



LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND INC.

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

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EXECUTIVE SUMMARY

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.

This Supplementary Submission follows from an Initial Submission provided to the Inquiry in July 2002. Since that time LGAQ has completed a survey of all member Councils in Queensland. The results of that survey are included in this supplementary submission.

This Executive Summary draws on both the Initial Submission and the additional information presented in the following pages.

Key points made in the initial submission can be summarised as:

1. 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, particularly water and sewerage, of 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 need 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 requirement 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 that 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.

Cost Shifting

It is important for the Inquiry to recognise that Local Government is faced with cost increases as a result of many actions of both the State and the Federal Governments. Cost shifting may result from:-

1. Devolution/delegation of functions without provision of adequate funding support or revenue base to meet ongoing responsibilities.
2. Changes in legislation and regulatory arrangements to meet State or National policy objectives which result in additional costs at the local level without new revenue sources or with imposition of charging regimes that do not allow full cost recovery.
3. Service rationalisation by other spheres of government or the private sector that result in a gap in service provision at a local level requiring Local Government to step in to provide a level of service expected by the community.

4. Inadequate definition of community service obligations when government agencies providing a service are corporatised or privatised.

It is essential that the Inquiry looks at the issue of cost shifting in the broadest possible sense and recognises that it is actions of both the Commonwealth and State Governments that result in increased cost burdens at a local level without additional revenue sources.

Roles and Responsibilities (TOR 1)

With a general competence power under the Local Government Act 1993, Local Government in Queensland performs a diversity of functions in accordance with the needs of the particular community they serve. The Initial Submission provided details of the range of functions undertaken.

What is important to stress to the Inquiry is that it is very difficult to define a set of core Local Government functions, with others seen as discretionary. The reality is that Local Government seeks to respond to the circumstances facing their particular community. For example, economic development may become a key focus for some Councils, often as a result of inadequate servicing by other spheres of government or by the private sector. In these situations, Councils may step in to provide services such as hospitals, general practitioners, banking, postal, education, television, mobile phone services none of which might be regarded as "core" services, yet all are vital to community wellbeing and prosperity. It is simply not possible for a Local Government to stand back and allow the quality of life to deteriorate as a result of inadequate provision of services generally regarded as necessary by the community as a whole.

As previously pointed out, the functions undertaken by Local Government have expanded in recent years in response to the needs and expectations of communities.

Current Funding (TOR 2)

As pointed out in the Initial Submission, the real level of general rates per capita in Queensland has increased significantly over the last twenty years. This has been necessary to meet the needs and expectations of the community. Funding support from the Commonwealth and State has not kept pace with the expenditure needs of Local Government, pushing a greater share of the revenue requirements on to the narrow rate base of Councils. It is essential for the Commonwealth to identify ways in which it can provide a growth form of financial assistance to Local Government. A real terms per capita increase in Commonwealth financial assistance is insufficient to meet community needs, including higher service standards resulting from policy objectives of other spheres of government.

While Queensland Councils are fortunate in having a flexible legislative base around which to fine-tune its revenue raising, unfettered by mechanisms such as rate capping, the reality is that most Councils do not have access to other funding sources in lieu of the primary rate base.

It is appropriate to note that rate exemptions for some Government land can also impact adversely on the revenue base of some Councils.

Recommendation 1: The Commonwealth should provide an enhanced growth revenue base for Local Government, possibly as a fixed proportion of taxation revenue (GST or other), to ensure that Councils can effectively meet the needs of the communities they serve.

Regional Opportunities to Enhance Outcomes (TOR 3)

As this Supplementary Submission shows, Councils in Queensland have substantially increased their involvement in regional arrangements over the last five years. This has resulted in outlays involving regional arrangements almost doubling in the period from 1997/98 to 2001/02. The most significant growth in funding was in relation to Regional Development/Tourism indicating the importance of local economic development in the functions of Local Government. The *Road Management and Investment Alliance* currently being implemented in Queensland (see Appendix C)

will also provide a more strategic approach to road investment decisions, allowing productivity gains by more effective targeting of funds and through economies of scale.

Regional approaches clearly offer potential for future program delivery for other spheres of government. However, it is important that both the Commonwealth and State involve Local Government when establishing regional arrangements rather than setting up separate arrangements through other non-elected community organisations.

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.

Recommendation 2: Other spheres of government should recognise established governance processes and frameworks when introducing new programs at the regional level to ensure effective coordination and integration, rather than introducing new arrangements that do not effectively engage Local Government. Such arrangements may differ from State to State.

Impacts on Finances from Changes in Roles (TOR 4)

Local Government in Queensland undertakes a significant range of activities for other spheres of government. A significant proportion of this is on a fee-for-service basis, where revenue provided meets costs involved. The LGAQ surveys reveal approximately \$80 million of contracts with government agencies, with work for Main Roads being the most significant. For a number of Councils, road reform policies have meant a reduction in road contracts and concerns have been expressed on the potential impact on local road building capacity and employment when roadwork is lost to private contractors from outside the area. For some Councils, this may result in increased costs to undertake local roadworks because of reduced economies of scale in plant utilisation.

Councils across Queensland also undertake what they regard as “discretionary” activities for other spheres of government. These are services which would normally be regarded as activities of State or Federal agencies elsewhere. The LGAQ surveys identified over \$50 million on activities considered by Councils as discretionary. Of this \$50 million, only 57% (\$29 million) was recovered by way of grants, fees or charges.

Councils also expressed concerns in relation to funding arrangements for a number of these programs. These often did not meet the full cost involved and did not provide certainty of funding over time. A number of Councils pointed to initial funding support being withdrawn after a few years, when it is then very difficult for the Council to withdraw from a service expected by their community.

The LGAQ survey also identified a further \$14.9 million involved in what were regarded as devolved activities, of which only 24% (\$3.6 million) was recovered in grants, fees or charges. On top of this, increased administrative and compliance requirements from other spheres of government resulted in a further annual outlay of \$14.2 million.

The overall financial impact of what were seen as devolved, discretionary or compliance requirements amounted to around \$80 million in annual outlays for Queensland Local Government of which revenue from grants, fees and charges provided \$33 million or around 41% of outlays involved.

Recommendation 3: Where other spheres of government identify opportunities for Local Government to undertake an expanded role in service delivery, long term funding arrangements (a minimum of 3 years) must be agreed, defining the roles of parties to such arrangements.

Rationalisation of Roles (TOR 5)

The survey of Councils indicates that there is no widespread perception of a need to transfer roles of other spheres of government to Local Government. The major functions where duplication and overlap of roles and responsibilities is a concern are human services (aged, youth, family, child) and environment protection (including natural resource management). The perception of Councils appears similar to that of the community where previous LGAQ surveys did not reveal any key functions currently not performed by Local Government where the community felt the dominant role should be at the Local Government level.

Opportunities for rationalisation do exist, including agency arrangements allowing Local Government to be delegated responsibility for specific government services and activities. The underlying issue is the need for certainty of funding if Local Government is to provide functions or services currently performed by other spheres of government. Individual Councils see particular opportunities for enhanced efficiency in service delivery through their involvement, although this relates to particular geographic and demographic circumstances.

A number of Councils have noted that differences exist in tendering requirements for Councils in relation to Commonwealth funded roadworks in comparison with State funded roadworks. A different approach by the Commonwealth is not appropriate.

Recommendation 4: While there is no evidence of a need to devolve significant State or Commonwealth responsibilities to Local Government, where opportunities to rationalise service delivery using Local Government are identified, contracts should ensure a clear identification of the roles of both purchaser and provider, and address the need for certainty of ongoing funding.

Review of Local Government (Financial Assistance) Act (TOR 6)

The LGAQ made submissions to the Commonwealth Grants Commission (CGC) Review. A copy of the LGAQ response to the CGC draft report of January 2001 is included at Appendix B of this submission. These LGAQ submissions raised a number of issues including the inadequacy of overall funding to achieve the objective of horizontal equalisation as well as the problems caused through distribution of the funds on a per capita basis between States. While these matters were not within the Terms of Reference of the CGC Review, they are relevant to this Inquiry. Without adequate revenue support from the Commonwealth, Local Government is not able to provide the range and quality of services expected by local communities. As noted earlier, this points to the need for access by Local Government to a growing revenue base, not available under current funding arrangements (see Recommendation 1).

In general terms, the LGAQ supports the findings of the CGC Review. Retention of the minimum per capita grant along with maintaining a separate pool for road funding has strong support across Local Government. Councils do have concerns in relation to the methodology used by LGGCs, and it is important that methodology is transparent, readily understood and produces outcomes which have general acceptance as reflecting an equitable sharing of the available funds. This has not been achieved in Queensland to date, and remains a concern for LGAQ. The QLGGC is currently reviewing its methodology with the objective of addressing these concerns. A draft report has been released. The LGAQ response to the draft report on the QLGGC methodology review is included as Appendix E of this submission.

Recommendation 5: The findings of the Review of the Local Government (Financial Assistance) Act undertaken by the Commonwealth Grants Commission should be implemented by the Commonwealth. The Commonwealth should also undertake a review of the inter-state distribution of financial assistance to ensure funds are distributed between States on the basis of need.

Other Matters

As noted in the Initial Submission, the policy of Local Government Association of Queensland is that there should be an acknowledgment of Local Government in the Constitution Act of the Commonwealth as a means of recognising the existence and importance of Local Government as a sphere of responsible government in Australia.

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.

Recommendation 6: The Commonwealth should amend the Constitution Act to provide recognition of Local Government.

The following sections of this Supplementary Submission, along with the LGAQ Initial Submission, provide the detailed background in support of the above statements.

LGAQ Survey of Councils Summary of Key Findings

- 83% of Councils are members of a regional organisation.
- Financial contributions to regional level activities increased from \$6.7 million in 1997/98 to \$12.8 million in 2001/02.
- Local economic development including tourism development is the most significant focus for funding regional initiatives by Local Government as well as having the greatest rate of growth for regional initiatives in the last five years.
- Some 70% of Councils identified scope for further regional initiatives capable of enhancing outcomes, improving services and more effectively utilising resources.
- Agency or contract arrangements for other spheres of government account for \$80 million in Council outlays in 2001/02, with 72% of this related to contracts for Main Roads work.
- Councils identified outlays of some \$50 million on activities they regarded as “discretionary” or not typically what they regarded as a role for Local Government. Of this, revenue from fees, charges or grants accounted for only 57% of outlays.
- Welfare activities were identified as the most significant function regarded by Councils as “discretionary”, accounting for around \$24 million of the \$50 million identified. Law and Order is also a significant “discretionary” function for Councils.
- 79% of Councils considered that devolution of responsibilities had resulted in increased costs for Councils. Functions related to Environmental Protection, Emergency Services and Planning were identified most frequently as activities where devolution had occurred.
- In 2001/02, the annual cost of what were regarded as devolved functions represented \$14.9 million with only \$3.6 million recovered in fees, charges or grants.
- Increased compliance or administrative costs from Commonwealth or State legislation account for \$14.2 million annually. The most significant compliance cost related to waste management/landfill, accounting for \$6.1 million in 2001/02.
- 353 additional staff were identified as required to meet both devolved responsibilities and additional compliance or administration over the last ten years.
- Devolved activities combined with additional compliance/administration have a net cost to Councils of \$25 million per annum.
- Only 45% of Councils felt there were specific service functions undertaken by the State or Commonwealth that would be better undertaken by Local Government.
- The greatest scope for rationalisation of roles by transferring functions to Local Government was seen in functions related to human services, environment protection and roadworks.
- Only 29% of Councils considered there were roles of Local Government that would be better undertaken by the State or Commonwealth Governments.
- The greatest scope for rationalisation of roles by transferring functions away from Local Government was seen in environment protection, human services and law enforcement.
- Funding to fully cover costs involved in devolved or delegated responsibilities, along with certainty of funding were the key concerns identified by Councils.
- The inadequacy of the current methodology for distribution of Financial Assistance Grants was a concern to a significant number of Councils.

1. Introduction

This Supplementary 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 follows an Initial Submission presented to the Inquiry in July 2002, and draws on information obtained from a survey of all Queensland Councils.

The survey provided an opportunity for Local Government across Queensland to provide input to the Inquiry. The questionnaire sought information and comment on key matters of relevance to the Inquiry Terms of Reference.

A copy of the questionnaire used to survey Councils in Queensland is included as **Appendix A** of this submission.

Appendix B provides a copy of the LGAQ submission to the Commonwealth Grants Commission Inquiry into the Local Government Financial Assistance Act. This will assist the Inquiry in relation to TOR 6.

Appendix C provides a summary of the Road Management and Investment Alliance, a cooperative initiative between LGAQ and the State. This is a key regional initiative aimed at improving the efficiency and effectiveness of road investment.

Appendix D summarises the recommendations of the LGAQ Inquiry into Road and Transport Funding. This Inquiry identified a number of initiatives required to overcome funding deficiencies impacting on the capacity of Local Government to meet requirements for road and transport infrastructure.

Appendix E provides a copy of the LGAQ submission to the Queensland Local Government Grants Commission Review of Methodology.

2. Analysis of Survey

The following section provides details of the results of the survey of Councils in Queensland. Of 125 Queensland Councils under the Local Government Act, completed questionnaires were received from 123 (with 121 received in time to be included in the quantified analysis below).

This was an excellent response, indicating the strong interest of Local Government across Queensland in matters covered by the Inquiry Terms of Reference.

It should be recognised that not all Councils have a consistent view on what functions have been devolved or what might constitute discretionary activities. In reporting the results of the survey, no attempt has been made to adjust responses to a more consistent view of what are devolved responsibilities versus what might be seen as discretionary.

Councils also have different views on what activities have required additional costs in compliance and administration. What has been important in undertaking the survey is the opportunity to obtain the perspective of Councils across the State on what they see as cost shifting by other spheres of government.

The survey results indicate that there are significant concerns within Local Government on the cost burden being forced onto Local Government without adequate funding being put in place.

2.1 Regional Arrangements (TOR 3)

Councils were first asked to identify if they were a member of a Regional Organisation of Councils.

A total of 101 respondents (83%) indicated they were a member of a regional organisation. A total of 19 separate regional organisations are listed below. Some of these operate as a sub-regional component of a broader regional body, such as is the case in the South East Queensland groups.

In addition to the regional organisations shown below, a number of Councils also identified their district association (eg South West Local Government Association) as playing a similar role at the regional level.

Regional Organisations Identified	
Border ROC	Port Curtis Alliance of Councils
Central Qld ROC	Remote Area Planning and Development Board
Eastern Downs ROC	South East Qld ROC (incl. Brisbane, NORROC, SROC and WESROC)
Far North Qld ROC	SUNROC (Sunshine Coast)
Gulf Savannah Development Organisation	South West Regional Economic Development Board
Health and Environmental Services ROC (NQ)	Western Downs ROC
Maranoa Dev. Ass. (to be known as Maranoa and District ROC)	Whitsunday, Hinterland and Mackay Bowen ROC
Mt Isa Townsville Economic Zone (MITEZ)	Wide Bay Burnett ROC

Councils were also asked to provide details of financial contribution to activities carried out through regional arrangements (including annual subscriptions, if any) over the last five years. Information was sought for all activities undertaken through a specific regional organisation, not just through a ROC (eg Economic Development Board, River Improvement Trust, etc).

