

ROMA TOWN COUNCIL

Council Chambers
THE ROMA BUNGIL
CULTURAL COMMUNITY CENTRE
CNR. BUNGIL AND QUINTIN STREETS

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25th July 2002

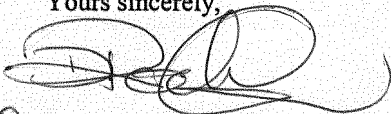
The Secretary
House of Representatives
Standing Committee on Economics
Finance and Public Administration
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam,

Please find enclosed a copy of Roma Town Councils submission into the Cost Shifting onto Local Government Inquiry. Roma Town Council formally presented this report to the Hon. Wilson Tuckey MHR on the 18th July 2002 at the Urban Local Government Association meeting in Ipswich.

Please do not hesitate to contact our Manager Economic Development for any further information on 46221266.

Yours sincerely,


Cr. Bruce Garvie
MAYOR
ROMA TOWN COUNCIL

House of representatives Standing Committee on Economics, Finance and Public Administration	
Submission No:	136
Date Received:	26/7/02
Secretary:	Badell

Submission

By Roma Town Council

For the House of Representatives Standing Committee on Economics, Finance and Public Administration's inquiry into cost shifting onto local government by State Governments and the financial position of Local Government.

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Executive Summary

This report will examine Roma Town Council's views of the cost shifting by state government onto local government. The submission will forward that there is a strong need to investigate the arrangements between State and Local Government, with a view to seeing a return of many services that have been either lost or rationalised from rural communities such as Roma with appropriate levels of financial support.

In particular the submission will focus on a number of key areas. These being:

- Roma Town Council's current roles and responsibilities;
- Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government;
- 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;
- 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;
- 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;
- And Roma Town Councils views on the allocation of Commonwealth Financial Assistance Grant.

Roma Town Council is what is known as a "doughnut" Council with the council being ringed by just one Shire Council. Its unique nature as a regional centre allows us the opportunity to afford the argument that there is a greater need for both State and Federal Government to support regions in a more appropriate manner. This report will showcase the potential for such support.

Socio-Demographic Profile

The town of Roma is situated on the crossroads of the Warrego and Carnarvon Highways. Strategically Roma is on the newly designated "Great Inland Way" which is now the shortest and fastest route between Cairns and Melbourne. The people of Roma have access to a full range of facilities and services. Roma is a community which has developed since the mid 1800's as the centre for the rapidly expanding pastoral industries as they progressed from the Eastern Seaboard. Roma is a vibrant centre of South West Queensland, servicing the Rural and Oil and Gas Industries, major State public sector centre and an ever increasing popular tourist destination.

Location

Roma is situated approximately 500km west of Brisbane, at the intersection of the Warrego Highway and the Carnarvon Development Highway. The town of Roma is situated on a bend of Bungil Creek and is approximately 300m above sea level. The local Authority of Roma encompasses the entire town of Roma and has a total land area of 78km².

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Population

The town of Roma has an approximate population of 6412, at the 2001 census. The recorded figures of the total population of Roma Town highlight the generally stable nature of the resident population based over the last decade, with a slight decline occurring since the early 90's in the order of approximately - 0.019% per annum (total population).

History

Prior to European settlement, the Mandandanji Aborigines, whose territory extended well beyond the immediate Roma area, occupied the district. In 1846 New South Wales Surveyor General Thomas Mitchell explored the region, with a large party while enroute to the Gulf of Carpentaria. After being favourably described by Mitchell, the district was descended upon by squatters eager to lay claim to the land. In the late 1840's a station was established at Mount Abundance and by the 1860's this had become a regional depot for station supplies. Up to £100.00 a day was reportedly taken at the station store, and the areas first post office was established there.

In 1862 Augustus Gregory, a Government Surveyor, was instructed to find a suitable locality for an official town near Mt Abundance. Gregory selected the present site of Roma for the regions new town. Roma was named in honour of Lady Bowen, wife of the first Governor General of Queensland, whose name prior to marriage was Countess Diamantina Georgina Roma. Roma was the first town formed after the separation of Queensland from New South Wales in 1859.

The town of Roma was gazetted on 3 September 1862, and three hotels were open for business before any dwellings were erected on the site selected for the town. Surveyor Archibald McDowall's first survey of the town delineated four streets running east - west and seven streets running north - south.

Roma steadily grew and between September 1862 and May 1867, when Roma was declared a municipality, the town had attracted the essential ingredients for a thriving community including a police station, post office, saddlery, doctor and a chemist. In 1869, just two years after the first municipal council was elected, Roma was placed eighth on a list of important towns in Queensland.

Roma's burgeoning sense of permanency was reflected in the construction of administrative, public, religious and educational buildings and the establishment of sporting or leisure organisations. The construction of Roma's first Court House commenced in 1865, on a site later known as Hospital Hill, north - west of the present building. In March of the same year, Roma's first state school was established on the site of the present South West Department of Education regional office. Council Chambers were constructed in 1871. The present cellar of the Roma Villa vineyards was constructed in 1878. By that year Roma's population had reached 1400 and sufficient building had occurred on the high ground near the courthouse for the locality to be referred to as "the West End".

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Roma's position as a regional service centre supporting a broad range of economic sectors ensures that the economic well being of the town will not be unduly affected by a downturn in any particular industry. Roma's past is evident today in a number of its buildings and significant heritage places. From its majestic old hotels and its many commercial buildings, to its modest workers cottages, and from its grand public buildings to its historic winery, Roma's built environment evokes a strong sense of the town's development. This rich character and cultural heritage should be preserved for present and future generations.

Climate

The climate within Roma and the surrounding district is sub - humid to semi - arid warm temperate. On most days the region enjoys fine sunny conditions with many winter days experiencing cloudlessness. Cloudiness is more common in the summer months. The mean annual precipitation ranges from 600mm to 800mm with two thirds of this rainfall total in the summer period. Roma is situated on the western slope of the Great Divide, 300m above sea level. Apart from the occasional storm activities, Roma and the surrounding region is sometimes subjected to heavy rainfall brought about by tropical depressions in summer.

Environment

Much of the country west of the Great Dividing Range is very dependent on Artesian water for stock watering and even human use; it is of high quality and suitable for drinking. The topography of Roma consists generally of lowland country with some areas located in the east and west of the local authority consisting of moderate sloping land and hillocks. The town is drained by Bungil Creek, which traverses north, south through the local authority. Bungil Creek, which has its headwaters to the north in Bungil Shire, is part of the Balonne system which forms part of the larger Murray Darling Catchment.

Roma's vegetation can be categorised into three types, which reflect on the associated climatic regime, topography, soils and drainage patterns. The Open Downs area contains mostly grasses such as Mitchell Grass, Queensland Blue Grass, Spear Grass, and Open Tussock Grassland. The Brigalow uplands area located to the east of Bungil Creek contains Brigalow Open Forest, in association with Belah, Popular Box or Bauhinia. The Maranoa area located along the banks of the Bungil Creek contains most silver-leaved Ironbark, Popular Box, Belah, Mulga and Cypress Pine, Open Forest to Open Woodland.

Health Services

The health services of Roma comprise of a base hospital, with a range of specialist services, a nursing home, a set of 'flying' services and other private medical/dental and specialist services.

