



23 June 2015

Submission No. 004
11.1.3
23 June 2015

Research Director
Infrastructure, Planning and Natural Resources Committee
Parliament House
George Street
Brisbane Qld 4000

Email: ipnrc@parliament.qld.gov.au

To Who It May Concern

**Title: LGAQ Submission to the Infrastructure, Planning and Natural Resources Committee:
Inquiry on the Building Queensland Bill 2015**

Thank you for the opportunity to provide comment on the above draft document. The LGAQ sought input from affected Queensland local governments in the preparation of the comments supplied in the following attachment.

Should you have any questions regarding the Association's submission, please don't hesitate to contact our Senior Advisor – Water and Sewerage Infrastructure, Mr Arron Hieatt at arron_hieatt@lgaq.asn.au or (07) 3000 2237.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Greg Hoffman', is written over a light blue horizontal line.

Mr Greg Hoffman PSM
GENERAL MANAGER – ADVOCACY

Enc



Submission to the Infrastructure, Planning and Natural Resources Committee

Inquiry on the Building Queensland Bill 2015

June 2015

Local Government Association of Queensland

23 June 2015

The Local Government Association of Queensland

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a not-for-profit association setup solely to serve councils and their individual needs.

The LGAQ has been advising, supporting and representing local councils since 1896, allowing them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places that count; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and delivering them the means to achieve community, professional and political excellence.

Scope of Inquiry

The LGAQ appreciates the opportunity to provide comment on the current Parliamentary inquiry into the Building Queensland Bill 2015.

As stated on the Parliamentary website, the objective of the Bill is to provide for the establishment of a new independent statutory advisory body called Building Queensland. Building Queensland will:

- provide independent expert advice to government about infrastructure in Queensland
- develop a robust and transparent framework for assessing infrastructure projects
- evaluate proposals for new and existing infrastructure
- assist or lead the preparation of certain business cases for infrastructure proposals
- prepare an infrastructure priority pipeline document
- lead the procurement and delivery of projects only when directed to do so by the Minister
- publish information and promote public awareness.

The Association acknowledges the value of submissions provided from individual Queensland councils which are best placed to provide advice about their individual circumstances. This response is therefore limited to providing a general overview of the issues relevant to Queensland local government as a whole.

LGAQ Policy

LGAQ's overarching Policy Statement 2014 is a definitive statement of the collective voice of local government in Queensland which identifies how local government seeks to engage with and be recognised by State and Federal governments. Several points within the Policy Statement are relevant to current inquiry as follows:

3.1.2.8 To provide more effective and efficient services meeting the needs of local communities, it is critical that all levels of government consider delivery of programs and services through an integrated approach that connects people in need with community and public sector organisations and aligns funding that supports this model of integration.

6.1.1.6 Local government supports a comprehensive review of the framework to designate land for community infrastructure that provides for appropriate local government engagement and approval processes to ensure compliance with relevant local planning instruments.

6.1.1.7 Local government supports the State Government developing a State Population Policy to provide clear guidance on the future locations of population growth and infrastructure provision.

6.1.2.2 Local government supports the State Government developing comprehensive State infrastructure plans that support and inform local planning instruments and statutory regional plans.

8.9.1.4 Development and investment in regional Queensland will occur through coordinated programs by local, State and Federal governments. Private sector investment in facilities and infrastructure in regional Queensland is crucial and should be encouraged by all spheres of government.

Queensland Local Government Context

Local Governments own and maintain a significant portion of Queensland’s infrastructure. According to the ABSⁱ the total value of non-financial assets for both State and Local Governments in 2013-14 was \$263.2 billion. Local governments’ portion of the total value was \$89.2 billion (33.8%), compared to \$44.3 billion (37.4%) in 2004-05.

Local Government assets include a range of services, many of which are essential to Queensland’s communities. These assets include local roads, water supply and reticulation networks, sewage treatment systems, stormwater management, and parks – among others. These asset classes are not only essential to communities, but also essential for consideration in any large capital infrastructure project as it will likely need many of them to function. A breakdown of local government assets from the Queensland Audit Office’s recent reportⁱⁱ is shown in Figure 1.

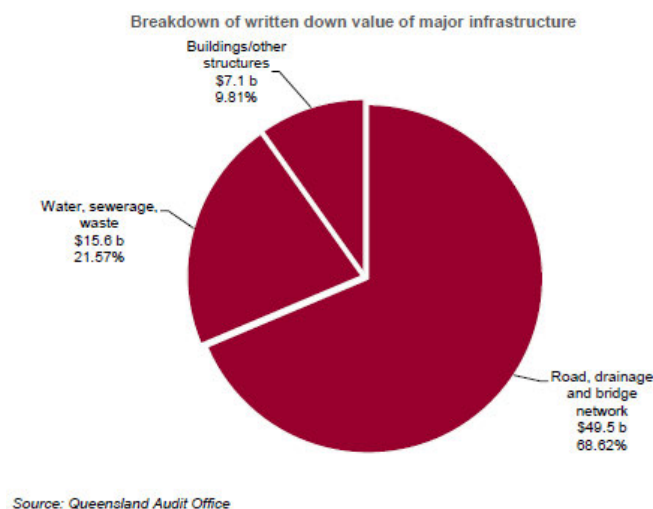


Figure 1 - Distribution of Queensland Local government assets by type

As indicated in Figure 1, transport infrastructure represents the largest portion of local governments’ assets (68.62%). Unlike other infrastructure, Queensland’s local road network must seamlessly integrate into State transport infrastructure to achieve its intended purpose. The Queensland road network comprises 186,765km, of which 153,413km are owned and maintained by local governments. With very rare exception, local government roads will be affected by every large scale infrastructure project.