Table 2.1 provides details of the results obtained. The table suggests that regional arrangements are becoming more important to Local Government in Queensland, with significant increases in the financial contributions to the various activities over the last five years.

The table shows that the total financial contributions of Queensland Local Government through activities undertaken at a regional level has increased from around \$6.7 million in 1997/98 to over \$12.8 million in 2001/02.

The most significant funding in both absolute terms and also in growth over the five year period relates to support for Regional Development or Regional Tourism Boards, suggesting a strong recognition of the importance of regional initiatives to achieve local economic development objectives.

Table 2.1: Spending on Regional Arrangements

Type of Regional arrangement	1997/98 outlays \$000s	1998/99 outlays \$000s	1999/00 outlays \$000s	2000/01 outlays \$000s	2001/02 outlays \$000s
ROC	\$622	\$844	\$936	\$1,363	\$1,867
Regional Dev/Tourism. Board	\$1,640	\$2,085	\$2,376	\$2,551	\$4,753
Regional Community Dev. Body	\$198	\$339	\$375	\$503	\$525
Regional Natural Resource/Pest Management	\$1,526	\$1,820	\$1,488	\$1,635	\$2,098
River Improvement Trust	\$1,886	\$1,976	\$1,786	\$1,750	\$1,918
Other	\$895	\$1,070	\$1,050	\$1,385	\$1,683
TOTAL	\$6,767.00	\$8,134.00	\$8,011.00	\$9,187.00	\$12,844.00

Councils were asked to identify whether they saw scope for more regional level activities involving Local Government to provide enhanced outcomes and improved services for communities, including more effective use of resources. A total of 83 Councils (69%) saw scope for more regional activities.

Table 2.2 summarises the individual responses received on opportunities for regional activities. There were a number of common themes, particularly the scope for resource sharing between councils.

Economic development, tourism and environmental matters including natural resource management were also raised by a significant number of respondents. Regional waste facilities were also raised by a number of Councils. A number of comments were made on the potential for regional arrangements to attract funding from other spheres of government.

Comment was also made on the potential to use regional arrangements to obtain more effective outcomes in relation to roadworks. The *Road Management and Investment Alliance* (See Appendix C) was noted as a step towards implementation of this opportunity.

The significant level of current participation by Councils in regional arrangements, the growth in funding commitments along with a recognition that there are still substantial opportunities to achieve better outcomes by action at a regional level indicates that regional approaches offer potential for future program delivery arrangements for other spheres of government.

As noted in the LGAQ Initial Submission, it is important that other spheres of government recognise established governance processes and frameworks when introducing new programs at the regional level to ensure effective coordination and integration, rather than introducing new arrangements that do not effectively engage Local Government.

Table 2.2 List of Council Views on Regional Opportunities

Animal control	Sharing IT knowledge	LG resources sharing and co-operation eg library purchasing, IT utility services
Art and culture, Economic development	Sharing of plant, IT, resources	LG needs to remain aware of Local responsibilities first and foremost -issues should be addressed as & when required
Collective Bargaining Arrangements for Freight/Fuel/Telecommunications	Sharing of resources, staff and plant	Assistance with EPA and Cultural Heritage issues
Expanded resource sharing in areas of training and environmental health and workplace health and safety etc	Sport and Recreation, Waste Management, Pest Management	More regional purchasing could be adopted. The sharing of resources. The joining together of Councils
cooperation on regional economic development, council sharing resources and cooperating on various projects	The waste and Recycling Working group has recently completed a study examining opportunities.	Opportunities in waste, water, Crown land management.
Councils working together should be able to find better and more informed solutions to regional problems	Areas such as Information Technology, Human Resources	Our abilities are restricted by our size and the size of our operation.
Many programs (eg family, welfare, youth) that have been placed in the hands of community organizations.	Accessing large investment dollars from the Fed and State Gov. is more attractive at a regional level	Parks and Wildlife Maintenance works
Development of IT services	Being achieved to some extent by participation of Local Governments in the ROC process.	Pest management, Building, Health and planning services
Discussion and allocation of Local Gov. compliance issues for dev. of regional models/solutions	Tourism -IT-Telecommunications-Agriculture-Water	Planning issues
Drivers license renewals/vehicle registration renewals/registration of changes in property ownership for state and local	Waste Disposal, recycling, river catchment management	Plant Sharing, Human Resource Sharing (eg EHO's, Building Inspectors), Waste Management (Super "Dumps)
Economic Development Activities, Tourism Promotional Activities, Pest Management Activities, Natural Resource Management Activities.	Waste management, Natural Management, ITC, IPS strategies could be included.	Regional economic Dev. Plant and equip sharing.
Economic development/community services, land use/transport/water management	Waste management, Planning Scheme, Local Laws	Regional Economic Development /Regional Natural Resources/Regional Health Services, Agency Arrangements
Env. issues may be more effectively dealt with on a regional scale eg waste mgt, water supply.	Water provision and facilities	Regional IT
General service delivery, eg garbage collection, regulatory functions, business support services	Water quality - catchments level -declared plant management, feral animal control	Regional Landscape strategy-regional Train Network/Regional Telecommunications infrastructure Networks/Regional Tourism Ability
GIS services	Working with other councils and government agencies can create benefits for communities	Regional Roads Group/Regional Tourism Promotion
Resource sharing particularly plant and equipment and specialist staff	Health, Education & Housing	Regional Sports and Waste Management Facilities.
Resource Sharing, Regulated Aged Care Facilities (Therapeutic)	Regional plan to clearly identify issues and enable Local Government to respond. Need downward funding from State/Federal Governments	Regional Waste Management
Resource sharing, joint purchasing, waste management	Improved co-ordination and co-operation between adjoining council to reduce duplication and recognize service provision.	Regional waste Management infrastructure, Env. Management, regional natural resource management, biodiversity and water quality
RMPC, TIDS, RPC, BMI	Infrastructure Development Planning on a Regional basis.	Regional Waste Management/Regional Economic Development
Road Works	Investigate various activities of communities and see if there are efficiency gains that can be achieved	Resource sharing (plant and labor) qualified staff could be shared
Roads Alliance for Main Roads Work only	Involvement of groups to lobby governments and departments to extend their services to the rural community	Resource sharing among smaller rural LGAs
Roadworks (APPE, SOM, RMPC)	Joint Arrangements -IT/Computers section/Tourism Promotion.	Resource sharing including both physical services and nonphysical resources
Sharing expertise/resources between larger/smaller Councils	LG in western Qld is performing many State Gov. functions. Needs state dollars and more input from local to state gov.	

2.2 Agency Arrangements (TOR 4)

The next question sought details (and value in 2001/02) of reimbursable works undertaken on a contract (fee for service) basis for various agencies. Table 2.3 provides details of the activities undertaken by Local Government on a contract basis as well as the value of contracts by agency type. Approximately \$80 million in contract arrangements was identified by Councils.

The major contract arrangement relates to Main Roads works, accounting for over 72% of the fee for service arrangements identified by Councils. Roadworks were also often the key contract element in works undertaken for other agencies. While a variety of non-road related works were undertaken, these were of a locality specific nature, generally not common across the majority of Councils.

The results suggest that very few agencies see the local capacity of a Council as a cost effective substitute for use of either their own workforce or use of private contract arrangements. Whether this is simply a result of departmental philosophies or whether optimum use is being made of the local capacity available through Local Government is unknown.

Table 2.3: Contract and Agency Arrangements

Agency	Nature of activities	Value of contracts (01/02) \$m
Main Roads	Road Maintenance/Construction	\$62.28
Dept Natural Resources & Mines	Water facilities, stock routes, flood mitigation, weeds/pest control, mowing	\$3.55
Qld Parks & Wildlife Service	Roads, NHT, car parks, park maintenance	\$0.38
Environmental Protection Agency	Design, licensing, compliance	\$0.04
Public Works Dept.	Building works, repairs, car park operations, clearing, design	\$2.27
Queensland Health	HACC, health centres, home assist, immunisation	\$1.42
Queensland Education	Car parks, plumbing, oval works, weed control	\$1.08
Telstra	Trench repairs, roads, machinery hire	\$0.28
Ergon/Energex	Tree pruning, street lighting, traffic control, repairs, graffiti removal, roads, equipment hire	\$0.83
Others (include QRail, QBuild, DOT, Emergency Services, Powerlink, Sunwater, Centrelink)	Waste disposal, flood damage, quarry material, roadworks, airport works, signs, Centrelink agency, Government agent	\$6.86
Total		\$78.99

2.3 "Discretionary" Activities (TOR 4)

The next question asked Councils to identify specific functions and activities (and value in 2001/02) undertaken by their 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 organisations) elsewhere in Australia. The reason for involvement could be inadequate or non-existent services.

Table 2.4 provides details of responses obtained.

Table 2.4 Discretionary Activities

Function	Nature of Activity	Outlays (01/02) \$m	Revenue 01/02 \$m
Law & Order	Night patrols, security services, safe city surveillance, enforcement/fines.	\$3.96	\$0.98
Health	Support for rural doctor (accommodation, salary, surgery), hospital funding, buildings, car parks, hospital seating, community health activities, helicopter rescue, immunisation, domiciliary care .	\$2.03	\$0.45
Education	Skills centre, toy library, literacy support, TAFE type courses, hostel accommodation, school set down/parking, footpaths, infrastructure, multi-purpose centres, halls, rural technology centre, high school employment program, maritime college, private school purchase.	\$2.94	\$0.58
Welfare	Aged care services, respite care, child care services, community development, youth support, transport, emergency care, aged/youth/low income housing, hostels, land, community group support (donations, administrative support, repairs).	\$23.59	\$18.71
Public Housing (not staff housing)	Pensioner units, retirement villages, low income housing, hostels, community housing.	\$5.21	\$2.58
Communications	Community radio, TV retransmission, mobile phone towers.	\$0.76	\$0.24
Roads/Transport (not Council roads or MRD contracts)	Pensioner transport, public transport, lighting on Main Roads, R2R on Main Roads.	\$1.86	\$1.04
Environment Protection	Clean-up of chemical/oil spills, erosion control, illegal dumping, tree planting, secure/manage significant conservation land, asbestos issues.	\$3.42	\$0.45
Other	Post office, beach safety, economic development, unemployment programs, airport operation, regional recreation facilities,, mosquito control, government agent, advisory services, call out to fires.	\$6.41	\$3.73
TOTAL		\$50.18	\$28.76

The table identifies over \$50 million of activities regarded by Local Government as discretionary in terms of not typically being seen as a role for Local Government, of which 58% was recovered by fees, charges or grants. While a number of these activities are funded by government agencies (eg a number of welfare programs), the net cost to Local Government of the activities identified is over \$20 million per annum. The largest “discretionary” function identified is welfare, with the net cost to Local Government for the services identified being close to \$5 million in a total outlay of nearly \$24 million.

Law and Order has become a significant function for Councils, with the net cost being in excess of \$3 million per annum of a total outlay identified of \$4 million. Significant net financial support is also provided to discretionary activities in Protection of the Environment, Public Housing, Education and Health.

With a number of these being primary responsibilities of other spheres of government, it is apparent that significant cost shifting occurs through inadequate provision of a number of these services. Councils step in to fill the gap because the services are regarded as important for their local community. This is often a significant problem for rural and regional communities, with service inadequacy being often a result of service rationalisation. It would be difficult to differentiate by sphere of government in terms of the share of the additional cost burden faced by Local Government as a result of these “discretionary” activities. However, it is apparent that the costs resulting from inadequate service provision relate to both State and Commonwealth functions.

While not all of the activities identified by some Councils would be regarded as “discretionary” in terms of the intent of this question, the responses provide an insight into different perspectives on what constitutes core Local Government activities. For some Councils, core business is still seen as being related to roads, infrastructure and property services even though a broader role in a range of human services has generally been accepted by most Councils.

2.4 Devolution of Responsibilities (TOR 4)

The next question sought to identify both costs imposed on Local Government through transfer from Commonwealth or State Governments as well as costs resulting from increased compliance or administrative requirements of other spheres of government.

Councils were first asked whether they considered that devolution of responsibilities (ie functions transferred from the Commonwealth or State to Local Government) over the last ten years have placed an increased financial burden on their council, after allowing for any increased revenues resulting.

A total of 96 respondents (79%) considered that devolution had resulted in an increased cost burden.

Councils were asked to identify those functions or activities considered to have been devolved from the State or Commonwealth in the last ten years and which have resulted in increased financial burdens (eg environmental responsibilities, emergency services, etc).

A significant list of activities regarded as devolved to Local Government, was identified by Councils. The results are summarised below by broad functional area. The activities mentioned most often were those related to the Environmental Protection Act (EPA) including Environmentally Relevant Activities (ERAs).

Table 2.5: Functions and Activities with Devolved Responsibilities

Function/Activity	% respondents identifying function
Environmental (EPA, ERAs, Contaminated Land, Landfill Standards, Vegetation Management, Dangerous Goods)	83%
Emergency Services (SES, Fire Levies, Rural Fire Brigades, Fire Safety, Disaster Management, Flood Mitigation)	60%
Planning (IPA process, IDAS, social planning, Heritage Act, Cultural Heritage)	51%
Licensing/Enforcement (Backpackers/Budget accommodation, Restricted Dogs, Nuisance Control, Food Reform, Flammable/Combustible)	39%
Land Protection (Fire Ants, Stock Routes, Parthenium Washdown facilities, Wild Dog Barrier Fence, Mosquito Control on Crown Land)	31%
Transport (Airports, de-maining of roads, boat ramps)	13%
Community Services (Housing, Youth Services, Community Development)	9%
Administration (FOI, WH&S, Enterprise Bargaining)	7%

The table indicates that the majority of Councils consider that the key functions where devolution has taken place relate to Environmental Protection, Emergency Services and Integrated Planning. While some of these activities could be regarded as expanded responsibilities as a result of legislation and community expectations, the perception of Local Government is that the State has devolved a number of responsibilities in these fields without additional funding support. As one Council noted in relation to Environmental Protection Policies *“...these policies implicate councils ... depending upon the councils locality these plans can result in significant costs to develop and then to implement. Hence, appropriate funding to plan and implement public works arising from policies should be made available.”*

A number of rural Councils commented on the transfer of Commonwealth airports to Local Government without adequate funding. One Council noted *“... the government sold profitable airports and imposed the unprofitable ones on Local Government.”*

The annual cost identified from what were regarded as devolved activities amounted to **\$14.9 million** for all Councils. The estimated annual income from fees, charges or grants for each activity identified amounted to **\$3.6 million**. This suggests that Councils perceive **an annual cost in excess of \$11 million** from what they perceive as devolved responsibilities. While the majority of devolved functions identified relate to State responsibilities, there were also a number that may be regarded as responsibilities of the Commonwealth.