Allied medical services such as Meals on Wheels, Blue Nurses, Red Cross and Alcoholics Anonymous (AA) are also available in Roma. In addition to the services offered by the Roma

Base Hospital, it also manages a 40-bed nursing home called "Westhaven" enabling 24-hour specialist care of the elderly.

A set of flying services operates out of Roma. The Royal Flying Doctor Service (RFDS) for general services and the Flying Surgeon Service service the South-West region and beyond. This special service provides outpatient and theatre services in Roma, Charleville and St George. In addition there are scheduled surgeries at Taroom, Miles, Goondiwindi and Emerald.

The Roma based Flying Surgeon also has to provide cover for the Longreach based surgeon. The Flying Obstetric and Gynaecology Service is based out of Roma and offers scheduled clinics in most western Queensland towns.

A number of General Practitioners also are in operation in Roma, through four private surgeries. In addition, one shared private dental surgery containing numerous dentists to meet the dental needs of Roma. Private specialist services in optometry, physiotherapy, and pathology also exists in Roma whilst two pharmacies provide access to prescription and non-prescription medication and health care products.

Family Services

Roma has a comprehensive blend of social welfare and family services offered through both community and State Government funded programs. The Roma and District Community Support Centre (Neighbourhood Centre) facilitates the operation of five community services which offer support to the Roma Community. These services are the Family and Individual Support Program, Supported Accommodation Program, Housing Resources Service, Supported Employment Program for Disabled People and Drought/Rural Support Program.

The centre also administers emergency relief funds to the community. A number of other community-based services also operate within Roma providing services for day care and children's health. Crisis and emergency assistance is also available through the Red Cross Society, Salvation Army and St Vincent De Paul.

To meet the needs of the unemployed, there is a CES agency located within Roma. In addition, assistance to the unemployed is provided to the community through the Golden West Training Scheme and Roma Skillshare. Roma is also serviced by the Queensland Department of Family Services, Aboriginal and Torres Strait Commission deal with welfare matters relating to Aboriginals and Torres Strait Islanders, Youth, Elderly and various health orientated programs. A division of the Corrective Services and Juvenile Justice is also based in Roma.

Legal Services

Roma has four solicitors, one legal aid office and one aboriginal legal service.

Retail Outlets

The historical commercial centre originally focused on McDowall Street, however following the construction of Westlands plaza on the corner of Wyndham and Bowen streets, there has been a

shift in the commercial centre of Roma with the principal commercial concentration located within the vicinity of the McDowall and Wyndham Streets crossroads. This commercial district accommodates the retailing, government, and administrative core of Roma. A number of focal points tend to dominate this core area, of which the post office is the most significant.

Roma has two Main branch Grocery Stores, Computer Stores, 24 hour Service Stations, General Hardware, Clothing, and a huge range of all types of convenience and personal stores. Roma has an extensive range of facilities, which would be found in most small cities, with retail outlets such as McDonalds, Fosseys, Woolworths, KFC, and many others.

Sport and Recreation

The town boasts a modern Recreation Centre and a 50 metre sports and leisure swimming pool. The Roma Bungil Community Youth and Recreation Centre, having full indoor facilities, makes Roma an ideal venue for inter town sporting events, regardless of the weather conditions. The Recreation Centre is also capable of seating 1300 persons, and thus in a non-sporting sense is a useful support to the Cultural Centre.

Roma has many different sporting organisations including Rugby League, Rugby Union, Basketball, Netball, Bowls, Golf, Badminton, Tennis, Soccer, Judo, Little Athletics, Drag Racing, Cricket, Softball, Swimming, Polocrosse, Ponyclub, Billiards, Darts, Equestrian, Gun, Rodeo and Squash clubs.

Recreational Activities include Lapidary Club, Computer Users, Girl Guides, Scouts, Social Dance, Painters Group, Patchwork and Quilters and Potters Group.

Financial Services

ANZ Bank (ATM)

Commonwealth Bank (ATM)

Westpac Bank (ATM)

Suncorp Metway (ATM)

National Australia Bank (ATM)

EFTPOS is available at nearly every store.

Economy

The existing and future economic development of Roma, as with most of the rural centres in the Southwest region, is linked directly with the stability and prosperity of the pastoral and agricultural sectors of the economy. Roma's principal role is as a service centre for the commercial, community, administration and infrastructure servicing needs of the Southwest region of the state. The on going prosperity and development of the town is however highly dependant on this large rural sector. The number of retailers in Roma assures competitive pricing of commodities.

Cultural Activities

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Roma has number of groups devoted to the arts. The favoured venue for local and travelling performances is the Auditorium of the Town's Cultural Centre. The centre houses the offices of the Roma Town Council and the Towns Library.

The Auditorium has an elevated stage, lighting facilities, kitchen and bar, air-conditioning/heating, and a seating capacity of 500 persons. An adjoining Arts/Crafts room is separated from the Auditorium by a sliding, dividing door, which can be opened to allow free communication between the two facilities. This Arts/Crafts room can seat 350 people, and has its own kitchen and bar. It is used often for such functions as Art Displays. All in all, these facilities make Roma an ideal convention venue.

Communications

- Australia Post Daily service.
- Telstra STD and ISD telephone and facsimilie Service.
- Local Internet Server.

Media

Roma has the facilities of the Local Paper - The Western Star, which offers a range of interesting news and sport coverage in Roma. Roma also get a wide range of papers concerning State and World News.

Roma has two local Radio Stations 1476 AM (4ZR), and 95.1 FM (Hot FM), the first being for local news and playing songs from the 60, 70, and 80's. The FM station playing the latest songs, hits, and radio shows.

Roma also has another FM based station 101.7 FM, (4RRR) which is run by volunteers. This station plays a wide range of Music.

Transport

QANTASlink Airlines service the area daily.

Daily Bus Services from Roma travel east as far as Brisbane and also travelling west as far as Longreach, Cloncurry and Townsville. QRAIL also service the area.

Government

State Schools, Department of Community Corrections, Court House Department of Primary Industries, Department of Lands, Queensland Transport, Queensland Ambulance Service, Department of Veterans Affairs, Queensland Police Service, Queensland Fire Services, State Emergency Service, Department of Education, Department of Family Services, Queensland Health, Australia Post, ATSIC, Jobs Australia, Bungil Shire Council and the Roma Town Council.

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Roma Town Council's current roles and responsibilities

Roma Town Council has in the last 12 months undertaken a comprehensive review of its organisational structure so as to streamline and increase efficiencies and effectiveness within its administrative and outside workforce.

Over the past fifteen years there has been an enormous amount of pressure from a variety of sources for the council to provide greater levels of services and infrastructure to not only its own residents but for the surrounding Shires of Bungil, Bendemere, Booringa and Surat, all of whom are less than an hours drive from Roma.

Roma Town Council in the last three years has suffered enormously from the great strain placed upon it by aging road, water, gas and sporting infrastructure. This strain has meant councils roles and responsibilities are now limited to primarily "maintenance" only.

The financial situation at Roma Town Council has seen a need for an additional \$45 million being required for infrastructure redevelopment according to an independent Department of Local Government review into Roma Town Council.

Compounding the fragile financial nature of Roma Town Council there has been the ever increasing burden placed upon it by the State Government as it "outsources" many of its roles and responsibilities.