Urban water and waste water services are also predominantly the purview of local governments, especially outside of Southeast Queensland. All local governments are either registered water providers or are shareholders in statutory authorities that deliver urban water services that service more than 300

communities. Thus, local government is directly responsible for the delivery of potable water and waste water services to all of Queensland’s communities where they are provided. Again, with rare exception large scale infrastructure will require consideration for water and waste water services.

Local government infrastructure projects also vary in scale, including some with very significant investments by collaborative partnerships with the State and Federal governments or solely delivered by local government. Several recent projects such as the Moreton Bay rail link extension (\$1.15 billion), the Gold Coast light rail (\$1.6 billion), and the proposed Townsville sports stadium (approximately \$315.5 million) are examples of collaborative infrastructure projects that span the various levels of government. Local government also solely funds infrastructure when it is needed and collaborative funding is unavailable. For example, while supplemental funding is being sought, the Rubyanna Wastewater Treatment Plant is currently estimated at \$93 million and will serve up to 90,000 residents in the area to the east of Bundaberg.

Continued investment into local government infrastructure occurs both through upgrades or the creation of new capital. One measure of the scale of this investment is the gross fixed capital formation, or the amount spent on new or existing non-financial assets, reported annually by the ABSⁱⁱⁱ. In the most recent report, the amount of local government gross fixed capital formation averaged almost \$4 billion annually over the last five years. There has been a positive trend of roughly 5% greater investment each year during the same time period. In comparison, the same report shows the gross fixed capital formation for State Government infrastructure averaged just over \$7 billion with a decreasing trend annually (see Figure 2).

Gross Fixed Capital Formation (2009-2014)

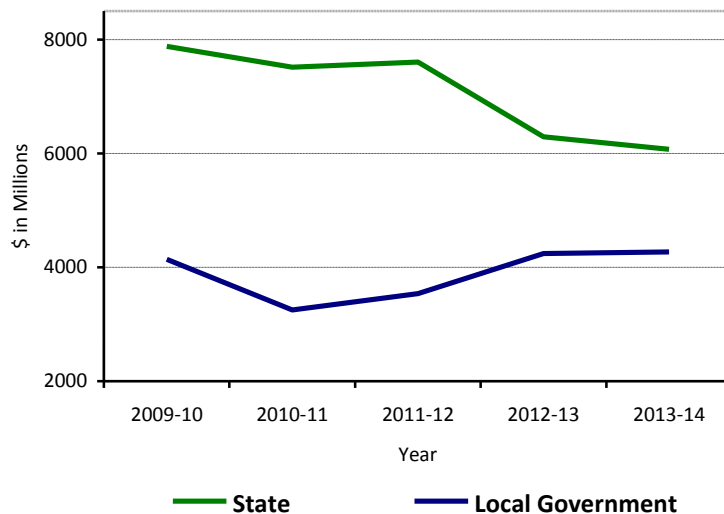


Figure 2 - Comparison of State and Local government Gross Fixed Capital Formation

Significant investment in infrastructure by local government will continue to occur into the future. Based on the gross fixed capital formation trends as identified above, local government is likely to spend more than \$40 billion over the next 10 years. In addition, the Department of Infrastructure, Local Government and Planning in its consolidated data collection^{iv} projected capital expenditure of \$17.3 billion on just asset renewal across all asset classes from 2013-2023. This estimate does not include the additions of new capital that will be needed for population growth as well as addressing the backlog of infrastructure that needs to be built, which is likely to exceed the amount already being spent on asset renewal. Both of these figures suggest that local governments’ spending on infrastructure over the next 10 years will be considerable.

Given both its portion of total government infrastructure state wide and its annual investment into new infrastructure, local governments have a strong interest in the creation of Building Queensland.

Comments on the Building Queensland Bill 2015

The LGAQ supports the establishment of Building Queensland for the provision of independent expert advice to the State on matters relating to infrastructure in Queensland. In provision of this advice the LGAQ is pleased to see that the 'rigorous analysis' is to be provided by the independent entity and must include elements such as growth, sustainability, and a cost benefit analysis. Objective and transparent review of the merit of the allocation of scarce infrastructure investment dollars should be an essential component of every infrastructure program.