Councils were also asked to 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. The additional annual compliance costs associated with each activity identified was also requested.

Table 2.6 summarises the functions and activities identified. Additional administrative functions were nominated most frequently as the key impact on costs. This was followed by activities related to environmental protection requirements of the EPA and related legislation.

Table 2.6: Functions/Activities increasing Compliance/Administrative Costs

Activity/Function	No. respondents identifying function	% respondents identifying function
Administrative (WH&S, QA, AAS27, GST, BAS, FOI, Finance Standards, Records, Registers, Ethics, Risk Management, Powers of Entry, Consultation)	56	46%
Environmental (EPA, ERA, Vegetation Management, EPPs, NRM, Lands Act, waste sites)	40	33%
Planning (IPA, IDAS, Native Title)	35	29%
Micro-economic reform (NCP, Water Reform/Water Act, Local Laws, Private certification)	33	27%
Other (Nuisance control, mosquito control, flammable/combustible requirements, TMPs, Dangerous Dogs, increased standards, food licensing)	18	15%
Emergency services (Fire levies, Hazardous material, NDRA	17	14%

As an example of the costs identified against specific activities, the following list provides estimates of the compliance costs for a number of key activities:-

Waste management/landfill compliance	\$6.1 million
AAS27/financial reporting	\$2.0 million
IPA compliance	\$0.8 million
Workplace Health & Safety	\$0.5 million

These four activities account for around 66% of the costs estimated by Councils for the compliance question.

Councils were also asked to estimate the number of additional staff required to meet these additional responsibilities over the last ten years. A total of 353 additional staff were identified by respondent Councils covering both devolved responsibilities or additional compliance and administration. While this is only an increase of 1% in the total number of staff employed by Local Government in Queensland, it nevertheless represents a substantial cost. Some Councils were concerned that increasing administrative and compliance costs were diverting resources from other services. One Council noted *“increased compliance requirements and demands from the community for Councils to get involved in providing people related services has resulted in a trend towards increased employment of indoor or office staff and less in areas of direct service delivery.”*

The total increased cost of compliance associated with the activities nominated was **\$14.2 million**. This is additional to the costs identified in the previous question relating to devolution. While some of the activities identified are the same in both questions, this is simply the perception of individual Councils on whether the activity is one that has been devolved or whether additional requirements, including those of legislation, have resulted in additional costs being carried by Local Government.

When these costs are added to the net costs identified in the previous question, it appears that Local Government is facing costs **in excess of \$25 million per annum** as a result of legislative and other changes requiring additional involvement or administration by Local Government. These legislative and related changes are predominantly related to State decisions and policies.

2.5 Rationalisation of Roles (TOR 5)

The next question asked Councils to identify whether there are any specific areas of service provision currently undertaken by State or Commonwealth Government departments or agencies which could be better undertaken by their Council in terms of better use of resources and better service outcomes. Only 54 Councils (45%) considered there were State or Federal services that would be better undertaken by Local Government.

Of the specific services or functions mentioned there was no dominant theme. The most commonly mentioned theme related to human services such as community development, aged care and youth support. Matters related to environmental management undertaken by EPA or DNR were the next group of functions most often mentioned. Taking over all road maintenance and construction was also a theme commonly identified.

Themes such as taking over police, fire services, ambulance services, education and housing did not result in a significant number of suggestions as functions to be devolved to Local Government.

It appears that individual perceptions on what might be better undertaken by Local Government depend to some degree on local frustrations with the current level of service provided to the community. There is no apparent strong desire across Local Government in Queensland to be given responsibilities for any key public service currently delivered by the State or Commonwealth.

Table 2.7: Functions/services that could be transferred to Local Government

Function/Service	No. times mentioned	% of total suggestions
Community support/development, aged and youth services	13	13.3%
Environment protection/regulation and NRM	13	13.3%
State Controlled Roadworks	12	12.2%
Hospitals/Health Services	9	9.2%
Fire service	7	7.1%
Public housing	7	7.1%
National Park maintenance	6	6.1%
Ambulance service	5	5.1%
Police services	5	5.1%
Government agent activities including drivers licence and registration	5	5.1%
Economic development, including provision of information and job programs	3	3.1%
Valuations/Titles	3	3.1%
Other regulation	3	3.1%
Education	2	2.0%
Public transport	2	2.0%
Building services/infrastructure provision	2	2.0%
Dingo Barrier Fence maintenance	1	1.0%
Total suggestions	98	100.0%

A number of Councils commented on the approach of the Commonwealth in relation to contracts for National Highways and Roads of National Importance where competitive open contract was typically required compared with the preferred supplier status given to a number of Councils across Queensland for construction work on Queensland Main Roads. The use of similar arrangements as applied for work on Main Roads was seen as also appropriate for Commonwealth funded roadworks.

Councils were then asked to identify any specific roles of Local Government that would be better undertaken by the State or Commonwealth Governments. Only 35 Councils (29%) considered that current functions would be better undertaken by other spheres of government.

Table 2.8 provides details of the functions or services identified. The most common themes related to environment protection and regulation along with human services including aged and youth services. Interestingly, these were the two themes that received the most comment in relation to transfer of functions to Local Government.

The results show there is a divergence of opinion regarding the role of Local Government in these services. This could be because there is duplication and overlap in responsibilities, along with a need for clarification of roles and responsibilities.

Other themes received relatively few mentions, with many reflecting views previously expressed on functions and activities that had been devolved to Local Government or where Local Government had stepped in because of inadequate service provision.

Again there is no apparent strong view that there is a need for significant transfer of functions away from Local Government.

Table 2.8: Functions/services that could be transferred from Local Government

Function/Service	No. times mentioned	% of total suggestions
Environment protection/regulation and NRM	13	23.6%
Community support/development, aged and youth services	9	16.4%
Policing/law enforcement	5	9.1%
Rural land protection	4	7.3%
Fire services/licensing/levy collection	3	5.5%
TV retransmission	3	5.5%
Health Act	3	5.5%
Flood plain management	3	5.5%
SES	2	3.6%
Immunisation	2	3.6%
Housing	2	3.6%
Regional water/waste water	1	1.8%
Hazardous waste	1	1.8%
Boat ramps	1	1.8%
Building regulations	1	1.8%
Regional planning	1	1.8%
LG elections	1	1.8%
Total suggestions	55	100.0%

2.6 Other Issues/Comments

Councils were then asked to identify any other issues relevant to funding arrangements for Local Government that are important to bring to the attention of this Inquiry. In addition, Councils were requested to provide any additional comments or points they would like to see made in the LGAQ submission to the Inquiry.

Tables 2.9 and 2.10 provide a summary of the responses made by Councils, sorted by broad theme. The comments made cover a variety of issues. A key theme is the need for funding to cover all costs involved in services devolved to Local Government along with the need for ongoing funding certainty. A number of Councils also made comments on the inadequacy of current methodology for distribution of Financial Assistance Grants in Queensland.

Table 2.9

Issues Identified by Councils
Aged care needed in Barcardine- nearest care is 100 km away in Longreach.
Training - Ongoing training for new Rural Lands Protection Act. Generally inadequate funding for training when new legislation is introduced.
Tax - One of the issues Council faces is limitations of the rating system to gain funds in an area that is a popular playground and day tripper location for South East Queensland, and therefore, these day trippers have limited injection of funds.
Tax - The need for fixed share of a growth Tax, for example a) FAGS as a fixed percentage of tax revenue b) A fixed share of GST
Tax - Current revenue powers are inadequate. Local Gov. needs a broader tax base or better share of broader tax bases.
Services - if the Inquiry is serious about reviewing the costs of service delivery then it should also undertake a detailed analysis of the efficiency and effectiveness of service delivery for the various types of services
Roles - No one model will suit all area geographic locations and demographics will impact.
Roles - In a small Local Gov. area any increase in responsibility has to be absorbed by existing staff who are expected to be Jack of all trades'
Roads - The major cost to rural councils is roads and yet we get very little support from the other two for this work.
Roads - Council believes there should be greater Road funding for local roads to offset usage by industries located outside of shire. Eg. Forestry, tourism
Road Funding/contracting for Main Roads works
Precept payment for declared plants and animals paid to Land Protection Natural Resources and Mines. Clarification required on payments made by Local Authorities, originally paid by Councils so Government provided resources back to Councils (4WD spray truck)
NCP - Many non-legislated actions of state/federal dep. have meant a greater workload to Local Government eg. MRD contracting that this inquiry may not consider but are equally important in terms of the changing nature and cost base of Local Government.
Legislation and regulation applicable to large urban shires are forced upon small remote shires. The requirements are often inappropriate and inordinately costly in remote regions.
Infrastructure subsidies, currently provided to roads, water/wastewater, swimming pools, public toilets etc. should be extended to include waste management infrastructure. Local Government is in a good position to implement Env. Management provided it has appropriate funding
Grants to run specific Programs are never enough to give the true cost and never seem to match inflation. Contracts developed for finance Programs, and financial reporting are becoming more onerous
Funding - Without exception funded programmes in communities do not allow sufficient funds for administration/audit cost
Funding - Whilst there is a more equitable and secure level of State/commonwealth funding made available to Local Governments the external struggle competing for funding for operations, depreciation and replacement will continue to hamper the timely provision of services
Funding - When devolving responsibilities, compensation of the full costs should be made - full costs include additional employee salaries and on costs, administration overheads 'housing costs' such as office space and equipment, ongoing maintenance and depreciation.
Funding - The uncertainty of a number of current funding arrangements from either the State or Federal Government is of concern to Local Government and it is very difficult for Local Government to frame its budget and then have funding withdrawn or adjusted.
Funding - the transfer of additional responsibilities to Local Government without any extra funding is a significant financial burden and strain on existing resources. This has come about not only through devolution but also by abrogation of responsibility
Funding - The critical issues for western Local Governments are on the revenue side of the equation - static or declining revenue base, deterioration in government funding
Funding - Staff subsidies are shrinking each year. Any issues that are the responsibility of the State Gov. but dealt with at a Local level MUST be funded by the State.
Funding - remove the requirement for L.G to partly fund state and federal projects. These projects usually require funding commitment from Local Government prior to the projects going ahead.
Funding - More funding should be directed to Local Government where additional activities are undertaken. An assessment process should be undertaken and funding to Local Government should change accordingly.
Funding - Major difficulty facing local gov. if it wishes to undertake an enhanced role is funding certainty from other levels of government to provide programs on their behalf. The current arrangements do not provide any incentive for Councils to take on these responsibilities.
Funding - Maintain Roads to Recovery Funding, Maintain existing State Government Funding (smaller community Assistance program) Extra Funding from State Government for Regional Roads- Particularly in area of Heavy Industrial Activities. Eg. Coal Mining
Funding - Local gov. be reimbursed for additional costs.
Funding levels for devolved responsibility i.e. running airports grossly inadequate. The government sold profitable airports and imposed the unprofitable ones on Local Government
Funding - Lack of 'bridging' funding for older water and sewage schemes to bring them up to meet contemporary standards of service delivery. Current capital works subsidies are, in many cases, insufficient. There has to be significant devolution of Environmental responsibilities.

Issues Identified by Councils
Freight costs to remote local gov. impact greatly on local service provision. Recognition of Torres Shire Council being predominately an indigenous council.
FAGS should come directly to Local Government and not State (less administrative costs)
FAGS need to be maintained in rural and remote areas
FAGS - need certainty
FAG/Federal - Reduced grant funding in real terms
FAG - The inequity of the State Distributions of Financial Assistance Grants, Especially Queensland's Share. Council is now being "urged to provide housing for defence workers from the Amberley Air Base stock - what about State Government doing this?
FAG - Inequity in financial Assistance Grant Distribution methodology
FAG - Inappropriate allocation of financial assistance grants to states. Inadequate levels of financial assistance to Local Government
FAG - Grants commission was originally designed to allow Council/Communities in Rural/Remote/Regional communities to have services near capital cities. This does not occur.
FAG - Grants Commission methodology inappropriate
FAG - Declining real level of Financial Assistance grants. FAGS funding from the Commonwealth to go directly to Local Government rather than through State Agencies to save administration costs
FAG - Allocation of Financial Assistance Grants Methodology
Equity - Reverse centralization so that appropriate networks exist in outback Qld
Equity - Local authorities that are responsible financial managers are penalised in the name of political justification.
Costs - Through the devolution process from Federal and State Governments, Council is called upon to carry out work with no extra financial incentives, eg archival records, strategic plan and operational plan.
Costs - the state should meet the full cost of Education and Health Services including car parking and buildings.
Costs - Council needs to be very aware of costs imposed resulting from State and Federal Gov. regional initiatives It is conservatively estimated that devolution of responsibility from State and Federal Governments equates to at least 5% of Councils expenditure.
Costs - an inquiry should be held to determine what responsibilities have already been shifted onto Local Government, and the cost with a view to seeking compensation on an ongoing basis.
Cost shifting - The transfer of State Gov responsibilities to Local Government results in Local Government incurring additional expenses being borne by the ratepayers. Eg demaining of roads, welfare, health services.
Cost of implementing IPA and complying with waste management regulations
Cost - Department of Health have continually lobbied council for funding to place an extra doctor in town.
Consultation - Legislation changes lack effective consultation with Local Government to identify the impact and geographical differences to be accommodated. Delivery standards are neither consistent nor defined in consultations.
Complexity - The amount of documentation and paperwork required to access funding for additional responsibilities that are administered by Council on behalf of either State or Federal Governments/Government Dep.
Complexity - Increase in complexity of issues to be addressed without significant increases in resources

Table 2.10:

Other Comments by Councils
Standards - As a rural Council with a small annual growth rate, we find it necessary to consistently raise rates and charges above the rate of inflation due to the effects of requirements to satisfy new and more demanding standards and Community expectations.
Staff - Council is required to meet more conditions of legislation and is unable to attract and maintain suitably qualified staff due to units' resources.
Staff - It is extremely difficult to attract (or afford) the services of qualified and experienced personnel such as Environmental Health and Workplace Health and Safety Officers in remote regions. This adds to the cost of administration of the various requirements.
Size - The ability of a small urban gov. to provide the expertise to meet the demands of an ever-increasing complex legislative responsibility is diminishing quickly. Need due recognition of this factor and an increase in funding to small urban Local Governments.
Size - Whenever there is devolution of responsibilities etc. it is the small and medium size councils that are affected most. They have less capacity to absorb the costs involved.
Size - Amalgamation of some Local Governments should be a pre-requisite of any thoughts of devolution
Service - While a number of legislative changes have resulted in increased expenditure by Local Government a number have been for the improved operation of Local Governments and their residents. Eg. WPH&S waste management, asset management etc.
Role - No doubt changes to direct funding at LG for various functions/activities will achieve better outcomes.
Revenue - Limited ability of Council's to raise additional revenue. Catchments Management. Regional Strategy Groups. RPAC's.
Resourcing - The devolution of duties and additional compliance requirements have resulted in incremental increases in Councils activities. Many of them are appropriate to Councils roles therefore I have no objection to undertaking the additional work required, provided adequately resourced.
Resources - the real issue is not so much about the increase in activities per se, but the lack of additional resources to fund the new activities. Also the incremental nature of many of these changes tends to obscure the fact that Local Governments are taking on extra roles, etc.
Regionalisation of some service is worth consideration eg Rural fire services.
Regional - Better outcomes for communities could to achieve through regional co operation/arrangements
Mining - The state/federal gov should consider providing greater resources to Local Governments in mining communities to provide and maintain community infrastructure and facilities. Huge amounts of royalties/income tax are collected from mining companies.
Levels - we are over-governed. The State Government has no place in a country the size of Australia. The removal of the State Government would be the greatest impetus to decentralization.
Levels - Over 10yrs the arrangements have become blurred between the 3 Tiers. Too often "seed funding" to LG has not had desired outcomes.
Levels - If any further shifting of responsibilities is to occur without the full funding support then one tier of Government should be removed - either state or local.
Funding - The need to maintain continuity of various State Government programs and Commonwealth Roads to Recovery Programs, State and Federal Gov. to provide increased funding for State and Local Roads.
Fuel - The Commonwealth needs to reverse its decision regarding extending off-road fuel credits to Local Government.
Consultation - Any devolution of powers from the State to Local Gov. should only take place with the acquiescence of the majority of Local Governments.
Consultation - Should be more genuine consultation with Local Government before the other tiers impose roles and responsibilities which we are unprepared for or unwilling to accept.
Consultation - State Gov. needs to identify and communicate its strategies and long term goals in collaboration.
Constitution - Need for Local Government recognition in constitution and subsequent role in decision making/negotiations. Framework required for direct funding Commonwealth to Local Government and links to revenue source for continuity and growth in funding.
Choice - Local Authorities should have a choice in accepting devolution of responsibilities. It should be noted that licensing revenue may not cover the full cost of implementation.
Certainty - With all the issues raised in the previous questions they are conditional on all required funding to complete projects being included in the devolution to Governments.
Certainty - Adequate resources with certainty in longer term.
Capacity - The capabilities of local gov. should not be sold short just because it is under funded by the other spheres.
Administration - there have been subtle changes that have resulted in increase workload particularly for administration with an end result of 2-3 people extra over a 10 year period. Estimated cost \$200,000
Administration - Some Councils are being buried under a mass of paper from Plans and Reporting. Effort seems to be increasing to the point where we are becoming a totally unproductive unit.
Administration - Increased compliance requirements and demands from the community for Councils to get involved in providing people related services has resulted in a trend towards increased employment of indoor or office staff and less in areas of direct service delivery.

3. LGAQ Comments on Survey Results

3.1 Local Government and Community Perceptions on Devolution

As noted in section 2.5, the survey of member Councils suggests that there is no strong view within Local Government that there is a need to devolve current functions of other spheres of government to Local Government.

It is useful to compare this finding with the results of LGAQ surveys of the community. As reported in the initial LGAQ submission to the Inquiry, a 1995 study asked questions in relation to roles and responsibilities of the three spheres of government. Table 3.1 (included in the initial submission) reproduces the survey results in relation to which sphere of government should have the greatest responsibility for particular functions.

If the functions that are already the primary function of Local Government in Queensland are ignored, it is only the function of Community Development and Human Services where there is a relatively strong perception in the community that Local Government should have the primary responsibility.

As noted in the Initial Submission, in functions such as Emergency Services and Community Safety/Law and Order, the State Government was identified as having a far more substantial role than Local Government.

The Council survey coupled with the survey of community attitudes does not result in a perspective that there is a strong desire to further rationalise roles and responsibilities between the three spheres of government.

For Local Government, one of the key concerns with devolution of responsibilities is that ongoing funding will not be adequate to support these expanded roles. Experience indicates that other spheres of government are typically unwilling to make long-term commitments which cover the real terms cost involved in meeting service provision in line with both community expectations and growth in demand in these devolved functions. The inadequacy of funding arrangements in meeting the full costs involved was noted by one Council *"...When devolving responsibilities, compensation of the full costs should be made - full costs include additional employee salaries and on costs, administration overheads 'housing costs' such as office space and equipment, ongoing maintenance and depreciation"*.

**Table 3.1: 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/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

3.2 Delegation versus Devolution of Responsibilities

The diversity of Local Government situations may provide opportunities for other spheres of government to delegate their responsibilities to individual Local Governments that have the capacity to undertake the particular activity. Unlike devolution, delegation of responsibilities does not remove the other sphere of government from overall responsibility for service provision. Under delegated arrangements, Local Governments can be seen as the agent of the other sphere of government.

It may, for example, be feasible to delegate some functions provided through State Government Agents (QGAP) in rural communities to Local Government. This type of delegation could produce administrative efficiencies while still providing a locally based access to State agencies and programs. Such arrangements may only involve a limited number of Local Governments.

3.3 Funding Certainty

Funding arrangements nevertheless remain the key to acceptance of devolved or delegated arrangements. One Council commented *"...a major difficulty facing Local Government if it wishes to undertake an enhanced role is funding certainty from other levels of government to provide programs on their behalf. The current arrangements do not provide any incentive for Councils to take on these responsibilities"*.

A concern expressed by many Councils is that it is very difficult for a Council to cut back a service provided through them on behalf of another sphere of government. The community is often not aware of the underlying funding arrangements. An inadequate level of service reflects on the organization providing the specific service not necessarily on the sphere of government responsible for funding the service.

A number of Councils have pointed to community development and other human service programs funded through other spheres of government where funds have been withdrawn after a three to five year period. From a local political perspective it is almost impossible to simply shut down these services, and consequently the funding burden shifts to the local community.

As the LGAQ Initial Submission showed, Local Government has been faced with an expanding functional responsibility, driven by community needs and expectations. This has required a significant real terms per capita increase in rates, the primary source of Local Government revenue. As one Council noted *"...as a rural Council with a small annual growth rate, we find it necessary to consistently raise rates and charges above the rate of inflation due to the effects of requirements to satisfy new and more demanding standards and community expectations."*

Unlike the Commonwealth and State Governments, Local Government does not have access to a growing revenue base. Without access to a tax such as the GST, Local Government will continue to struggle to meet the growing expectations of their communities.

Given this increase in the real costs of providing what might be termed "core" responsibilities of Local Government, it is essential that both the State and the Commonwealth, with access to a growth tax, recognise the need to fully fund functions or services imposed on Local Government whether through devolution, delegation or through withdrawal of other spheres of government from particular activities.

It is also important to note that factors such as rate exemptions for certain Commonwealth and State lands as well as non-provision of some aspects of infrastructure for government owned facilities (eg car parking) also impacts on the revenue base of Local Government. For example, forestry land is not rateable but could well be considered a commercial resource. A key problem with such exemptions or non-compliance with development standards is that it impacts differentially on Councils. A Council may for example have significant areas of land as Forestry reserves or National Parks, with no direct compensation for being unable to access this potential rate base.

In recognition of the importance of identifying funding options for the key road and transport function, the LGAQ initiated a Public Inquiry in January 2002. A summary of the recommendations from this Inquiry is included at Appendix D. A full copy of the report is available at www.lgaq.asn.au.

It is also important to recognise that decisions of governments to “rationalise” services may result in differential impacts across the State. As the LGAQ surveys show, inadequate television or mobile phone coverage in rural areas has required a number of rural Councils to step in to fill the gap such as with retransmission services. Such roles would seldom be contemplated by major urban Councils.

3.4 Local Government (Financial Assistance) Act

There were many comments made in the survey on the inadequacy of methodology used to distribute financial assistance grants through the Local Government Grants Commission (LGGC). It is difficult for LGAQ to have a position on what is an equitable distribution of funding. However, LGAQ has stressed the importance of methodology that is transparent, easy to understand and which provides some certainty to councils in relation to longer term funding support as well as having broad acceptance that Councils in similar situations are being treated equitably. LGAQ has also stated that changes in methodology should not result in any Council receiving more than 15% less funding over a three year period.

While the Queensland LGGC is currently reviewing methodology, LGAQ is not convinced that a robust methodology meeting these key principles has been achieved

The LGAQ also made submissions to the Commonwealth Grants Commission (CGC) Review. A copy of the LGAQ response to the CGC draft report of January 2001 is included at Appendix B of this submission. These LGAQ submissions raised a number of issues including the inadequacy of overall funding to achieve the objective of horizontal equalisation as well as the problems caused through distribution of the funds on a per capita basis between States.

In general terms, the LGAQ supports the findings of the CGC Review. Retention of the minimum per capita grant along with maintaining a separate pool for road funding has strong support across Local Government.

**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.

.....
.....
.....
.....

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?

.....
.....
.....

APPENDIX B

LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND INC.

SUBMISSION

ON

COMMONWEALTH GRANTS COMMISSION

JANUARY 2001 DRAFT REPORT

ON

REVIEW OF OPERATION OF LOCAL GOVERNMENT (FINANCIAL ASSISTANCE) ACT 1995

LGAQ April 2001

Introduction

This submission has been prepared by the Local Government Association of Queensland (LGAQ) in response to the draft report on the Review of the Local Government (Financial Assistance) Act 1995 released in January 2001.

The LGAQ notes that the Commission has confirmed a position held by the Association for many years, that **horizontal equalisation cannot be achieved under the current arrangements, primarily because of the inadequacy of overall funding**. It is important that the Commonwealth Government is made aware of the inadequacy of overall funding and that any recommendations of the report do not diminish the case for increased funding being made available for the Local Government sector.

As previously noted, LGAQ is concerned that the inequity caused by the inter-state per capita distribution of funding was not able to be addressed by the Commission. It is however recognised that this was specifically excluded from the Terms of Reference.

The following submission generally follows the order of presentation of matters in the report. Most of the issues and conclusions of the Commission are presented in the initial acquittal against the Terms of Reference. Consequently most elements of this submission focus on the matters raised in this section.

Additional comments or clarification are made in relation to matters raised in supporting chapters and in Volume 2.

Acquittal Against Terms of Reference

Effectiveness of Current Arrangements (pviii)

The Report indicates that:-

1. The goals of the Commonwealth have only been achieved to a limited extent. The Report states that horizontal equalisation cannot be achieved. **LGAQ supports this position.**
2. Efficiency and effectiveness is not a relevant purpose for the Act. **LGAQ supports this view.** Other mechanisms outside the Financial Assistance Act are required to improve efficiency and effectiveness
3. The Aboriginal and Torres Strait Islander purpose is not a relevant purpose and is redundant. While this is strictly correct, **LGAQ believes there is a need for some recognition of the particular circumstances of Aboriginal and Island communities.**
4. Transparency and accountability in the grant distribution process need further improvements. **LGAQ supports this position.** It is clear that very few LGBs understand the methodology used by LGGCs and the extent to which grant outcomes are driven by particular aspects of methodology.
5. Further improvements in consistency of methods between LGGCs are required. **LGAQ supports this position.** Later sections of the report reveal that methodologies lack consistency and that particular types of councils are advantaged or disadvantaged by such inconsistencies. While there are diverse situations between States, it is apparent that councils of a similar nature in different states receive substantially different grants. If this matter is to be addressed the Commission will need to strengthen Volume 1 using conclusions drawn from the detailed analysis presented in Volume 2.

Appropriateness of National Principles (p viii)

The Report indicates that:-

1. Horizontal equalisation as a principle should be replaced with the concept of relative need. While LGAQ generally supports this position as it is essentially what occurs at present, it is essential that the removal of the concept of horizontal equalisation does not provide the Commonwealth Government with an opportunity to escape from the need to increase the overall funding to Local Government to meet its horizontal equalisation objective.

Similarly, the present concept of horizontal equalisation provides a clear signal that the per capita distribution between States is not consistent with the overall intent of the Act. It may be preferable to maintain the principle of horizontal equalisation, noting that because full equalisation cannot be achieved at present then the outcome of methodology will be equivalent to distribution based on relative needs.

2. The minimum grant principle should be replaced with a per capita grant principle, with 30% of the fiscal equalisation funds being provided for this purpose. The proposals made do not initially result in any change from current arrangements in terms of total grant outcomes, but do provide a recognition of the need for vertical fiscal equalisation as an element of funding arrangements for the Local Government sector. **LGAQ supports this position.**
3. Effort neutrality, other grant support recognition and the separate identified road grant principles to be retained but made easier to understand. **LGAQ supports this position.**
4. The Aboriginal Peoples and Torres Strait Islander principle has not been consistently addressed but is not required. The LGAQ comment at 2.1 (3) above should be taken into account to ensure that there is a specific recognition of the particular circumstances of indigenous communities in the principles. Almost 15% of eligible local governing bodies across Australia are indigenous organisations, and this fact alone justifies a specific recognition in the national principles.

Consistency of Methods with National Principles (p ix)

The Report notes that some methods of LGGCs are not consistent with principles related to other grant support and with the Identified Road Grant (IRG) principle.

LGAQ supports the position that those grants which meet the normal range of local government services considered in the equalisation assessment should be treated by inclusion. It is noted that the Queensland LGGC only takes into account 70% of the IRG in the included grants. Further comment by the Commission on whether such discounting on the basis argued by the LGGC is inconsistent with the principle would be appropriate.

The Commission raises the question of whether there should be two different methods of assessing road need. The LGAQ believes that **effective assessment of road need is essential** in ensuring equitable distribution of available funding. The IRG is intended to be distributed on the basis of relative need and this is supported by LGAQ.

The current Queensland LGGC approach to assessment of the IRG is based on a simple population and road length formula. This is simple and readily understood and has some merit in that it captures the two drivers of road need - the actual assets (length) and use (population).

However, further research is required to determine the desirable weighting between population and length and possibly between different types of road lengths. Maintaining a simple approach for the IRG which equates to maintenance of existing assets could be desirable with a more complex assessment of need which includes both asset preservation and enhancement/upgrade could be an acceptable approach.

Even with such an approach, the IRG assessment would still be meeting an element of the road needs assessed in the relative needs pool. This then implies that **the IRG should be treated by inclusion.**

The LGAQ is also concerned that current data used including road lengths may be inaccurate, particularly data on unformed roads. Better auditing of this data is required if an equitable distribution of funding is to occur.

Additional comments on the assessment of road needs are made later in this submission.

Impact on Revenue Raising (p x)

The Report concludes that FAG has not impacted on Local Government own source effort. State assistance is noted as increasing in real terms and this has certainly been the situation in Queensland. Concerns regarding substitution effects are therefore unwarranted. **LGAQ supports the comments made on revenue raising impacts.**

Implications of Functional Changes (p x)

The report notes the extensive changes which have taken place in Local Government services, particularly the increasing emphasis on human services. In Queensland, these changes have generally been as a response to the changing needs and circumstances of local communities.

It is desirable that the Commission makes some comment on the way in which grants for services which are provided by a limited number of councils should be treated (more as an agency arrangement or because other providers are not available). This is particularly the case with some welfare/human services. Exclusion of the function would typically be most appropriate. Some comment on how capital grants should be treated would also be appropriate.