In particular Roma Town Council has seen a growth in "social welfare" responsibilities as State Government outsource many of its responsibilities to Local Government. Roma Town Council's Community Neighbourhood Centre has now been charged with over 20 social welfare employees ranging from Domestic Violence to Crisis Accommodation, traditionally State Government employees.

Despite the fact there is a perception of these workers being less bureaucratic, there is a heavy burden on local government to take up the slack that many of these programs leave.

Given the frail nature of Roma Town Councils revenue stream, Roma Town Council is now also missing a large majority of State Government sponsored funding programs due to the need for matching funding. Many rural communities fail to take advantage of State Government programs due to the 50% required by local government to submit.

All most 80% of all State Government funding and subsidies require at least 60% top up from Local Government. Roma Town Council is currently unable to fund projects such as flood mitigation, sporting upgrades, major civil infrastructure work because of Council's inability to find the matching funding.

Current Funding Arrangements for Roma Town Council

Roma Town Council's relies completely on four sources of revenue. These being, rates of approximately 2500 residents and commercial properties, FAGS set at just above \$500,000 and a \$200,000 agreement between the surrounding Bungil Shire for maintenance of facilities jointly used by both Shire and Town Council and general grants which have over the last two years averaged around \$2 million. Without any other revenue streams because of the small size of the Council's boundaries and the lack of major industries and resources, Council provides only a basic service to its residents.

<i>Description of Grant</i>	<i>2000/01</i>	<i>2001/02</i>	<i>Total</i>
	\$	\$	\$
<i>Federal Assistance Grant</i>	515,093	515,093	1,030,186
<i>FAG Road Component</i>	114,904	118,358	233,262
<i>NCP Reform Subsidy – NCA</i>	0	55,900	66,900
<i>Employees Subsidy</i>	100,148	78,143	178,291
<i>Federation Cultural Heritage</i>	590,000	45,000	635,000
<i>Regional Solutions Grant</i>	0	250,000	250,000
<i>Library – OPAL Grant</i>	2,250		2,250
<i>State Development Business Plan</i>	15,000	0	15,000
<i>Big Rig – Premiers Grant</i>	100,000	0	100,000
<i>Dept of Sport and Recreation</i>	15,000	0	15,000
<i>Parks Subsidy</i>	12,382	15,147	27,529
<i>Veterans Affairs</i>	0	10,088	10,088
<i>RADF – Arts Qld</i>	10,306	30,360	40,666
<i>Flood Study Grant</i>	40,000	10,000	50,000
<i>Regional Flood Mitigation</i>	0	20,000	20,000
<i>SES Subsidy</i>	10,272	3,000	13,272
<i>Subsidy – Imparja Antenna</i>	16,105	0	16,105
<i>Roads to Recovery</i>	0	188,592	188,592
<i>Roads and Drainage Grant</i>	27,113	30,123	57,236
<i>Qld Mains Roads – TIDS</i>	206,001	175,450	381,451
<i>Airport – Qld Transport</i>	250,000	250,000	500,000
<i>Fuel Subsidy</i>	13,774	15,958	29,732
<i>Water Subsidy – QDLGP</i>	122,684	0	122,684
<i>Neighbourhood Centre – RLIP</i>	0	112,500	112,500
<i>Dept of Families – CSS</i>	71,020	75,130	146,150
<i>Dept of Families – DV</i>	228,659	232,089	460,758
<i>Dept of Families – RFSP</i>	86,810	88,111	174,921
<i>Dept of Families – SAAP</i>	89,911	90,186	180,097
<i>Regional Arts Fund</i>	27,192	0	27,192
<i>Dept of Youth</i>	0	1,500	1,500
<i>Emergency Relief</i>	28,658	26,331	54,990
<i>Queensland Health – HACC</i>	55,661	60,443	116,104
<i>Disability Services – SEP</i>	13,7785	137,260	275,045
<i>Disability Services – CBF</i>	41,250	117,259	158,509
<i>DET – MAP</i>	16,970	13,621	30,591
<i>DET – CEAP</i>	15,848	15,848	31,696
<i>Community Housing Qld State</i>	73,055	70,700	143,755

Community Housing	126,785	0	126,785
Total	3,160,643	2,863,192	6,023,835

Most grants received from both State and Federal Governments over the last two years have been mostly linked to projects that assist ex state government services such as domestic violence, crisis accommodation and disability services.

Capacity of Roma Town Council to meet existing obligations

Roma Town Council is increasingly struggling to meet a growing level of obligations being placed upon it from an ever aging infrastructure.

The Queensland Local Government Department has recently reviewed Roma Town Council's capacity to fund its obligations in regard to its own infrastructure and service delivery. Attachment B highlights the levels of monies required to fund the aging infrastructure and services over a period of 10 years. The review highlights a need for up to \$45million over the next ten years on top of existing expenditure.

Scope for rationalising of roles and responsibilities

Roma Town Councils sees a strong need to look to a regional approach to the delivery of many programs that have either been placed in the hands of local government or that have been taken away due to centralisation of services to bigger cities.

The management of a number of state government services have been either rationalised or centralised. In particular they have been taken out of the hands of those at the coal face.

Management of many services such as Ambulance, Police and Health have over a number of years lost their uniquely "local" perspective. Previously many government instrumentalities had a strong local management and accountability mechanism that ensured that services were provided in a more efficient and effective manner. For example the Ambulance was managed by a local Ambulance Board that would be made up of community members who were accountable to the community for service delivery.

In today's age, accountability for ambulance services have been taken out of towns like Roma and placed with "faceless" bureaucrats in larger urban centres.

The key mechanism to solve this issue is to reverse the trend and to reintroduce localised accountability and management mechanisms. The most efficient way to do this through a regional approach.

Using the Marahoa region for which Roma sits in as an example, it would be entirely feasible for a regional management board to govern instrumentalities such as Ambulance and Police. These services in particular require a local element for the effectiveness of service delivery.

Roma Town Council does not believe in the same approach for education. For the sake of uniformity across the state it is important to centralise activity. We put forward that the current arrangements being advanced by Queensland Education with a strong emphasis on regional offices provides levels of service that is appropriate.

Other areas that need to be addressed include the provision of 50% grant and subsidies. Primarily if government see a strong need for a service or infrastructure to be funded there should be mechanisms for discretion in overriding the requirement of the 50% rule.

For example there has been a number of examples when because of Roma Town Councils financial situation we were unable to fund the 50% required for a project that provided enormous benefit for residents. These projects have on a number of occasions been more beneficial and sustainable compared to projects that have been funded by the State Government because the other local government's could afford the 50% matching requirement.

This scenario happens extensively under the current arrangements. An equity provision is vital to ensure that this does not occur.

Commonwealth Grants Commission Review

Introduction

This submission identifies a number of matters which, in the opinion of Roma Town Council results in an inequitable allocation of the Financial Assistance Grants (FAG) to the Roma Town Council.

The submission also includes comments on matters raised in the Queensland Local Government Grants Commission (QLGGC) information booklet dated 30 January 2002.

Attached to this submission is a detailed submission forwarded to the previous QLGGC in February 2001 (Attachment A). This provides further background on concerns and should be read in conjunction with this current submission. As the attached submission concludes, the current Queensland methodology does not produce what would be considered as equitable outcomes for Roma Town Council.

