could be better undertaken by your Council in terms of better use of resources and better service outcomes?

Yes No (mark box)

If 'yes' could you please identify the specific services or functions you are referring to.

Function/Service	Why better outcome?

- (b) Are there any specific roles of Local Government that you consider would be better undertaken by the State or Commonwealth Governments?

Yes No (mark box)

If 'yes' could you please identify the specific services or functions you are referring to.

Function/Service	Why better outcome?

Q.6 Other Issues

Are there any other issues relevant to funding arrangements for Local Government that you consider are important to bring to the attention of this Inquiry? If so, what are they.

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.....

Q.7 Other Comments

Do you have any additional comments to make in relation to this Inquiry and its Terms of Reference, or any particular points you would like to see made in the LGAQ submission to the Inquiry?

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APPENDIX B
LGAQ MOUs AND PROTOCOLS

Subject Matter	Detailed Description
Australian Institute of Environmental Health (Qld Division)	The MOU is intended to strengthen the working relationship between LGAQ & AIEH (Qld Division) in their approach to public and environmental health issues
ARR Network MOU	A Memorandum of Understanding: LGAQ and Illawarra Waste Management on behalf of the NSW Waste Boards, will work together to further develop and promote the Australian Reusable Resources Network (ARRnetwork)
Coasts and Clean Seas MOU	Coasts and Clean Seas Memorandum of Understanding between the Commonwealth of Australia, the State Government of Queensland and LGAQ
Community Development & Planning Conference Protocol	A protocol between the Queensland Local Government Community Services Association Inc and LGAQ
Dairy Produce Premises and Dairy Produce MOU	Memorandum of Understanding between Queensland Department of Health, Queensland Dairy Authority and LGAQ re inspection of dairy produce premises and dairy produce
Emergency Services/LGAQ Dangerous Goods Safety Administration **	Arrangements for shared Administration of the Dangerous Goods Safety Management Act.
Environmental Protection Agency / Local Government Protocol	A protocol detailing roles and responsibilities of the Environmental Protection Agency and Local Government in managing Queensland's environment in relation to the Environmental Protection Act 1994.
Environmental Protection (Waste Management) Policy and Regulation 2000 Administrative Arrangements	Environmental Protection (Waste Management) Policy and Regulation 2000 Administrative Arrangements
Families, Youth and Community Care Queensland Protocol	A protocol for guiding dealings between the Department of Families, Youth and Community Care and the LGAQ
Immunisation Services 1998/99 Service Agreement	A Service Agreement between Queensland Health and LGAQ re provision of immunisation services for 1998/99
Infrastructure External to State Government Sites & Non-State Schools Guidelines	Guidelines on arrangements for infrastructure external to State Government sites and non-State schools
Keep Australia Beautiful Council MOU – Adopt-a-Road	A Memorandum of Understanding for the Adopt-a-Road scheme on local government roads.
Land for Wildlife Program MOU	A Memorandum of Understanding which provides a framework for cooperation between the State Government and LGAQ for the delivery of the objectives of the Land for Wildlife program in Queensland.
Mosquito Protocol	A protocol guiding the partnership between the State of Queensland and the LGAQ for the Management & control of Mosquitos in Qld
Natural Heritage Trust Agreement of Principles	Agreement of Principles between the State of Queensland and LGAQ re management of the Natural Heritage Trust in Queensland

National Packaging Covenant	It establishes a collaborative approach between all sectors of the packaging supply chain and all spheres of government.
Partnership Protocols (ALGA)	A Local Government guide for improving intergovernment and community cooperation
Public Health Partnership Protocol	A public health partnership protocol between Public Health Services – Queensland Health, Local Governments of Queensland and LGAQ
Public Libraries Protocol	A protocol establishing roles and responsibilities of the Queensland Government and Local Government in respect of the provision and management of public libraries
Queensland Arts Council Protocol	A protocol between LGAQ and the Queensland Arts Council
Queensland Disaster Management System Protocol	A protocol between the Queensland Government and Local Government establishing their respective roles and responsibilities with regard to the Queensland Disaster Management System and the State Emergency Service (SES)
Queensland Planning System Protocol	A protocol establishing roles and responsibilities of State and Local Government in the Queensland planning system
Queensland System of Local Government Protocol	A protocol establishing roles and responsibilities of the State Government and Local Government in the Queensland System of Local Government
Regional Waste Management Planning Funding Scheme MOU	A Memorandum of Understanding between the Environmental Protection Agency and LGAQ
Roads and Road Corridors Protocol	A protocol for guiding the dealings between Main Roads and Local Governments in respect of the planning, construction, maintenance, operation and management of roads and road corridors
SEQROC	A protocol for formalise the relationship between LGAQ & SEQROC
Sport and Recreation Protocol	A protocol establishing roles and responsibilities of the State Government and Local Government in relation to physical activity through sport and recreation
Transport Services and Associated Infrastructure Protocol	A protocol for guiding the dealings between Queensland Transport and Local Governments in respect of the planning, coordination and provision of transport services and associated infrastructure
Water EPP Delegation MOU	A Memorandum of Understanding regarding authorisations under Section 128(1)(c) of the Environmental Protection Act 1994