Eligibility for Assistance (p x)

The Report proposes that either the Commonwealth or State Minister could initiate a request for declaration of eligibility (or to revoke), but both must agree. **LGAQ support this.** For Queensland, there would already appear to be complete coverage of all bodies providing local government type services.

Stability and Predictability (17)

Some comments are made by the Commission on the stability and predictability of grants. This is an issue for a number of councils in Queensland. Some have noted that they have received an increase in one year followed by a decrease in the next, making it difficult to budget.

While some of the problem will be overcome by the proposals on timing of grant announcement (p42), some of the instability is caused by changes in formula made from year to year, but not necessarily with a full review of all aspects of methodology. Greater stability may be achieved by developing a more robust methodology and then only changing this based on an extensive and comprehensive review spread over a number of years. It may be quite inefficient to update methodology on an annual basis when some of the data used in models can only be updated on a five year basis eg personal income data in the Queensland model.

Some further comment on options to enhance stability and predictability would be appropriate.

Future Directions - Chapter 4**Three Pool Concept (p 26)**

The Report proposes three pools:

1. A per capita pool to provide support to all councils
2. A Local Roads Pool.
3. A relative needs pool

LGAQ supports this proposal. It provides a clear recognition of the intent of the Commonwealth in providing some general revenue support and some road funding support for all councils. All councils believe there is a need for a share of Commonwealth funding to supplement local revenue sources. This equates to a view that some degree of vertical fiscal equalisation is essential. Many Councils are also concerned that they would receive no funding if all available funds were distributed on an equalisation basis.

Absorption of the IRG into the relative needs pool would be undesirable as some councils could find that they then received no funds from this pool whereas the separate pool ensures that the Commonwealth is seen to be supporting the significant and underfunded requirement to maintain road assets in all councils.

The Association also supports the retention of a Local Roads Pool in recognition of the Commonwealth's role in supporting the Road Network.

As the Commonwealth has greatest access to road related taxes, it would seem appropriate to recognize its responsibility to redistribute a portion of this income via a general tax sharing arrangement.

Equally, the identification of a separate pool of funding recognizes the Local Government responsibility to maintain and enhance the Network.

It could never be argued that Local Government's spend less than their IRG allocation in funding their Network responsibilities, however, the specific pool recognizes the non-discretionary nature of road service provision.

It is essential that the three objectives are clear and the three pool arrangement achieves this with a clear purpose for each pool.

Distributing the Funding in Each Pool (p 27)

The Report proposes that the current 30% per capita minimum grant be replaced by a separate pool (with funding initially equivalent to 30% of the current equalisation pool), which is distributed on an equal per capita basis. It is also proposed that the funding from this pool be treated by inclusion when considering distributions from the relative need pool.

The proposal for distribution of this per capita pool is supported. The separate pool shows that the Commonwealth supports the provision of Local Government services for all communities and is a reflection of vertical fiscal imbalance. By treating this component by inclusion, the outcome in grant terms is the same as under current arrangements.

The Report proposes that a Local Roads Pool be established (equivalent to the current IRG) and distributed on the basis of relative road need. Comment was made in section 2.3 of this submission on the desirability of a needs assessment approach for distribution of road funding. Additional comments are made at section 4 below.

The Report proposes changing the equalisation pool to one termed a Relative Needs Pool. Comment was made in section 2.2 (1) of this submission on the potential of the change in terminology to reduce pressure on the Commonwealth to provide adequate funding to allow horizontal equalisation. While LGAQ generally supports the Commission proposal as it reflects the reality of funding and what actually takes place, the earlier concern regarding the importance of not reducing pressure on the Commonwealth to increase funding to better meet equalisation objectives should be noted.

The Commission suggests that the Act should not be prescriptive in terms of defining relative needs or in the methods required to calculate them. This position is supported by LGAQ.

However, some guidelines on aspects of methodology are appropriate to eliminate the current situation where different approaches are used by different LGGCs for what should be consistent aspects of methodology. Unless some of the conclusions on methodology found in Volume 2 are translated into recommendations, equitable outcomes between councils at both a state and national level will not occur.

Further comments on methodology issues in distributing the relative needs pool are also made later in this submission.

Size of Pools (p 31)

The Report proposes that each pool would initially be the amount currently allocated, including the equivalent of 30% of the current equalisation grant going to the per capita pool. However, the Report proposes that the annual escalation could be distributed at different proportions to each pool, allowing the Commonwealth to decide which objective was more important in a given year.

With escalation of total funds on a per capita real terms basis, this does not impact on total financial support to Local Government but could over time erode the value of one element of the objectives (eg all the increase could go to the per capita pool). Over a ten year period the

relativities between pools could change substantially from what they are at present. For example, if all new funds were directed to the per capita pool for three years, this pool would move from the 30% current level to around 50%.

If the three purposes are appropriate, then it is probably desirable to keep the relativities for each pool.

LGAQ does not support Commonwealth discretion in allocation of the per capita real terms additional funding to each pool. However, if funding in addition to the real per capita increase is allocated, then the Commonwealth should have discretion over the particular objective it is supporting (eg increased road funding).

Equally, the LGAQ does not support State discretion in determining escalation factors for each of the (3) pools.

Best Practice Funding Models (p 32)

The report (p32) suggests that the Act should define characteristics that the Commonwealth wants new funding arrangements to incorporate. Examples are provided in relation to statements on fairness, transparency, accountability and predictability. While the intent of this proposal is supported, there is a need to be able to measure actual performance. Usually these statements are of a general nature and it is a matter of opinion as to whether such principles are being met.

For example, it could be said that the current process in Queensland is transparent (LGBs can see how their grants are calculated as formulae are published and worksheets are provided for each Council). However, very few councils understand what is driving the grant outcome for their council because the methodology and concepts are very complex.

It is desirable that the full methodology of each LGGC is made available (not just data for individual councils). It should be feasible to release the full model and underlying data in electronic form, enabling those who feel they are not being fairly treated to identify any aspects of methodology that disadvantage them.

The achievement of best practice may be hindered by under-resourcing of LGGCs in each State. There could be merit in providing some specific funding for LGGCs in recognition of the fact that the Commonwealth's objectives will not be achieved unless LGGCs have the professional resources to undertake the complex analyses required.

The National Report is an important element in identifying the extent to which Commonwealth objectives are being achieved. While the National Report has been a useful document it has not provided the depth of reporting that was intended when the concept was introduced. Some additional comment on the approach to National Reporting would be desirable.

Roads Funding

The Report suggests that the Local Roads Pool should be distributed on the basis of relative need (the relative costs per council of maintaining, enhancing and augmenting local roads).

The Report then goes on to suggest that the Road entitlement be taken into account (inclusion approach) when assessing the general purpose grant if one method (relative need) is used in both pools. The Queensland LGGC uses inclusion at present (but only 70% of IRG is included). However, the Queensland LGGC uses two different methods (a weighted road length/population amount for the IRG and a more complex "asset preservation" type approach in the general grant).

The Commission proposals would therefore have an impact on the current level of grants to Queensland councils (and also on most other States).

The use of relative road need in the IRG would, in Queensland, move the grant away from the low population, high total road length, low traffic density councils towards those with greater traffic volumes and a need for a higher standard. If full inclusion was then used, this would "claw back" some of the IRG gain by reducing the general grant. For LGAQ, it is difficult to take a position other than on the merits of the approach.

However, as a general principle, LGAQ agrees that the road entitlement should be determined on the basis of need. If this is the case, then it follows that the calculation of the general expenditure road need will also be on the basis of relative need. However, as noted in Section 2.3, it may still be appropriate to have some differences in the needs assessment approach in each pool.

For example, the IRG pool could be seen as focusing more on maintaining existing assets whereas the needs assessment in the relative needs pool could include both maintenance of existing assets as well as enhancing and upgrading. It would still follow that the IRG should be treated by inclusion. This approach provides some recognition that the minimum requirement is to maintain the existing assets even if funding is insufficient to allow the desirable standard of asset to be achieved.

The use of the inclusion approach is also supported as this eliminates the potential to “double dip”.

The General (Relative Needs) Pool

It is proposed that this pool would be distributed in much the same way as present. However, both of the other pools would be treated by inclusion (the per capita and road pools).

The use of inclusion for the per capita pool would mean that some councils would not get any grant from the relative needs pool. This may mean little change in actual grant outcomes relative to the current methodology in Queensland - those on minimum grants at present would probably stay on minimum grants.

There are a number of Councils in Queensland who feel that the current methodology of the LGGC does not result in an equitable distribution of this needs pool. The Report makes some comments on particular aspects of methodology and it would be desirable for the Commission to be more specific on aspects of methodology which may not be appropriate.

A number of comments are made on Queensland (and other State) methodology in Volume 2 including:-

1. The way in which disability factors are used and the lack of weighting to reflect their significance in terms of the likely cost impact of their component (p81);
2. The high constant (or economy of scale) implied by the use of regression across the total service category. (This constant is actually significantly higher in 2000/01 than is noted in the Report.) The Commission notes that in at least one case the fixed cost assessment exceeds an individual LGBs actual expenditure (p82);
3. The different treatment of indigenous councils when assessing expenditure need (nil constant) (p82);
4. The layering of disabilities on top of the regression equation with potential for double counting (p83);
5. The impact of the isolation factor (p98);
6. The significance of the effort positive assessment (p98).

The Report gives the impression that the results in Queensland (and in a number of other States) may not equate to an equitable distribution of available funds. There is however no assessment of the extent to which methodologies may have compounded to result in inequitable distributions and the type of councils benefiting or being disadvantaged by the key drivers identified.

It may be that some further analysis of the actual grant outcomes by council category within and between states may help to identify the extent of problems with methodology. It may also be possible to develop some form of benchmark or range within which grants to particular councils would be expected to lie. This could then be used as a check by councils or the Commonwealth when assessing the effectiveness of LGGC methodologies.

What the report reveals is the difficulty in the use of an equalisation process across such diverse situations as exist in Local Government. Some further comment on whether an equalisation

approach can in reality address all the issues identified when dealing with a large number of councils and such diversity may be appropriate. It may be that simpler approaches are required which allow better understanding and acceptance, and which do not suffer the potential to obtain a variety of outcomes, as revealed by the analysis of the many inconsistencies in methodologies.

As noted earlier in this submission, some additional comments on grants to be treated by inclusion, including capital grants, would be desirable.

The LGAQ is concerned that, without further guidance from the Commission on a number of aspects of methodology, the Review may do little to restore confidence in the work of LGGCs or result in appropriate change in methodologies where this is necessary. As noted earlier, there is a need for the Commission to make some clear recommendations on certain aspects of methodology, particularly if greater consistency in outcomes is to be achieved.

In Volume 2, the Commission also analyses the rationing or scaling back of the assessment to match the available grant. The analysis shows that the approach used results in significantly different outcomes. The Report appears to be advocating rationing based on the same level of equalisation rather than the simple scaling back used by most LGGCs. The method advocated by the Commission is very similar to what is used by the Queensland LGGC (apart from the addition of the standard budget result).

One concern which has been raised in relation to this approach is the fact that it is equivalent to a discounting of the expenditure side of the equation. At the margin, an error in estimating the expenditure need has less impact on the grant outcome than a similar error in assessing the revenue capacity.

It would also be appropriate for the Commission to comment further on the rationing approach, including consideration of matters such as the understanding of each approach by LGBs. It appears illogical to allow individual LGGCs to choose one approach or the other given the widely different outcomes which result from the particular choice.

Other Issues

Governance

The Report raises a question in relation to the role of the Commonwealth Minister in approving (or not approving) the LGGC recommendations. This is a complex issue. In theory, the Commonwealth should define its intent and the various principles to be complied with. The State should implement this and be responsible for the recommendations of its LGGC.

At present the roles and responsibilities are not clear. In some cases State Governments are able to argue that it is the Commonwealth's principles that are causing inequitable outcomes when in fact it is the methodology adopted by its LGGC that is causing the real problem.

Part of the solution lies in the Commonwealth establishing clearer guidelines in relation to certain aspects of methodology that should not vary from state to state. It may also be appropriate to consider establishing some benchmark range as noted in Section 5 against which extreme outcomes could be judged or reported. A requirement for the LGGC to report the factors that resulted in a particular council lying outside the range could focus attention on overcoming anomalies in particular aspects of methodology.

However, the complexity caused by the diversity of situations within and between states will ultimately mean that decisions of individually LGGCs will ultimately drive the distribution of financial assistance. Because this is the case, it is better for the State Minister to take responsibility for the results produced by the LGGC appointed by the State.

Eligibility

Comment was made on this matter at section 2.6 of this submission.

Timing of Announcements of Grants

The Report suggests that some changes could be made to achieve earlier announcement of grants and to eliminate the need for an adjustment the following year. **LGAQ supports this position** as it will assist council budgeting.

Summary Of LGAQ Position

The Association on all matters relating to grant distribution processes finds itself in an invidious position. As a result, the Association has aimed to provide a response on the principles that would lead to an equitable distribution for the local government sector as a whole.

Support for principles will inevitably lead to methodology changes and thus negative impacts to some members, however continued support for the status quo (assuming the current principles are flawed or unable to be achieved) will equally support a methodology that does not achieve an equitable distribution in the eyes of other Councils.

The challenge then for the LGAQ is to adopt an approach that removes itself from outcomes but considers what should be the guiding principles in the interest of all local governments given their various needs and compositions.

APPENDIX C

The Main Roads and Local Government Road Management and Investment Alliance.

At the LGAQ's Annual Conference held in Maryborough in August 2002, the LGAQ President and the Minister for Transport and Main Roads signed a Memorandum of Agreement (MOA) creating the Main Roads and Local Government Road Management and Investment Alliance. This Alliance builds on the long standing partnership between Councils and the Main Roads Department and creates a regionally based approach to the planning, funding and delivery of the state's road network.

The Concept

Effective management of Queensland's road network is becoming progressively critical due to increased passenger and freight mobility, heavier loads and aging roads with needs exceeding current funding levels. In managing the 170,000 kilometres of the State's total network, State Government has responsibility for roads of national and state significance and Local Government has responsibility for local area roads. However, there are lengths of roads owned by both that are regionally significant and would benefit from a collaborative approach to investment at a regional level.

Reforms from the early 1990's demonstrated a collaborative approach between Main Roads and Local government could deliver improved productivity, efficiency and best practice outcomes at a local level. The new Alliance will build on these achievements by taking a regional focus towards the issues of asset management, investment planning, service delivery and commercial operations.

The Alliance will contribute to:

- road investment strategies that focus on improving Queensland's road network
- maximizing the economic development of Queensland's regions
- improved coordination and planning of road projects
- increased efficiency in the delivery of road construction and maintenance
- maintaining employment levels within Queensland regions, particularly vulnerable areas
- avoiding duplication of resources and
- substantiating the case for increased road funding.