The current QLGGC methodology has a number of aspects which, taken together disadvantage Councils of the nature of Roma Town Council. The key issues for urgent review appear to be:

1. The use of a very high constant in the calculation of the Services Expenditure need;
2. The relatively low contribution to expenditure need of these three Councils of the Regional Role disability factor. The LGGC should further investigate this factor to develop a

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disability factor that properly reflects the additional expenditure needs of a Council with a major Regional service role;

3. The extent to which the isolation factor and its application is driving the assessment of Service Expenditure need, with potential to over-compensate some smaller and remote Council;
4. The inadequacy of the current Road Network factor in assessing the road expenditure needs of these Councils. The LGGC should review these factors for councils of the nature of Roma Town Council.

Roma Town Council consider the overall methodology requires a substantial review to achieve equitable outcomes across all councils in the state. The current review will not achieve an equitable distribution of available funding if only minor changes are made to the methodology used by the previous QLGGC.

Background to concerns

As background to our concerns, Tables 1 and 2 provide details of the grants being received by Roma, Dalby and Goodiwindi Town Councils and their neighbouring rural shires. Charters Towers and its neighbour Dalrymple are included because of the similar structure.

Table 1 shows that there are a number of neighbouring shires which would receive over \$1000 per capita of Commonwealth Financial Assistance compared with the State average of funding of \$70 per capita under full implementation of the current Queensland methodology. On the other hand, the four town/city councils would receive \$66 per capita, less than the average of available funding.

The figures illustrate that the four councils are not being adequately recognised for the wider regional service role.

Table 1: Comparison of Grant Outcomes

	<i>FAG 1995/96</i>	<i>FAG 2000/01</i>	<i>"Raw" FAG</i>	<i>IRG 2000/01</i>	<i>Popin</i>	<i>"Raw" " FAG/ capita</i>	<i>"Raw" FAG + IRG/ Capita</i>
<i>Bendemere</i>	\$659 369	\$1 498 616	\$1628 861	\$249 684	1037	\$1 571	\$1 812
<i>Booringa</i>	\$1 377 261	\$1 854 507	\$1 641 409	\$716 360	1927	\$852	\$1 224
<i>Bungil</i>	\$977 861	\$2 118 889	\$2 304 211	\$568 708	1995	\$1 155	\$ 1440
<i>Dairymple</i>	\$1 466 295	\$2 100 295	\$2 734 037	\$999 824	3545	\$771	\$1 053
<i>Inglewood</i>	\$664 391	\$977 046	\$1 127 975	\$337 975	2825	\$399	\$519
<i>Tara</i>	\$1 070 041	\$2 457 829	\$2 899 597	\$619 995	3635	\$798	\$968
<i>Waggamba</i>	\$1 206 202	\$1 671 050	\$1 892 567	\$528 145	2736	\$692	\$885
<i>Wambo</i>	\$973 093	\$1 280 604	\$1 546 658	\$620 917	5381	\$287	\$403
TOTAL	\$8 394 513	\$13 958 544	\$15 775 315	\$4 641 107	23081	\$683	\$885
<i>Charters Towers</i>	\$856 937	\$ 1070 630	\$671 735	\$ 124 424	9017	\$74	\$88
<i>Dalby</i>	\$572 855	\$667 649	\$475 000	\$127 894	9835	\$48	\$61
<i>Goondiwindi</i>	\$340 868	\$418 034	\$228 000	\$55 344	4367	\$52	\$65
<i>Roma</i>	\$476 298	\$559 067	\$167 000	\$114 753	6569	\$25	\$43
TOTAL	\$2 246 958	\$2 715 380	\$1 541 735	\$422 415	29788	\$52	\$66
STATE TOTAL	\$144 820 784	\$169 729 322	\$169 729 322	\$76 057 679	3512356	\$48	\$70

When the change in the distribution of funding is examined as shown in Table 2, the problem with the methodology is further apparent.

The table shows that a number of neighbouring rural councils have had grant increases of over 100% since 1995/96 against a background growth in available funding of only 17%.

On the other hand, the four councils have only received funding increases in line with the average growth, primarily as a result of the transitional "floor" principle.

Had the "raw grant calculated by the LGCC methodology been implemented, the four councils would be receiving from 17% to 65% less than they received in 1995/96 even though the available pool of funds increased.

Table 2 Growth in Grant 95/96 to 00/01

	<i>FAG 1995/96</i>	<i>FAG 2000/01</i>	<i>"Raw" FAG</i>	<i>Actual FAG growth 95/96 to 00/01</i>	<i>Growth 95/96 to 00/01 if "raw" grant</i>
<i>Bendemere</i>	\$659 369	\$1 498 616	\$1 628 861	127%	147%
<i>Booringa</i>	\$1 377 261	\$1 854 507	\$1 641 409	35%	19%
<i>Bungil</i>	\$977 861	\$2 118 889	\$2 304 211	117%	136%
<i>Dairymple</i>	\$1 466 295	\$2 100 003	\$2 734 037	43%	86%
<i>Inglewood</i>	\$664 391	\$977 046	\$1 127 975	47%	70%
<i>Tara</i>	\$1 070 041	\$2 457 829	\$2 899 597	130%	171%
<i>Waggamba</i>	\$1 206 202	\$1 671 050	\$1 892 567	39%	57%
<i>Wambo</i>	\$973 093	\$1 280 604	\$1 546 658	32%	59%
TOTAL	\$ 6 928 218	\$11 858 541	\$13 041 278	66%	8
<i>Charters Towers</i>	\$856 937	\$1 070 630	\$671 735	25%	-22%
<i>Dalby</i>	\$572 855	\$667 649	\$475 000	17%	-17%
<i>Goondiwindi</i>	\$340 868	\$418 034	\$228 000	23%	-33%
<i>Roma</i>	\$476 298	\$559 067	\$167 000	17%	-65%
TOTAL	\$2 246 958	\$2 715 380	\$1 541 735	21%	-31%
STATE TOTAL	\$144 820 784	\$169 729 322	\$169 729 322	17%	17%

As previously discussed, some mechanism must be found to adequately address the inequitable treatment being received by these four councils, and in particular to provide support for the essential regional service role provided.

Comments on QLGGC Information Paper

The QLGGC Information Paper seeks comments on a number of issues. The following comments are provided.

Data Availability

The lack of relevant and reliable data has become an increasingly significant problem, partly as a result of changes in ABS collections.

The Retail Sales data used by the QLGGC dates from 1992, and its continued use is no longer appropriate. As noted in Attachment A, the use of residential retail sales as a component of the revenue capacity for Roma Town Council results in an increase in revenue capacity as a result of this aspect of a regional role far in excess of the associated calculation of regional role expenditure needs.

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While personal income data may be a relevant factor in determining revenue capacity, it is possible that there is a variation in accuracy of this data by type of Council (eg urban versus rural) as a result of variations in the proportion of wage and salary earners.

It may be possible to overcome this problem by separate calculations of urban versus rural revenue capacity. This may allow use of factors of specific relevance to the capacity to raise revenue (eg value of agricultural production could be the main driver of rural revenue capacity while personal income and number of rateable properties may be the main drivers of urban revenue capacity).

While such options should be considered in this review, it is not possible to comment on the effectiveness of such changes without seeing the results produced.