Regional Road Groups

The Alliance will be built on a statewide network of 10 to 15 Regional Road Groups (RRGs) across the state consisting of Councillors and a Main Roads officer. These groups, will be supported by Technical Committees comprising engineering staff from the councils in the regional group whose task it is to advise the RRGs. The RRGs will be the decision making bodies responsible for the planning, funding, and delivery of construction and maintenance works on a set of roads known as Local Roads of Regional Significance (LRRS).

LRRS network

The LRRS network will consist of roads which perform similar functions selected in accordance with established criteria from the lower order State-Controlled District Roads set and the upper order Local Roads network. Across the state some \$200 million per annum is currently spent on these roads demonstrating the potential for economic and social benefits to flow from the Alliance.

Works development

Through the adoption of improved asset management systems providing essential road system data and the implementation of a works development process involving regional planning studies identifying road needs, shared funding arrangements and project prioritization guidelines, works programs with better network outcomes will be developed. Joint purchasing and resource sharing opportunities will increase program delivery savings and provide the basis for ongoing capability development.

Implementation

Implementation of the Alliance concept starting with formation of the Regional Road Groups commenced in October 2002. Formation of the 10 to 15 RRGs is anticipated by December with the implementation of the full suite of Alliance elements taking up to two years to finalise across the state. Some regions will move quicker than others were there a history of regional cooperation on road or other issues. This process will be facilitated by the LGAQ and Main Roads with the State Government committing \$2 million per annum to assist with implementation with the initial priority being focussed on Road and Bridge Asset Management systems.

National Funding Link

The significance of the priority being given to the introduction of Road and Bridge Asset Management Systems is found in the benefits to flow not only from the improved decision making that can be made at the local and regional levels but also from the aggregation of core road system data at the state and national levels. This information is essential to the case for additional road funding through identifying the needs and quantifying the amount required for the preservation and further development of the national road network.

APPENDIX D

LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND INC.

PUBLIC INQUIRY ON MECHANISMS TO FUND QUEENSLAND'S ROADS AND TRANSPORT INFRASTRUCTURE May 2002

SUMMARY OF RECOMMENDATIONS

Recommendation 1.

- Local Government to continue to lobby the Commonwealth Government to achieve an extension of *Roads to Recovery* funding.
- The Commonwealth to allocate a minimum of 16% of fuel taxes to roads and urban public transport initiatives, increasing to 20% by 2008.

Recommendation 2:

- The State Government to eliminate the QFSS, with all revenue saved as a result being dedicated to providing additional funding for roads and public transport infrastructure across the State and to reducing vehicle registration charges to a level, on average, similar to that elsewhere in Australia.
- Funding from this new pool should be allocated on a needs basis across the State, including funding of local roads.
- If elimination of the subsidy in rural locations is not accepted, then either of the following options should be considered as a first stage: (a) the subsidy should be withdrawn in SEQ with all revenue retained dedicated to providing additional funding for roads and transport infrastructure in SEQ; or (b) the subsidy should be fully withdrawn in SEQ and coastal localities while in the rural balance of the state a 4 cents per litre subsidy should be retained. All revenue retained should be dedicated to providing additional funding for roads and public transport infrastructure across the State and to reducing vehicle registration charges to a level, on average, similar to that elsewhere in Australia.
- If the QFSS is eliminated, roads and public transport spending, in real terms per capita, should increase over existing budget allocations by the full extent of this additional funding.

Recommendation 3:

- PPPs should be encouraged by the State Government as one mechanism to accelerate the provision of key elements of the road and transport system, particularly in SEQ. Risks of ownership should be suitably transferred, and the need to maintain appropriate levels of service on alternative facilities or services taken into account under agreements.

Recommendation 4:

- Toll roads should be regarded as an appropriate mechanism for provision of premium road infrastructure, with costs recovered directly from users by electronic tolling methods.
- Any new roads funded by tolls should maintain an alternate route for traffic not wishing to pay for the premium service.

Recommendation 5:

- Electronic tolling approaches including cordon tolls and other network tolling approaches should be supported as longer term future options to better target user charges according to costs imposed and benefits obtained from road network use.
- Implementation of such systems should be accompanied by transparent dedication of funds to relevant system upgrades including public transport.

Recommendation 6:

- Local Governments should have the power to levy an annual parking space levy to assist in the capture of road user costs imposed on congested central city areas, and to encourage

greater use of public transport. All revenue from such a levy should be required to be used to improve public transport and related infrastructure which will improve access and mobility in the levied area.

Recommendation 7:

- Increased use of public debt should be considered by both the State Government and individual Councils, to assist in spreading the costs of infrastructure provision over a number of generations, as well as to provide social and economic benefits to the existing population.
- The LGAQ could usefully consider providing support to Councils on this issue in the form of educational seminars for members to enable a better understanding to be developed of opportunities for the appropriate use of borrowing capacity.

Recommendation 8:

- The State Government should further review IPA to ensure that new development pays the full costs imposed on the wider regional road and public transport system.

Appendix E LGAQ SUBMISSION TO QUEENSLAND LGGC REVIEW OF METHODOLOGY

1. Introduction

This submission has been prepared by the Local Government Association of Queensland Inc. (LGAQ) in relation to the Draft Report of the Methodology Review released by the Queensland Local Government Grants Commission (LGGC). It is noted that the LGGC has corrected some areas in the published information since the release of the draft and provided these corrections to Councils.

As has been stated in previous submissions on reviews of Local Government Financial Assistance Grants, the LGAQ finds itself in an invidious position on all matters relating to grant distribution processes. As a result, the LGAQ has generally aimed to provide a response on principles that would lead to an equitable distribution for the local government sector as a whole.

LGAQ has advocated a need for:-

- transparency of methodology
- ease of understanding
- consistency and predictability in grant outcomes
- equitable treatment of Councils facing similar circumstances.

Support for principles inevitably leads to methodology changes and thus some negative impacts on some members. However continued support for the status quo (assuming the previous methodology was flawed or unable to be achieved) will equally endorse a methodology that does not achieve an equitable distribution in the eyes of other Councils.

The challenge then for the LGAQ, has been to adopt an approach that removes itself from outcomes but considers what should be the guiding principles in the interest of all local governments given their various needs and compositions.

In seeking to serve the best interests of all Councils, LGAQ has also advocated that, if changes in methodology do lead to losses for some Councils, that such losses should be phased in gradually with no Council losing more than 15% over a three year period.

The following submission looks at the proposed methodology from this broader perspective. In addition to this submission, LGAQ has provided members with information on the proposed methodology and factors that influence a number of changes in grant outcomes. This information was provided to ensure that Councils were better equipped to identify key points from their perspective that could be influencing an outcome they viewed as unacceptable. A copy of the Information Paper provided to members is included at Attachment A of this submission.

2. Key Principles

Before commenting on a number of aspects of the proposed methodology, it is appropriate for LGAQ to identify issues related to each of the key principles noted above.

2.1 Transparency of methodology

The LGGC has attempted to provide Councils with substantial information on the methodology and processes used to establish the indicative draft grant. LGAQ supports the approach taken to date in making data available and accessible. The process of transparency will be further enhanced if the spreadsheets containing all data used to calculate each component of revenue capacity and expenditure need are also provided to all Councils in electronic format. It is understood that the LGGC intend to do this once a final report on the review has been completed.

It is apparent from members' comments that this information assists Councils to understand their grant calculations and assessments when they can also review data for Councils they regard as comparable.

Availability of all data will also assist the data audit approach, given concern expressed by the LGGC regarding the accuracy of some of the information provided by individual Councils.

2.2 Ease of understanding

While the LGGC has attempted to make the process transparent, many Councils do not equate this with ease of understanding. The three steps in the proposed methodology are quite confusing to Councils and potentially difficult to follow. While the LGGC has indicated the third step will be phased out, it is difficult to see how this is to be achieved when this step drives such a substantial component of the indicative grant outcome. The third step is also the key factor in moderating the extent of change from the status quo.

Other aspects of the methodology should be easier for Councils to understand than previously. This includes:-

1. **The new roads assessment** methodology which provides the basic data used in the assessment and allows an understanding of the allocations provided for each component of the road network. The concern at present relates to the accuracy of the data. A particular issue is the substantial difference in the road assessment if elements of the road network are incorrectly allocated to a particular category (eg formed rural or paved rural). It is essential that the data is consistently recorded and that individual interpretations do not either penalise or advantage particular Councils. It is noted that the LGGC has similar concerns and has argued that Step 2 provides some moderation of the impact of potential errors. Over time, this data problem should reduce as asset management systems are put in place. Nevertheless, there are currently some "winners" and some "losers" simply as a result of inaccurate data.
2. **The cost adjusters** and their combined impact on each function. The ability to identify the actual adjustment to expenditure need for each function as a result of application of cost adjusters is a significant improvement, enabling Councils to more effectively compare their outcomes for particular functions with others. It may however be more appropriate to index these combined adjusters to identify the weighting to the per capita standard. At present these are all expressed as greater than unity, which does not allow a Council to assess whether their adjuster is in fact giving them an above average allocation or a reduced one.
3. **The revenue assessment.** While the approach using UCV should be easily understood, the LGGC concerns on the inadequacy of this approach are accepted by LGAQ. The revenue assessment is one of the more critical elements of the methodology. Any inaccuracy in this component is further weighted because of the use of the "equalisation ratio" approach to scaling back the grant. Whereas other LGGCs faced with a problem in obtaining an equitable assessment of revenue capacity have weighted back the revenue assessment to reduce the impact, the opposite happens in the "raw" methodology because of the scaling back approach. It is essential that further work is done on the revenue approach even though the approach proposed is simple and easily understood. It may be that a constant amount per residential property plus a rate in the dollar for these properties would better reflect the reality of rating where a minimum general rate ensures a base amount per property. This approach is more difficult for rural valuations where the nature of individual properties varies extensively depending on commodity type. While the revenue raising methodology remains inaccurate from a relative perspective, it is important that steps are put in place to moderate the potential impacts for Councils.
4. **Expenditure standards.** The use of per capita revenue standards, weighted by the cost adjusters previously noted, should be more readily understood by Councils than the previous regression analysis. While the regression analysis allowed a number of

variables to be included, the use of multiple linear regression inevitably resulted in high constants for some functions because of the need to fit a linear relation to what was likely to be a non-linear one. The problem is in ensuring that the cost adjusters adequately reflect the reality of cost differentials by location and type of Council. At present, some of these cost adjusters (eg isolation and scale) are assumed as linear in terms of the steps of increase when this may not be the case in reality. For example, freight costs are not a function of distance travelled. A high proportion of the freight charge is actually associated with the flagfall of loading and unloading. It is noted that Councils without a regional role have a reduced allowance for administration. While the regional role does result in additional costs for Councils with the role of regional centre, it is not clear whether those with a negative cost adjuster actually have a progressively reducing administrative role. It could, for example, be appropriate to set all regional role factors to unity for those with a negative assessment for the administrative function. However, this would not apply for service functions.

2.3 Consistency and predictability in grant outcomes

It does not appear that this principle has been met by the proposed methodology. What is apparent is that significant additional work is required before a robust methodology is in place. While LGAQ accepts that the LGGC has tried to apply moderating steps to achieve more consistent results between Councils, as well as to introduce some stability relative to previous outcomes, the indicative outcomes presented cannot be regarded as a predictable outcome following from the application of the methodology (noting that Step 3 is an implementation step to be phased-out). LGAQ was concerned that the release of these results at this time might not be in the best interests of Local Government, given the significant amount of methodology development that must still occur. LGAQ recognises that the LGGC considered that it must meet its previously announced timetable because of comments from Minister Tuckey. However, LGAQ is very concerned that many Councils will see some significant changes in the draft indicative figures which will undermine confidence in the review process as well as raising further concerns on stability and predictability of outcomes.

2.4 Equitable treatment of Councils facing similar circumstances

While Step 2 of the methodology introduces a weighting factor that moderates any tendency for extremes to occur in grant outcomes in similar Councils (population and road length defining similar), the problems with the “raw” methodology still mean that some Councils in similar circumstances will receive substantially different grants. This is illustrated particularly by the fact that a number of rural Councils are shown on the per capita minimum grant under the “raw” methodology, which is an unexpected outcome based on like with like comparisons both in Queensland and elsewhere in Australia. This unexpected outcome may be related to inaccuracies in the road data or the inadequacy of the revenue method, but the significance of the difference between the “raw” outcome and the step 2 regression outcome for some Councils is far too extreme to anticipate that this will result in equitable outcomes.

Attachment B provides an analysis of the indicative grant by ACLG Category and compares the per capita results with the national average. The national average has been used rather than State-by-State averages as previous LGAQ research has shown that it is very difficult to compare Queensland with a specific State although Queensland is more a reflection of the average for Australia as a whole.

3. Other Comments

3.1 “Flagfall” Constant

As the LGAQ Information paper notes, the loss of the substantial constant in the previous methodology (\$983,804) is likely to be one of the main reasons that a number of smaller Councils have seen a reduction in grant in the new methodology. LGAQ has previously questioned whether

such a high constant was appropriate or was simply a result of a multiple linear regression being used to explain a relationship that could not be explained in such a linear format. While this methodology change will have an impact on some Councils, it should not mean that equitable outcomes in terms of assessment of expenditure need cannot be obtained.

One concern with the way in which the new “flagfall” constant is applied in administration is that there is no application of any cost adjusters to this amount. This should be considered further by the LGGC as it does not seem appropriate to assume that a relatively small Council in the remote west does not face some additional administrative burdens compared with a Council of a similar size in SEQ.

3.2 Other Grant Support

In the LGAQ submission to the CGC Review, the position was taken that *“those grants which meet the normal range of local government services considered in the equalisation assessment should be treated by inclusion.”* LGAQ believes this remains as the most appropriate principle to adopt, and this view was supported by the CGC, and has been introduced by the LGGC in the new methodology.

Inclusion is generally appropriate to ensure that there is no “double dip” in the assignment of the equalisation grant. However, LGAQ recognises that this change in methodology will impact adversely on some Councils, particularly those that have been receiving relatively high IRGs as a result of high, unweighted, road lengths. Nevertheless, LGAQ recognises that it is the size of the overall grant (GPG + IRG) that is ultimately important to Councils, and that inclusion is more likely to result in an overall equitable funding outcome if other aspects of the methodology are appropriate. Nevertheless, full inclusion does further increase the impact of the scaling back approach because it adds to the uncertain revenue side. This further reinforces earlier comments on the need to be careful in the scaling back approach as well as in other aspects of methodology that increase the emphasis on the revenue calculation.

The inclusion of only 50% of both the R2R and Roads and Drainage Grant is accepted by LGAQ as a reasonable judgment of the LGGC on the extent to which these meet “normal” service needs.

3.3 Identified Road Grant (IRG)

LGAQ notes that the LGGC has opted to retain the old weighted population/roadlength basis for assessment of the IRG. In the LGAQ submission to the Commonwealth Grants Commission Review, LGAQ agreed in principle with the requirement that the IRG be determined on the basis of need. LGAQ also accepted that if this position was taken, it meant that the calculation of road expenditure in the general revenue component should also be on the basis of need.