Use of Disability Factors

As Attachment A shows, this is a major concern for Roma Town Council.

The disability factors used for the regional role do not appropriately assess the expenditure needs of Roma Town Council.

The main concern however is the substantial weighting to rural expenditure needs produced by use of the isolation factor. This requires a comprehensive review. There is no justification for the current isolation factor as a rural and remote council costs are not driven by the same factors as the construction cost index used for this calculation.

What is a further compounding in this anomaly of the present methodology is the substantial constant in the services needs formula (greater than \$900,000), which effectively acts as a diseconomy of scale factor further compensating rural and remote councils at the expense of urban councils. There is little justification for such a diseconomy of scale factor as there are very few councils where the council size is not a policy of choice (councils could choose to join with others to overcome this concern, either through amalgamation or through joint arrangements and resource sharing). The result has been a rewarding of inefficiency through the FAG process, rather than a distribution of funding to meet policy neutral need.

This a key issue for this review, and one that must be properly addressed.

There would be merit in greater desegregation of the expenditure assessment into key components rather than lumping together to produce one service expenditure assessment. This would provide councils with more information against which to assess the adequacy of the assessment.

This also raises the question on whether administrative costs should be assessed relative to the expenditure needs to provide the basic range of services rather than the way in which this is assessed at present. The approach adopted has a major impact on the size of the constant obtained using a regression approach, as it is the general administration function which appears to

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result in a high regression constant, presumably as a result of policy choice rather than as a result of need. Administrative costs should in reality be related to the size of the business undertaking and need for specific local government services.

SPG Inclusion

Inclusion should only be used for those grants that are provided to meet the normal range of local government services. In this context, the IRG should be fully treated by inclusion as it is provided to assist in meeting road needs. The general revenue component also assesses road need, and the use of inclusion therefore adjusts the grant outcome to the extent that this need has been partially met. However, there are some grants that may only be relevant to small number of councils, whether regional centres or rural and remote councils. It would be an anomaly if the expenditure of a few councils involved in a function or activity was used to create a standard for all councils, and then the grant was treated by inclusion.

The QLGGC must therefore be careful in treatment of grants by inclusion to ensure that these grants apply to functions undertaken (or required to be undertaken) by all councils included in the assessment of expenditure needs.

Further comment on this can only be made in relation to the approach suggested for each expenditure function and grant element.

Calculation of Road Expenditure Requirements

As attachment A reveals, the calculation of the road network factor must be seriously questioned. The result for Roma Town Council from the change implemented between 99/00 and 2000/01 was substantial reduction in road needs which could not be justified. This was clearly a result of an inadequate methodology but was responsible for a drop in the underlying "raw" grant of up to \$240,000.

There is a need for a full review of this component of the analysis and a greater matching of the assessment with the asset management needs of councils based on the location specific needs. Further development of asset management systems for council roads is proposed and this may assist in a more effective calculation of road needs.

A complete review of this aspect of methodology is necessary, including greater transparency in the methodology used to develop a single road network disability factor. It may be more appropriate to develop assessments for each classification of road, rather than showing only the end result which does not give confidence that equitable outcomes are being achieved.

Stability and Predicability

Most councils would support the concept of greater stability and predicability of grant outcomes. However, the first requirement is to achieve equitable grant outcomes.

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It is the view of Roma Town Council that the current methodology does not result in the equitable calculation of equalization needs, and that the concept of stability and predicatability should not be used as an excuse to avoid a major review of methodology leading to substantial changes in outcomes. Roma Town Council has suffered as a result of an inadequate methodology, and faced the prospect of substantial grant reductions over time because this review has taken so long to be implemented. Other councils have received what can only be termed excessive increases in grants.

The fact that the outcomes are now so significantly skewed must not result in a reluctance to implement appropriate changes. There will be phase in methods to minimize impacts, but these should only be developed following assessment of equalisation requirements based on an appropriate methodology.

Identified Road Grant

In principle, Roma Town Council support the concept of a needs based assessment for the IRG rather than the simplistic approach currently used which appears to result in an over-weighting of road lengths. This advantages councils with large lengths of unformed roads, with little traffic and low maintenance costs.

However, as previously noted, the current road needs methodology is inadequate. Implementation of this change using the current road methodology would disadvantage Roma Town Council.

While it is considered that an adequate method to calculate relative road need should be possible, if this does not eventuate, then retention of the population/road length approach would be an option provided a greater weighting towards population was achieved as a reflection of traffic volumes and need for higher road standards. This would require some analysis to develop and appropriate weighting.

Scaling Back

The submission at Attachment A sets out concerns regarding the scaling back approach.

This is partly a result in the way in which expenditure standards are developed. The impact of this aspect of the methodology could be reduced by getting closer match between the expenditure and revenue components of the balanced budget assessment.

The way in which capital expenditure need is currently assessed may be one of the problems. The use of depreciation in the current expenditure assessment may be an option to consider given the change to accrual accounting.

At this point, Roma Town Council's preference would be to use the simple proportioning of grant funds to match the assessed equalisation needs of each council as currently used by all other LGGCs rather than the QLGGC approach.

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Result of Commonwealth Review

The outcome of the Commonwealth review will be important in guiding the current QLGGC review. It is important that the Commonwealth requirements are known before it is finalised as these could influence approaches taken on aspects of methodology.

Conclusion

As noted above, Roma Town Council is extremely concerned in relation to the inadequacy of the current QLGGC methodology. It is our belief that the methodology used by the previous LGGC has not appropriately recognised the regional role performed and the associated expenditure needs of Roma Town Council.

However, the inadequacies in the current methodology go far beyond the treatment of regional roles. This points to a need for a major review of the methodology rather than simple updates of current approaches. The important concept is the equitable distribution of the limited funds available to support councils.

ATTACHMENT A
PREVIOUS SUBMISSION TO QLGGC
FEBRUARY 2001

SUBMISSION
BY
DALBY, GOONDIWINDI AND ROMA TOWN COUNCILS
ON
INEQUITY OF FINANCIAL ASSISTANCE GRANT
OUTCOMES

February 2001

1 Introduction

This submission has been prepared by Dalby, Goondiwindi and Roma Town Councils with the assistance of Morton Consulting Services Pty Ltd. The submission identifies a number of matters which, in the opinion of the three Councils, results in an inequitable allocation of Financial Assistance Grants (FAG) to these particular Councils.

While the three Councils believe that the actual grants currently being received are inadequate, they are alarmed at the actual grant entitlement calculated by the Queensland Local Government Grants Commission (LGGC), before application of the grant loss principle. Given the review of the Financial Assistance Act being carried out at the present time, the three Councils believe that it is a matter of some urgency for the LGGC to review the methodology as it relates to the three Councils to ensure outcomes that have some reasonableness in providing an equitable grant calculation for each of the three Councils.

2 Comparison with Similar Situations

The three Councils have noted their unique situation as the only town councils in Queensland. This results in a situation where the town plays a key service role for surrounding shires. It has been this issue in particular which has raised concerns that current FAG funding may not adequately recognise the additional expenditure needs associated with the service centre role.

Because there are few Councils of a similar nature across Australia, it is difficult to provide a like-with-like comparison to give some insight into the extent of any possible inequity in the Queensland LGGC approach to funding these three Councils. The following table provides a comparison of generally similar situations based on the National Office of Local Government's (NOLG) reporting. The FAG outcomes for the three Councils are shown for both the actual (phased maximum reduction) grant and the underlying "raw" grant based on the Queensland LGGC methodology without capping of reductions.

Under the Australian Classification of Local Governments, the three Councils are termed Urban Regional Small (URS). The only other Queensland Council which could be regarded as similar within this category is Charters Towers (population 9000). Other Queensland URS Councils are much larger but some have been included in the following table to provide relevant Queensland background. The 1998/99 figures provided in the NOLG 1997/98 Report have been used for the comparison. Only the General Purpose FAG has been used in this analysis.

Table 1 shows that two of the three Councils (Roma and Goondiwindi) were receiving around the average FAG (\$73 per capita) for the group of URS Councils shown. Dalby received less than the average. This is on the basis of the "capped" grant not the grant calculated by the LGGC methodology. It should also be recognised that the average in Table 1 is pulled down substantially by inclusion of a number of other Queensland Councils. The average for the non Queensland Councils in Table 1 is \$83 per capita.

Table 1 also provides details of the "raw" or model grant calculated by the LGGC prior to capping the maximum grant reduction. For each of the three Councils, the "raw" grant is substantially below the average for the group of "similar" Councils. In the case of Roma, the calculated grant from the raw model at \$25 per capita is around one-third of what might be anticipated by comparison with similar Councils.

Given that the "raw" grant is what is calculated by the LGGC when applying the underlying methodology, it is reasonable to conclude that there is evidence that the current methodology does not produce reasonable and equitable outcomes for the three Queensland Councils under consideration.

Table 1: Comparison of FAG Outcomes - Selected URS Councils

Council	Population	Area (sq km)	FAG 1998/99	FAG/c
Tennant Ck (NT)	3,808	0	\$238,153	\$62.54
Goondiwindi (Qld) (actual)	4,367	16	\$418,034	\$95.73
Goondiwindi (Qld) (model)	4,367	16	\$228,000	\$52.21
Narrogin (WA)	4,811	11	\$490,233	\$101.90
Northam (WA)	6,529	24	\$634,640	\$97.20
Roma (Qld) (actual)	6,569	78	\$559,067	\$85.11
Roma (Qld) (model)	6,569	78	\$167,000	\$25.42
Glen Innes (NSW)	6,570	69	\$821,620	\$125.06
Deniliquin (NSW)	8,570	130	\$1,155,696	\$134.85
Charters Towers (Qld)	9,017	41	\$1,070,630	\$118.73
Dalby (Qld) (actual)	9,835	49	\$667,649	\$67.89
Dalby (Qld) (model)	9,835	49	\$475,000	\$48.30
Casino (NSW)	11,700	91	\$1,007,980	\$86.15
Pt Lincoln (SA)	12,609	30	\$907,265	\$71.95
Albany (WA)	16,440	37	\$904,117	\$54.99
Grafton (NSW)	18,190	80	\$1,246,428	\$68.52
Maryborough (Qld)	24,831	1,151	\$1,335,005	\$53.76
Gladstone (Qld)	26,595	128	\$1,104,751	\$41.54
Average	11,363	129	\$837,418	\$73.70

Source: 1997/98 National Report, NOLG

The inequity in the current methodology is further illustrated by comparing the relatively advantaged situation of the neighbouring shires against similar councils elsewhere in Australia.

Table 2 provides details. The 2000/01 FAG has been used for the Queensland Councils because of the substantial growth for each of these shires in the last two years as a result of removing the upward cap. The changes in other states are relatively small, so the comparison provides a reasonable distinction between Queensland results for Rural agricultural Councils and the results in other states

with similar councils. The group of comparison councils has been chosen to provide an average population size and average area similar to the group of Queensland councils.

Table 2: Comparison of FAG - Selected Rural Agricultural Councils

Queensland Councils	Population	Area (sq km)	FAG 2000/01	FAG/capita
Bungil (Qld)	1995	13302	\$2,118,889	\$1,062
Waggamba (Qld)	2736	13835	\$1,671,050	\$611
Wambo (Qld)	5381	5695	\$1,280,604	\$238
Bendemere (Qld)	1037	3941	\$1,498,616	\$1,445
Tara (Qld)	3635	11176	\$2,457,829	\$676
Inglewood (Qld)	2825	5862	\$977,046	\$346
Booringa (Qld)	1927	27793	\$1,854,507	\$962
Average Qld Shires	2791	11658	\$1,694,077	\$607
Other States	Population	Area (sq km)	FAG 1998/99	FAG/capita
Yilgarn (WA)	2286	30720	\$488,169	\$214
Mullewa (WA)	1331	10707	\$227,396	\$171
Kulin (WA)	1037	4790	\$294,594	\$284
Victoria Plains (WA)	1038	2563	\$155,350	\$150
Flinders Rangers (SA)	1918	4144	\$518,165	\$270
Brewarrina	2200	18874	\$957,688	\$435
Lake Grace (WA)	1732	9245	\$386,607	\$223
Southern Mallee (SA)	2264	5683	\$428,414	\$189
Balranald (NSW)	2950	21418	\$897,488	\$304
Bogan (NSW)	3210	14610	\$1,023,112	\$319
Warren (NSW)	3700	10860	\$839,052	\$227
Mulwaree (NSW)	5870	5207	\$795,656	\$136
West Wimmera (Vic)	5336	9093	\$894,000	\$168
Average Non Qld Shires	2682	11378	\$608,130	\$227

Source: Qld LGGC Annual report and NOLG National Report 1997/98

The table reveals that the group of Queensland councils neighbouring the three town councils making this submission receive an average FAG of over \$600 per capita. Wambo with the largest population and small area relative to the group average receives the lowest per capita grant at \$238 while Bendemere receives the highest at \$1,445 per capita.

For the other States, the average FAG is just over one-third at \$227 per capita. The lowest is Mulwaree in NSW at \$136 per capita which has a similar population and area as for Wambo. The highest FAG for the group is for Brewarrina in NSW at \$435 per capita. What is apparent from the analysis is that the Queensland FAGs are substantially higher for rural councils of this category as well as showing a wide variation in what might be regarded as similar situations. The FAG for similar councils in other states moves in what would be considered a more reasonable and acceptable range.

While it is not the purpose of this submission to debate the merits of grants to councils other than the three Town Councils, the analysis does suggest that there is a major problem with the current methodology of the Qld LGGC. It would be very difficult for any reasonable person to consider that the results are equitable in terms of the distribution of the limited financial assistance available.

3 Revenue Capacity Assessment

One possible concern with the current methodology is that the inclusion of retail sales in the assessment of revenue capacity may disadvantage town councils servicing surrounding shire populations. This could occur if the additional revenue capacity assessed by this service function was not adequately balanced by the assessment of expenditure need to service the regional role.

Table 3 examines the components of the rate revenue assessment used by the LGGC.

The most dominant factor in deriving the revenue capacity is actually the gross personal income (PI) of town residents and this accounts for over 80% of the assessed revenue capacity for each of the three Councils. The residual retail sales (RTS) which is intended to reflect additional revenue capacity resulting from the service centre role accounts for less than 6% of the assessment.