In theory, this could suggest that both the IRG and roads assessment in the GPG should be on the same basis (asset management). However LGAQ also suggested there could be some difference (eg IRG to focus more on maintaining existing assets while GPG focused on both maintaining existing assets and required upgrading).

While the weighted population/road length approach is relatively simple, it is unlikely to accurately reflect needs on a Council-by-Council basis. However, given the data problems identified by the LGGC in ensuring equitable outcomes from the new asset preservation approach, it would be inappropriate at this time to allow this methodology to also drive the IRG outcomes. However, in the longer term, LGAQ believes some refinement of the IRG methodology is appropriate to ensure it provides an equitable distribution of road funds based on need.

3.4 Scaling Back

This part of the methodology remains as a major concern to LGAQ because it has such a dramatic impact on potential grant outcomes. LGAQ accepts in theory, that rationing of funds should result in Councils being able to achieve a similar level of expenditure need, as intended by the

“equalisation ratio” approach. A \$1 million deficit in funds is, in theory, far more significant to a small Council than to a large one.

However, as LGAQ has previously noted, the “equalisation ratio” approach puts extra emphasis on the accuracy of the revenue calculation relative to the expenditure calculation. Because the revenue calculation is at present a major concern, there is potential for the “equalisation ratio” approach to provide large bonuses to some Councils while imposing large penalties on others. This can be seen where a number of rural Councils are shown on the minimum per capita grant under the “raw” methodology, presumably as a result of high rural UCVs relative to the State average.

If the revenue element of the methodology cannot be effectively addressed, then full application of the “equalisation ratio” is not appropriate. One approach that could be considered is using a weighted approach to each scaling back methodology. This may ensure that the revenue calculation is not as dominant in the calculation of the “raw” grant. Such an approach would appear consistent with national principles, as the CGC did not make a recommendation of one approach over the other.

3.5 Standard Budget Result

The introduction of the standard budget term to “balance” the budget was recommended by the CGC. The approach adopted by the LGGC has been to increase revenue assessments for each Council relative to the revenue assessment. LGAQ has concerns with this approach as it further emphasises the inaccurate revenue assessment. It may be preferable to redistribute this amount in proportion to the expenditure assessment.

3.6 Phase-in

The significant grant changes resulting from the introduction of any new methodology requires attention to the way in which the outcomes are phased-in. The LGAQ policy position remains that no Council should face a reduction in grant of more than 15% over a three-year period. LGAQ recognises that the impact of reductions in FAG differs depending on the size of the rate base relative to FAG. For example, a Council where around 70% of its general purpose revenue (rates + FAG) is from FAG would need to increase rates by around 10% to cover the loss of 5% of FAG. On the other hand, another Council where FAG represents only around 20% of general purpose revenue would only need to increase rates by just over 1% to cover the loss of 5% of FAG.

As can be seen, these are considerably different impacts, and may need to be taken into account in the phase-in approach finally adopted. LGAQ accepts that the impact on the rate base is more important than the concept of a fixed maximum percent loss of FAG.

4. Overview

The above comments indicate the strong concerns that LGAQ has with the underlying “raw” methodology proposed by the LGGC in its draft report. LGAQ accepts that many of these concerns are shared by the LGGC, resulting in efforts to moderate the “raw” outcomes.

However, the moderation and implementation efforts adopted do not at this point provide, for all Councils, the transparency, ease of understanding, consistency/predictability and equitable treatment of Councils facing similar circumstances. It is hoped that further review and analysis, together with refinement of the data, can remedy the key factors driving the unacceptable outcomes from the “raw” model. If not, then it will be necessary for the LGGC to apply broad judgment where results are clearly in error. To some extent such broad judgments have already been introduced (eg in adjusting grants for provincial cities), but it is important that the grants which flow from this review provide what can reasonably be judged to be equitable results for all Councils.

Unfortunately, it appears difficult for individual Councils to identify whether they may have been significantly over-funded under the previous methodology, or significantly under-funded. While

inter-state relativities provide some guide on equity by Council type, the reality is that it is the difficulty in dealing with significant reductions in funding relative to the size of the rate base that will drive perceptions of the LGGCs achievement of the desired equitable distribution of funding.

In summary, key factors requiring further review include:

- The rating capacity assessment;
- The relative accuracy of road data by classification and traffic volume;
- The application of the standard budget result;
- The application of the scaling back approach;
- The application of certain cost adjusters in relation to administrative expenditure (eg applying to the constant, the regional role deduction) and the appropriateness of the revised isolation weighting;
- Longer term review of the IRG methodology to better reflect need;
- How grant changes are phased-in relative to rate base size.

LGAQ will continue to work with the LGGC in the review of methodology. LGAQ congratulates the LGGC on its openness in the review process, and willingness not to hide behind a “black-box” approach to the FAG methodology. It is unfortunate that the efforts of the LGGC to date have not produced an underlying methodology that appears robust, sustainable and equitable.

ATTACHMENT A

Local Government Grants Commission

Draft Report on Review of Methodology

Information Paper

1. Introduction

The Queensland Local Government Grants Commission (LGGC) released its draft report on the methodology review in late September. Since that time, the LGGC has held information seminars around the State.

A number of Councils have sought assistance from LGAQ in understanding issues impacting on their grant outcomes and points they should make in their submissions.

While it is not the role of LGAQ to comment on specific outcomes for individual Councils, LGAQ has made it clear that any new methodology should be transparent, easy to understand and provide some certainty in relation to grant support. The LGAQ policy position is that no Council should receive a reduction in total grants of more than 15% over a three-year period.

2. Recent History

It is useful for Councils to look at how Financial Assistance Grants (FAG) have changed in recent years to assist in understanding different perspectives on the equity of outcomes. Table ES.5 of the LGGC report provides details (the table has an error for 94/95 with only the GPG shown not total FAG. This is to be corrected).

A brief review of the data by LGAQ shows that there are groups of Councils that received declining grants in real terms over the period from 1994/95 to 2002/03, whereas other groups received increases in real terms of almost 100%.

In a situation where all Councils could use additional funds, it is often difficult for any Council to believe they have done well, and that a modest reduction might not be unreasonable. The underlying issue is that the funding to Queensland is inadequate, and does not allow full equalisation. LGAQ has repeatedly argued that the distribution of funding to Queensland on a per capita basis is inequitable, but successive Commonwealth Governments have ignored this issue.

As discussed below, it is primarily as a result of the implementation processes adopted by the LGGC in presenting the Indicative FAG that the potential losses for some Councils are not greater than shown. Councils should look at the underlying "raw" grant to better understand the impacts of the proposed methodology.

3. Previous Queensland Methodology

The review of the Financial Assistance Act conducted by the Commonwealth Grants Commission commented on a number of potential problems with the previous Queensland methodology. It should be noted that the previous methodology had never been fully implemented by the Qld LGGC, with caps and floors used to slow changes in grant outcomes.

The particular factors that were commented on by the Commonwealth Grants Commission included:-

- The use of regression analysis to produce expenditure standards that resulted in a high constant for the services function (\$983,804 +\$348 per capita). This was felt to over-compensate expenditure needs for smaller Councils.
- The extent to which the isolation factor dominated the weightings achieved through the application of disability factors;
- The inclusion of a high level of expenditures in the effort positive category, impacting on the extent to which the methodology complied with national principles;
- The inclusion of only 70% of the identified road grant in the assessment of financial assistance grants versus a preference for full inclusion to be used in general.

Each of the above factors has been addressed by the LGGC in developing new methodology.

Comments were also made on the differences in outcomes resulting from the “scaling back” approach used by LGGCs, although, from a theoretical point of view, the Commonwealth LGGC considered the Queensland approach was appropriate. It should be noted that the Qld LGGC was the only State LGGC that used this scaling back method. The draft report has not proposed a change in the scaling back approach.

4. Proposed New Methodology

For the **revenue capacity** assessment, the previous methodology used a regression analysis combining total rateable properties, UCV, gross value of rural production, personal income and residual retail sales as the method to assess rating capacity. Data for residual retail sales and for gross value of rural production are no longer available, requiring a new methodology.

Instead of the complicated regression assessment previously used, the LGGC has opted to simply use UCV as an indicator of rating capacity (with a marginal adjustment for level of personal income). This is a very crude approach and the LGGC notes it is not happy with this method but could not identify a better approach. The use of UCV generally favours rural localities without population growth (and relatively low UCVs per property), and adversely impacts on coastal LGAs with higher valuations.

Other elements of revenue capacity include garbage and other fees and charges. These are not likely to be major drivers of outcomes for most Councils.

Other grant support is now generally being treated by inclusion, although only 50% of Roads to Recovery and Roads and Drainage Grants have been included, because they have a significant capital works component. Full inclusion of grants will adversely impact on outcomes for some Councils, particularly where the Identified Road Grant (IRG) based on the population/road length weighting is favourable (long road lengths per capita regardless of the type of road). However, since this is an element of the national principles, it would be difficult to justify why Queensland should treat other grants only partly by inclusion.

For **Expenditure Needs**, the previous services category has been expanded to include administration, public order and safety, education/health/welfare/housing, garbage, street lighting, community amenities/recreation/culture/libraries, building control/town planning, business/industry development and street lighting. The expenditures include recurrent plus depreciation but not capital. Regression has not been used to create standards. Typically, an average per capita standard has been used, adjusted by factors related to economy of scale, location, demography, regional role, growth and tourism.

For the assessment of road needs, a new methodology has been developed which uses road type and traffic volume to create average per kilometre costs. These are then adjusted by factors for climate, soil-subgrade, terrain and locality. Data has been collected from Councils to provide more accurate information by road type. The road needs assessment will remain a key driver of expenditure needs because of its relative size in the balanced budget. Councils need to ensure that their data is accurate, particularly in relation to classification by number of vehicles per day.

Key changes in the methodology likely to impact on grants include:-

1. **High Constant** - The LGGC has accepted the argument that the high constant (\$983,000) resulted in an over-compensation of smaller councils and was potentially a “double-dip” when coupled with other disability factors. The proposed methodology has a small constant (eg \$195,000 in administration). This means that smaller Councils (typically those with less than 3000 population) may face a substantial reduction in the raw” grant. A scale factor has also been introduced based on population size, but the weighting is only applied to the per capita allocation, not to the constant.
2. **Regional Role** -The LGGC has recognised the inadequacy of treatment of the regional role and has developed a factor based on the level of service employment in the LGA on a per capita basis. The LGGC has noted that it is unsure whether it is adequately compensating for the regional role with these new factors.
3. **Isolation Factor** - The LGGC has accepted the argument that the isolation factor may have been over-compensating some rural and remote Councils because it was based on a capital works index. While still using the capital works index, only 50% of the difference is applied for recurrent functions (75% for depreciation), reducing the

influence of this factor. The LGGC looked at other factors, but did not consider they adequately reflected the additional costs involved in regional and rural locations. Councils should review the isolation cost adjuster to ascertain whether it fairly adjusts costs for remoteness from major markets.

4. **Other Cost Adjusters** - There are a number of other cost adjusters (demography, dispersion, growth, etc). The best way to see how all these factors work together is to look at the summary of cost adjusters applied by function on page 94. By looking at Councils regarded as in similar situations, it is usually possible to gain an appreciation of whether these weightings are reasonable.
5. **Final Allocation Model** - The LGGC has looked at both options but prefers the "equalisation ratio" approach. Appendix C of the LGGC Report shows the different results obtained. The reason for the substantial differences in some cases is difficult to explain but tends to relate to size of business. The smaller the Council in terms of expenditure need, the more it is favoured by the "equalisation ratio" approach which is currently used. The larger the Council in expenditure needs, the more it is favoured by the proportional approach. It is a major concern that one item of methodology can cause such a major change in the outcome.

5. Understanding the Indicative GPG

It is important that Councils focus on the proposed General Purpose Grant (GPG) when assessing their response to the new equalisation methodology. The Draft Report Table ES.2 shows the GPG together with the Identified Road Grant (IRG) with the total shown as FAG. It should be noted that no change to the old IRG based on a weighting of population and road length is proposed at this time.

Total FAG therefore does not properly reflect the outcomes of the methodology review. Appendix B of the LGGC Report is more useful for this.

It is not the underlying new methodology that results in the "Final Draft Indicative GPG" shown in Appendix B (Column I). Because the LGGC did not accept that the new methodology was providing equitable outcomes across the State (mainly because of the inadequate revenue assessment and some concerns about road data), two adjustments were made.

The first of these (Appendix B, Column D) was to undertake a regression analysis of the grant obtained by the new methodology against population and road length. The result is a formula of $GPG = \$387,374 + \$11.27 \text{ per capita} + 641.69 \text{ per km of road}$.

The next step was to then average this with the GPG obtained by using the new methodology. This was done by the LGGC to "moderate" extremes considered to be caused by the inadequate revenue assessment based on UCV.

However, because the LGGC were concerned that this still resulted in substantial changes (+ or -) for many Councils a third step was introduced. This averages the results from steps 1 and 2 with the raw grant obtained by the old methodology. This is argued as an implementation approach by the LGGC, with the intention being that this step is phased out as the new methodology is refined.

Because the actual 2002/03 GPG is a product of phasing in towards this raw GPG under the old methodology, the result is that the outcomes obtained using the new methodology (including step 2) are heavily moderated towards the old methodology. The primary reason for this approach appears to have been a desire on the part of the LGGC to minimise losses resulting from implementation of a new methodology. This of course also limits gains.

As can be seen from the above discussion, the "implementation approach" of the LGGC complicates any perception of the new methodology.

The "moderation" provided at Column D by the regression of the new methodology is relatively favourable for Councils with a relatively high total road length. The road length component of the regression equation drives around 50% of the outcome for the State as a whole. For smaller Councils (say less than 3000 population), the higher constant in this regression equation will also provide a benefit.

For Councils that would have received relatively high grants under the old methodology (Column F), the final step which averages the results in Columns E & F substantially reduces the potential losses from the proposed new methodology. It should be recognised that the LGGC has stated that the third step is an implementation approach and is expected to be phased out.

It is useful to look at the averages per capita for the ACLG category for each Council. This provides some insight into whether the proposed outcomes are fair from a national perspective or fair relative to Councils of a similar type. Attachment A to this paper provides details of average GPGs for each category using the Indicative grant and compares these with the national average.

6. Identified Road Grant

While the LGGC proposes to retain the population/road length weighting for the Identified Road Grant (IRG) it is appropriate for Councils to comment on this.

Appendix D of the LGGC Report provides details of the IRG that would be obtained by each Council if the asset preservation model developed for the GPG were used for the IRG. The figures show that some Councils are far better off with the existing methodology retained while others would be better off if the asset preservation approach used for the GPG was adopted for the IRG. The figures in this appendix are therefore likely to influence whether Councils support the proposal to retain the existing method for the IRG.

7. Points for Submission

While there will be a range of matters on which Councils may wish to comment, the following are some of the key factors influencing the proposed outcomes.