Table 3: Revenue Assessment Components - 2000/01

	TRP	GVRP	PI	RTS	UCV	Rates Assessed	Actual Rates
Dalby	\$99,061	\$25,436	\$2,025,581	\$126,177	\$210,050	\$2,486,304	\$3,871,000
Roma	\$68,265	\$100,506	\$1,583,367	\$89,946	\$128,204	\$1,970,289	\$1,828,000
Goondiwindi	\$42,249	\$20,502	\$1,185,407	\$88,183	\$130,589	\$1,466,930	\$1,493,000
Dalby	4.0%	1.0%	81.5%	5.1%	8.4%	100.0%	
Roma	3.5%	5.1%	80.4%	4.6%	6.5%	100.0%	
Goondiwindi	2.9%	1.4%	80.8%	6.0%	8.9%	100.0%	

Source: Qld LGGC Worksheets

However, the additional retail sales component effectively reduces the "raw" grant for each council by over \$120,000 for Dalby and around \$90,000 for the other councils. Unless this is matched by the expenditure need associated with the service role then this would be an excessive calculation of additional revenue capacity. As the analysis later in this submission reveals, the additional expenditure need calculated for the service role is minimal.

The residents of these rural towns have relatively low incomes. Table 4 provides details of the average per capita income used by the LGGC based on ABS figures. It is recognised that the LGGC formula takes into account the reduced revenue raising capacity resulting from lower personal incomes.

In the case of Dalby, the assessed rating capacity per capita is significantly lower than for the other two Councils, as a result of the lower average per capita income.

The methodology also produces a similar outcome for each Council in terms of the percentage of personal income assessed as being available to pay general rate. The assessment results in 1.8% of personal income as the rating capacity. This is considered to be a realistic outcome, and this aspect of the methodology is regarded as not causing a problem.

Table 4: Average per capita personal income and LGGC Assessed Rate Capacity per capita

Council	Average personal income	Assessed rate capacity per capita	Assessed rate as % of personal income
Dalby	\$14,018	\$254	1.8%
Roma	\$16,777	\$308	1.8%
Goondiwindi	\$17,765	\$324	1.8%

4 Assessed Expenditure Need

Table 5 provides details of the assessed expenditure need for each Council, compared with actual expenditure, based on the LGGC worksheet.

Table 5: Assessed Expenditure Need

Council		Services	Roads	Effort Positive	Other	TOTAL
Dalby	Assessed	\$3,723,504	\$951,997	\$555,191	\$225,013	\$5,455,705
	Actual	\$2,767,000	\$1,633,000	\$559,000		\$4,959,000
Roma	Assessed	\$2,930,355	\$609,326	\$208,534	\$170,351	\$3,918,566
	Actual	\$2,594,000	\$988,000	\$266,000		\$3,848,000
Goondiwindi	Assessed	\$2,252,674	\$296,095	\$222,020	\$122,662	\$2,893,451
	Actual	\$1,631,000	\$812,000	\$200,000		\$2,643,000

4.1 Services Expenditure

As can be seen from the above table, the Services component accounts for between 70% and 80% of each Councils assessed expenditure need. Consequently, the calculation of this component has a major influence on the final grant outcome.

The Services component is made up of two factors. The first is a constant amount of \$868,346. The second is an allowance of \$307.44 per capita.

A large constant always favours smaller Councils. For example, until the population of a Council passes around 2800, the constant represents more than 50% of the Services expenditure. Around 50 Councils in Queensland have a population where the constant accounts for around 50% of this assessment. The size of the constant is an issue with the Queensland methodology and should be further reviewed.

As an example of the inequity caused by the high constant, the case of Bendemere with a population of 1000 people is informative. Using the LGGC methodology, the Council is assessed as requiring some \$1.2 million for the services category (assuming the effect of the disability factors less scaling back cause little change to the formula calculation). This compares with a services outlay of around \$500,000 based on ABS figures. This additional \$700,000 effectively increases the FAG outcome for this council by almost \$600,000, which accounts for 40% of the current grant. The overall distortion to grant outcomes caused by this one element of the methodology is therefore substantial.

The Services Expenditure assessment is subjected to an adjustment by a disability factor. For the three Councils, the disability factor adds between 12% and 20% to the raw services calculation.

However, the disability factors for Dalby and Goondiwindi are actually less than the average disability factor for all Queensland Councils (around 1.16), meaning that the Services Expenditure is not weighted upwards as a result of any relative disabilities associated with the circumstances of these Councils. In the case of Roma, the disability weighting is marginally above the State average.

Each Council considers that the regional service role represents a major additional expenditure requirement. The regional role disability factor for each Council is either 0.05 (Dalby) or 0.06 (Roma and Goondiwindi). The sensitivity of this factor in terms of the grant outcome was tested using the LGGC methodology.

If each Council was given no weighting for the regional role, the "raw" grant in each case would reduce by only \$40,000 to \$50,000. If the factor was increased by 0.05 for each Council (an effective doubling of this disability), the "raw" grant would only increase in the range \$30,000 to \$50,000. If the regional role disability factor was increased to say 30% for each of the functions where this disability factor is used, then the "raw" grant would increase by around \$270,000 for Dalby, \$190,000 for Roma and \$150,000 for Goondiwindi.

This analysis suggests that any minor adjustment of this Regional Role disability factors for each Council will not bring any significant change to the FAG outcome under the current LGGC methodology. Under the present methodology each Council is being assessed as having an additional expenditure need resulting from the service role of around \$30,000 but an increased revenue capacity of the order of \$100,000 as a result of this role.

The LGGC methodology therefore results in a grant reduction of the order of \$70,000 because of the service role rather than any increased financial assistance as might be expected.

- The current disability factors are more a matter of judgment than a quantifiable factor and it is submitted that further consideration of the adequacy of the current approach is necessary.

One problem is that it is the isolation factor which really drives the outcomes in the Service Expenditure assessment (ignoring the impact of the high constant as previously discussed), as it acts on the sub-expenditure categories with the greatest weight and is the factor with the greatest range.

It is likely that the current methodology is over-emphasising the cost of isolation on the range of service functions of many Councils. When coupled with the large constant for the smaller (and typically isolated) Councils, this may well disadvantage Councils such as Roma, Dalby and Goondiwindi. This is also an area of the methodology requiring closer examination.

4.2 Road Expenditure Need

For all three Councils, the actual outlays on roads are significantly greater than the assessed expenditure need. The LGGC changed the road network factors between 1999/00 and 2000/01. For each of the three Councils, this change (when fully factored in) results in a reduced road need assessment, accounting for around \$300,000 less for Dalby, \$100,000 for Roma and \$200,000 for Goondiwindi. This is a substantial change which is considered by the three councils as not able to be justified.

This change alone results in the "raw" grant assessment dropping by just under 80% of the change in the road assessment (eg a reduced "raw" grant for Dalby of approximately \$240,000). This would by itself account for much of the shift in the "raw" grant calculation for 1999/00 and 2000/01 for each of the three councils.

In reality, these road network "disability" factors are open to argument. The Councils require a fuller justification of the change, bearing in mind that the actual level of expenditure for each Council is well in excess of what is currently being calculated. If the current methodology which calculates these factors is not appropriate for councils of the nature of these three, then the LGGC must develop a more robust methodology. **The problem with the road network factor is a major issue requiring urgent attention.**

5 Assessed Deficit versus FAG Outcome

As has been pointed out on many occasions, one of the features of the Queensland methodology is the way in which the grant is calculated from the expenditure and revenue assessments.

In simple terms, the Queensland methodology provides a grant which, when taken together with the assessed revenue and included grants, provides each council with funding which meets a constant

proportion of the assessed expenditure need. In other methodologies, the deficit (the difference between assessed expenditure and revenue, including grants) is scaled back to the funds available (subject to the per capita minimum test).

Table 6 provides details of the deficit assessed for each Council along with the "raw" grant outcome from both methodologies. It has only been possible to estimate the outcome of the scaled back deficit approach, but it is reasonably indicative. The Commonwealth Grants Commission review has suggested a modification to the Queensland approach (introducing a standard budget result) but it has not been possible to assess the potential change.

Table 6: Deficit versus FAG outcome

Council	Deficit	FAG (Qld method)	FAG (other method)	Actual FAG 2000/01
Dalby	1,584,409	475,000	630,000	621,223
Roma	975,831	167,000	390,000	514,188
Goondiwindi	804,980	228,000	320,000	388,687

This approach to final grant allocation raises another issue. This is the degree to which marginal changes in expenditure or revenue assessments for one Council influence the FAG outcome. Every additional dollar of expenditure need assessed for an individual Council results in an increase in grant of just under 0.80 cents. Every additional dollar of revenue capacity assessed reduces the grant by \$1.

For the other methodology which scales back the deficit to the funds available, an increase in expenditure need of \$1, would result in an increase in grant of around 0.40 cents, while a \$1 increase in revenue would reduce the grant by around 0.40 cents.

6 Conclusions

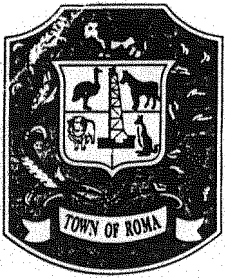
The analysis indicates that the current Queensland methodology does not produce what would be considered as equitable outcomes for these three Councils.

The current Queensland LGGC methodology has a number of aspects which together disadvantage Councils of the nature of these three Councils. The key issues for review by the LGGC appear to be:-

1. The use of a very high constant in the calculation of the Services Expenditure need;
2. The relatively low contribution to expenditure need of these three Councils of the Regional Role disability factor. The LGGC should further investigate this factor to develop a disability factor that properly reflects the additional expenditure needs of a Council with a major Regional service role;
3. The extent to which the isolation factor and its application is driving the assessment of Service Expenditure need, with potential to over-compensate some smaller and remote Councils;
4. The inadequacy of the current Road Network factor in assessing the road expenditure needs of these Councils. The LGGC should review these factors for the three Councils;
5. The appropriateness of the final allocation (scaling-back) method.

Dalby, Goondiwindi and Roma Town Councils believe that urgent attention to both the road network factor and the regional role disability factor is essential to achieve more equitable FAG outcomes for each council. This can be done without an overall review of the methodology. This would give the three councils some certainty that the existing grant levels would not reduce if the principle relating to the maximum grant reduction did not exist.

However, the three Councils consider the overall methodology requires a substantial review to achieve equitable outcomes across all councils in the state. Following the results of the 2001 State election, the three Councils will be raising this directly with the Minister.



ROMA TOWN COUNCIL

Council Chambers
THE ROMA BUNGIL
CULTURAL COMMUNITY CENTRE
CNR. BUNGIL AND QUINTIN STREETS

ALL COMMUNICATIONS
TO BE ADDRESSED TO THE
CHIEF EXECUTIVE OFFICER
POST OFFICE BOX 116
ROMA QLD. 4455
TELEPHONE 07 4622 1266
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EMAIL council@roma.qld.gov.au

Ref: BG/DCR

21st June 2002

FILE COPY

Hon. Wilson Tuckey MHR
Minister for Regional Services, Territories and Local Government
38th Floor
Exchange Plaza
2 The Esplanade
PERTH W.A. 6000

Dear Minister,

RE: GRANTS COMMISSION DISTRIBUTION

I am writing on behalf of Roma, Dalby and Goondiwindi Town Councils in rural Queensland regarding the ongoing inequitable distribution of Financial Assistance Grants (FAG).

Our three councils have over many years now continued to ardently oppose the flawed methodology used by the Queensland Grants Commission in distributing the Financial Assistance Grants, which seriously discriminates against small town Councils like Roma, Dalby and Goondiwindi. It has now come to a critical moment in this argument where our capacity to deliver and function appropriately is now being undermined.

As you may be aware Minister, our three councils are the only three areas recognised as Towns under the Queensland Local Government Act 1993. Our unique "doughnut" shape means that each of our Town Councils is surrounded by just one Shire Council (Roma is surrounded by Bungil Shire, Dalby is surrounded by Wambo Shire and Goondiwindi is surrounded by Waggamba Shire).

The current allocation of Financial Assistance Grants comparatively between Shire and Town Council based on the "Raw" Financial Assistance Grant and the Identified Road Grant (IRG) is as follows on a per capita basis:

Town /Shire	"Raw" FAG + IRG per capita
Roma Town	\$43.94
Dalby Town	\$62.07
Goondiwindi	\$61.32
Bungil Shire	\$1510
Wambo Shire	\$420
Waggamba Shire	\$879

The above statistics highlight the enormous inequity between the FAG (Raw) and IRG per capita that is provided to Shires and Towns. On an average basis the three Town Councils receive approximately \$55.77 per resident, while on average the three Shire Councils receive \$936.33 per resident.

Our argument on why discrimination has occurred is strengthened when you also take into account our Council's position as regional centres and thus the extra pressure that is applied on our infrastructure and services that are being used by neighbouring Shire residents. Not only are we receiving less monies per capita but we are now forced to increase expenditure on upgrading and maintaining infrastructure and services that invariably will be extensively used by residents of neighbouring Shire Councils.

I have also included as an attachment to this letter a copy of two joint submissions produced by the three town councils for the Queensland Local Government Grants Commission reviews undertaken in 2001 and again in 2002, which spell out in great detail our further argument why the Financial Assistance Grant discriminates against our communities.

The major concerns we have are that:

- The use of a very high constant in the calculation of the Services Expenditure Need;
- The relatively low contribution to expenditure needs of these three councils of the Regional Role disability factor.
- The extent to which the isolation factor and its application is driving the assessment of Service Expenditure Need: and
- The inadequacy of the current Road Network factor in assessing the road Network Factor

Minister, we understand your interest and passion in supporting people who live in Rural Australia and as such we implore you to take this issue on personally so as to return some equity and balance for our communities, thus allowing our Town Councils to sustain normal services. We have exhausted all options in attempting to seek address of our issues and now turn to you.

Please do not hesitate to contact me regarding any of the above issues. Both myself and a delegation of Mayors and Councillors from all the three Town Councils also look

forward to meeting with you personally on Thursday 19th July in Ipswich so as to further discuss the urgency of our issues.

Yours sincerely,

A handwritten signature in cursive, appearing to read 'B. Garvie'.

Councillor Bruce Garvie
MAYOR OF ROMA

• • Enc.

c.c Hon. Bruce Scott MHR

c.c. Hon. Howard Hobbs MLA