1. The use of the previous methodology to weight the indicative GPG is likely to be a key aspect of the proposed methodology in terms of how the indicative grant is perceived. Those doing well under the previous model may benefit significantly while those who felt they were doing badly, and may be advantaged by the new methodology, may find they are not receiving substantial increases. While Councils could argue strongly about whether or not this is retained in the long term, the LGGC has indicated it will be phased out, and it seems unlikely the Commonwealth would accept this as an ongoing part of the methodology. It is therefore important to look at the other parts of the methodology.
2. The use of a regression equation to “moderate” the effects of the new methodology using population and road length is favourable to Councils with high total road lengths. This is primarily because of the significance of the road length in driving the result. As noted previously, the higher constant in this regression also assists smaller Councils obtain more favourable outcomes. There will therefore be differences in opinion on the benefits of this step depending on the differences observed in Columns C and D of Appendix B of the LGGC Report.
3. For the IRG, Councils need to consider whether it is important to retain the simple and easily understood approach weighting both population and road length. This has been generally accepted by Local Government in the past. Some may argue that it is desirable to have a different approach for the IRG than that used in the GPG assessment. Others favoured by the asset preservation approach may argue that both the IRG and GPG are required to assess road needs and the approach adopted should be similar. The Commonwealth Grants Commission in its review did not come to a definitive position on this aspect.
4. It is particularly important that all Councils review the road categories and traffic volumes shown in the draft Report and also compare these against similar Councils. Those that have not provided data should rectify this as they may well be disadvantaged by their incapacity to provide the data necessary to assess needs on an asset preservation approach.
5. One of the key drivers of change for smaller Councils (say less than 3000) will be typically because of the elimination of the very high regression constant of the previous methodology. A very high “flagfall amount benefits small Councils.
6. The use of UCV for the revenue side will impact differently on Councils. Councils in high growth coastal locations usually have UCVs per property well above State averages. These Councils may therefore be assessed as having high revenue raising

capacity. The LGGC is clearly concerned that the revenue assessment methodology is inadequate, and Step 2 was introduced in part to “moderate” the effect.

While there are some patterns in the way in which changes in grants will occur if the proposed indicative grant is fully implemented, the three-step process complicates any simple understanding. It is hoped that the background provided in this Information Paper will assist Councils in their response to the LGGC report.

Attachment A: Indicative GPG/capita by ACLG Category

ACLG	GPG	Popln	GPG/capita	National Av./capita
URV Group	11,171,432	670,973	\$17	\$34
URS Group	20,854,329	168,571	\$124	\$79
URM Group	6,318,614	180,534	\$35	\$56
URL Group	5,008,684	244,672	\$20	\$51
UFV Group	5,046,237	249,357	\$20	\$34
UFS Group	1,798,705	50,321	\$36	\$48
UFM Group	3,132,005	151,146	\$21	\$35
UFL Group	3,636,560	231,861	\$16	\$26
UDV Group	2,631,206	167,808	\$16	\$26
UDM Group	859,200	49,717	\$17	\$18
UDL Group	1,916,024	89,928	\$21	\$26
UCC Group	14,040,207	898,480	\$16	\$15
RTX Group	4,380,113	1,276	\$3,433	\$820
RTS Group	10,270,158	5,512	\$1,863	\$557
RTM Group	13,083,990	15,091	\$867	\$439
RTL Group	4,057,116	8,943	\$454	\$277
RAV Group	20,838,891	259,695	\$80	\$93
RAS Group	8,918,797	8,786	\$1,015	\$398
RAM Group	36,919,640	97,190	\$380	\$238
RAL Group	15,103,150	83,355	\$181	\$149

ATTACHMENT B

COUNCIL	DRAFT GPG	POPLN.	ACLG	GPG/capita	National Average 2000/01
CAIRNS	2,583,372	118,153	URV	\$22	
MAROOCHY	1,998,206	127,402	URV	\$16	
GOLD COAST	6,589,854	425,418	URV	\$15	
URV Group	11,171,432	670,973		\$17	\$34
STEPHEN ISLAND	148,565	61	URS1	\$2,435	
SUE ISLAND	401,976	234	URS1	\$1,718	
DAUAN ISLAND	169,213	114	URS1	\$1,484	
MAPOON	295,497	209	URS1	\$1,414	
SEISIA ISLAND	154,702	139	URS1	\$1,113	
COCONUT ISLAND	193,227	175	URS1	\$1,104	
ST. PAULS ISLAND	243,163	224	URS1	\$1,086	
KUBIN ISLAND	238,661	221	URS1	\$1,080	
HAMMOND ISLAND	188,122	203	URS1	\$927	
MABUIAG ISLAND	212,174	240	URS1	\$884	
DARNLEY ISLAND	241,658	320	URS1	\$755	
YORKE ISLAND	246,976	333	URS1	\$742	
MURRAY ISLAND	328,580	448	URS1	\$733	
SAIBAI ISLAND	264,905	362	URS1	\$732	
BOIGU ISLAND	210,251	290	URS1	\$725	
YAM ISLAND	236,277	341	URS1	\$693	
BADU ISLAND	504,695	750	URS1	\$673	
UMAGICO	172,567	278	URS1	\$621	
NEW MAPOON	200,999	348	URS1	\$578	
MORNINGTON ISLAND	576,335	1,007	URS1	\$572	
TORRES	1,827,528	3,599	URS1	\$508	
INJINOO (COWAL CK)	214,362	437	URS1	\$491	
BAMAGA ISLAND	356,810	885	URS1	\$403	
LOCKHART RIVER	180,084	470	URS1	\$383	
WEIPA	258,809	789	URS1	\$328	
HOPEVALE	264,603	826	URS1	\$320	
PORMPURA AW	191,607	628	URS1	\$305	
KOWANYAMA	296,500	991	URS1	\$299	
AURUKUN	325,282	1,099	URS1	\$296	
DOOMADGEE	306,695	1,198	URS1	\$256	
WUJAL WUJAL	64,970	263	URS1	\$247	
PALM ISLAND	328,538	2,305	URS1	\$143	
YARRABAH	234,925	2,280	URS1	\$103	
CHERBOURG	110,619	1,209	URS1	\$91	
WOORABINDA	77,041	1,019	URS1	\$76	
URS Group 1	10,266,917	24,295		\$423	n.a.
WARWICK	3,049,997	21,335	URS	\$143	
CHARTERS TOWERS	1,049,676	8,730	URS	\$120	
GOONDIWINDI	539,916	4,820	URS	\$112	

COUNCIL	DRAFT GPG	POPLN.	ACLG	GPG/capita	National Average 2000/01
ROMA	648,337	6,673	URS	\$97	
MOUNT ISA	1,756,715	21,187	URS	\$83	
DALBY	765,542	10,130	URS	\$76	
MARYBOROUGH	1,081,012	25,145	URS	\$43	
GLADSTONE	986,794	26,873	URS	\$37	
JOHNSTONE	709,423	19,383	URS	\$37	
URS Group 2	10,587,412	144,276		\$73	\$79
COOLOOLA	1,555,950	33,670	URM	\$46	
ROCKHAMPTON	2,133,366	58,775	URM	\$36	
HERVEY BAY	1,385,774	43,419	URM	\$32	
BUNDABERG	1,243,524	44,670	URM	\$28	
URM Group	6,318,614	180,534		\$35	\$56
MACKAY	1,663,124	75,977	URL	\$22	
TOWNSVILLE	2,003,449	92,373	URL	\$22	
CALOUNDRA	1,342,111	76,322	URL	\$18	
URL Group	5,008,684	244,672		\$20	\$51
IPSWICH	3,125,742	126,910	UFV	\$25	
PINE RIVERS	1,920,494	122,447	UFV	\$16	
UFV Group	5,046,237	249,357		\$20	\$34
LIVINGSTONE	982,735	26,369	UFS	\$37	
BURNETT	815,970	23,952	UFS	\$34	
UFS Group	1,798,705	50,321		\$36	\$48
THURINGOWA	1,124,865	52,999	UFM	\$21	
BEAUDESERT	1,120,874	54,253	UFM	\$21	
NOOSA	886,266	43,894	UFM	\$20	
UFM Group	3,132,005	151,146		\$21	\$35
REDLAND	1,840,975	117,377	UFL	\$16	
CABOOLTURE	1,795,585	114,484	UFL	\$16	
UFL Group	3,636,560	231,861		\$16	\$26
LOGAN	2,631,206	167,808	UDV	\$16	
UDV Group	2,631,206	167,808		\$16	\$26
REDCLIFFE	859,200	49,717	UDM	\$17	
UDM Group	859,200	49,717		\$17	\$18
TOOWOOMBA	1,916,024	89,928	UDL	\$21	
UDL Group	1,916,024	89,928		\$21	\$26
BRISBANE	14,040,207	898,480	UCC	\$16	
UCC Group	14,040,207	898,480		\$16	\$15

COUNCIL	DRAFT GPG	POPLN.	ACLG	GPG/capita	National Average 2000/01
DIAMANTINA	1,587,292	326	RTX	\$4,869	
CROYDON	1,128,456	286	RTX	\$3,946	
ISISFORD	807,535	301	RTX	\$2,683	
ILFRACOMBE	856,831	363	RTX	\$2,360	
RTX Group	4,380,113	1,276		\$3,433	\$820
BULLOO	1,576,036	462	RTS	\$3,411	
BOULIA	1,568,545	577	RTS	\$2,718	
BARCOO	1,083,339	466	RTS	\$2,325	
BURKE	1,084,651	513	RTS	\$2,114	
TAMBO	1,129,765	625	RTS	\$1,808	
ARAMAC	1,160,868	734	RTS	\$1,582	
ETHERIDGE	1,574,644	1,032	RTS	\$1,526	
JERICHO	1,092,309	1,103	RTS	\$990	
RTS Group	10,270,158	5,512		\$1,863	\$557
McKINLAY	1,528,020	1,059	RTM	\$1,443	
WINTON	2,050,316	1,616	RTM	\$1,269	
QUILPIE	1,265,796	1,100	RTM	\$1,151	
RICHMOND	1,185,647	1,157	RTM	\$1,025	
BLACKALL	1,436,300	1,806	RTM	\$795	
BARCALDINE	1,316,375	1,746	RTM	\$754	
CARPENTARIA	1,721,474	2,308	RTM	\$746	
PAROO	1,585,233	2,226	RTM	\$712	
FLINDERS	994,828	2,073	RTM	\$480	
RTM Group	13,083,990	15,091		\$867	\$439
MURWEH	2,663,596	5,014	RTL	\$531	
LONGREACH	1,393,520	3,929	RTL	\$355	
RTL Group	4,057,116	8,943		\$454	\$277
BELYANDO	2,877,581	9,936	RAV	\$290	
BANANA	2,900,072	14,369	RAV	\$202	
FITZROY	1,615,954	9,951	RAV	\$162	
KINGAROY	1,479,909	11,835	RAV	\$125	
MAREEBA	1,911,826	18,417	RAV	\$104	
CALLIOPE	1,546,571	15,115	RAV	\$102	
BOWEN	1,227,315	12,423	RAV	\$99	
CROW'S NEST	818,279	10,278	RAV	\$80	
ESK	803,287	14,794	RAV	\$54	
DOUGLAS	561,515	10,425	RAV	\$54	
HINCHINBROOK	652,840	12,395	RAV	\$53	
SARINA	512,985	9,822	RAV	\$52	
JONDARYAN	577,266	12,894	RAV	\$45	
WHITSUNDAY	616,764	15,496	RAV	\$40	
ATHERTON	409,253	10,611	RAV	\$39	

COUNCIL	DRAFT GPG	POPLN.	ACLG	GPG/capita	National Average 2000/01
LAIDLEY	487,877	13,099	RAV	\$37	
GATTON	531,421	15,586	RAV	\$34	
EMERALD	440,115	13,009	RAV	\$34	
CARDWELL	332,773	10,774	RAV	\$31	
BURDEKIN	535,289	18,466	RAV	\$29	
RAV Group	20,838,891	259,695		\$80	\$93
PERRY	786,816	424	RAS	\$1,856	
WARROO	1,451,950	1,037	RAS	\$1,400	
BENDEMERE	1,261,170	992	RAS	\$1,271	
EIDSVOLD	991,797	946	RAS	\$1,048	
BOORINGA	1,782,654	1,908	RAS	\$934	
BUNGIL	1,751,187	1,951	RAS	\$898	
BIGGENDEN	893,223	1,528	RAS	\$585	
RAS Group	8,918,797	8,786		\$1,015	\$398
DALRYMPLE	2,390,190	3,516	RAM	\$680	
COOK	2,845,637	4,265	RAM	\$667	
TAROOM	1,749,266	2,667	RAM	\$656	
TARA	2,461,687	3,865	RAM	\$637	
WAGGAMBA	1,755,893	2,953	RAM	\$595	
MONTO	1,470,395	2,534	RAM	\$580	
BAUHINIA	1,309,054	2,262	RAM	\$579	
MURILLA	1,571,858	2,726	RAM	\$577	
PEAK DOWNS	1,602,591	3,145	RAM	\$510	
INGLEWOOD	1,357,742	2,675	RAM	\$508	
MUNDUBBERA	982,284	2,293	RAM	\$428	
NEBO	879,108	2,113	RAM	\$416	
CLIFTON	951,928	2,470	RAM	\$385	
WONDAI	1,604,875	4,210	RAM	\$381	
KILKIVAN	1,050,519	3,226	RAM	\$326	
MIRIAM VALE	1,423,522	4,481	RAM	\$318	
BALONNE	1,666,064	5,564	RAM	\$299	
CLONCURRY	1,138,378	3,829	RAM	\$297	
GAYNDAH	818,187	2,890	RAM	\$283	
MOUNT MORGAN	829,429	2,952	RAM	\$281	
KOLAN	1,297,959	4,640	RAM	\$280	
MILLMERRAN	968,427	3,494	RAM	\$277	
WOOCOO	822,087	3,050	RAM	\$270	
MURGON	953,909	3,621	RAM	\$263	
TIARO	995,547	4,693	RAM	\$212	
KILCOY	699,625	3,307	RAM	\$212	
PITTSWORTH	700,345	4,658	RAM	\$150	
CAMBOOYA	623,135	5,091	RAM	\$122	
RAM Group	36,919,640	97,190		\$380	\$238

COUNCIL	DRAFT GPG	POPLN.	ACLG	GPG/capita	National Average 2000/01
HERBERTON	1,570,596	5,326	RAL	\$295	
CHINCHILLA	1,724,399	6,058	RAL	\$285	
BROADSOUND	1,690,870	6,523	RAL	\$259	
WAMBO	1,129,492	5,232	RAL	\$216	
DUARINGA	1,288,901	6,640	RAL	\$194	
ROSALIE	1,642,012	8,692	RAL	\$189	
NANANGO	1,605,852	8,546	RAL	\$188	
STANTHORPE	1,471,397	10,383	RAL	\$142	
EACHAM	767,644	6,353	RAL	\$121	
ISIS	680,802	5,882	RAL	\$116	
BOONAH	967,018	8,449	RAL	\$114	
MIRANI	564,167	5,271	RAL	\$107	
RAL Group	15,103,150	83,355		\$181	\$149