The LGAQ acknowledges that the role of Building Queensland is to advise the government, and that ultimately the Cabinet Budget Review Committee has the final say on infrastructure decisions. Given this role for Building Queensland, the question remains as to what influence its advice will have on the Government's decisions. Coupled with section 18, which allows the Minister to exclude projects from consideration by Building Queensland, the potential for inconsistently vetted and/or conflicting priorities for infrastructure projects to be pursued by the State remains. The LGAQ, therefore, strongly supports the full public disclosure of Ministerial directions as well as assessments performed by Building Queensland.

Further, the LGAQ asks the Committee to consider the inclusion of a requirement for the State Government to disclose the reasons for decisions when they are inconsistent with the advice given by Building Queensland. This disclosure would be in line with that already required of local government (i.e. Local Government Regulation 2012, section 273), where such reasons must be disclosed when they have significant financial impacts or are inconsistent with stated policy. Not only will this bring consistency to the process of responding to advice between State and local government, but it will also ensure the principle of transparency in the Government's response to advice provided by Building Queensland that is not fully articulated in the Bill.

Of particular interest to local government is the development of the framework for evaluating and prioritising projects across competing Government departments. The LGAQ supports the consistent assessment of infrastructure projects in line with accepted national and international best practice. The establishment of Building Queensland as a centre of excellence to develop expertise and tools for the assessment of infrastructure projects is a welcome resource to Queensland – one that could benefit local governments in its delivery of infrastructure as well. Such objective and informed assessments would be expected to strongly influence the State's investment of resources and dollars to projects where the needs and benefits are the greatest.

The role of Building Queensland in reviewing or developing business cases based on the framework is also positive. Proper justification for any infrastructure project should also be a fundamental part of an infrastructure program, and should include appropriate consultation in public and with affected stakeholders. Though details of the framework are not yet available, the LGAQ expects that early and thorough regard to existing plans (e.g. local government, development, regional, and infrastructure) will be a fundamental component. These plans, often made with extensive community and other stakeholder consultation, define the agreed future direction and needs for a community. Importantly, the plans also provide a basis on which to plan for essential services needed to support infrastructure that are provided by State and local governments as well as other statutory bodies in Queensland.

The underlying concern for local government is that this new process, like other special purpose bodies established by the Queensland Government, will not provide a guarantee of necessary consultation in regard to local planning, infrastructure, and community matters. This is especially important for those

projects that will assuredly affect local governments through associated infrastructure and services (e.g. local roads, urban water and wastewater services, waste disposal, etc.). While Building Queensland should have the expertise and independence to judge the merits of each infrastructure proposal, the LGAQ strongly encourages the Committee to recommend additional provisions in section 11 of the Bill to require consultation, especially with local government, in the development of the framework. This consultation is critically important to ensure that the many interests and impacts for relevant stakeholders are considered within the framework. These considerations within the framework will then guarantee that assessments based on it are well informed and retain the confidence of the community in Building Queensland's work.

On a final note, the development of a pipeline of infrastructure projects based on sound business cases and rigorous advice is also supported by the LGAQ. The prioritisation of projects over the near and long term can provide certainty for industry and communities, and help to rationalise state and local government planning. There may also be potential to build upon the benefits of a pipeline by expanding its scope to include some local government infrastructure as appropriate, and the LGAQ asks the Committee to consider this option.

Local governments should also be recognised as key providers of essential economic and community infrastructure, as evidenced in the previous section providing the local government context. The LGAQ believes that local government infrastructure, either with individual projects that meet the threshold requirements or through aggregations of similar infrastructure projects, could achieve economies of scale through procurement and participation in the development pipeline. There may also be merit in combining proposals for associated local government infrastructure with the State's proposals.

The LGAQ also asks the Committee to explore whether a mechanism for the nomination of projects by local government based on their priorities, and in planning of their major infrastructure networks, should be developed by the proposed entity. A good example was the Magnificent 7 nomination from the SEQ Council of Mayors in 2010 (<http://www.councilofmayorsseq.qld.gov.au/Projects/Magnificent-7-Infrastructure.aspx>) to identify specific high priority projects for consideration at a state level. In this way, state and federal government entities can receive an appropriate nomination of project priority and utilise that information in conjunction with other functions they deliver.

Recommendation

The LGAQ encourages the Committee to support the Building Queensland Bill 2015, and to consider each of the following points in its assessment of the Bill:

- Inclusion of a requirement for the State Government to disclose the reasons for decisions when they are inconsistent with the advice given by Building Queensland;
- recommend additional provisions in section 11 of the Bill to require consultation, especially with local government, in the development of the framework;
- consider the potential to build upon the benefits of a pipeline by expanding its scope to include some local government infrastructure as appropriate; and,
- explore whether a mechanism for the nomination of projects by local government based on their priorities, and in planning of their major infrastructure networks, should be developed by Building Queensland.

Contacts and References

Should further information on any aspect of the Association's response be required, please don't hesitate to contact Ms Simone Talbot, Manager Advocate [REDACTED]

ⁱ 5512.0 - Government Finance Statistics, Australia, 2013-14,
Latest ISSUE Released at 11:30 AM (CANBERRA TIME) 13/05/2015

ⁱⁱ Queensland Audit Office, Results of audit: Local government entities 2013–14, Report 16: 2014–15

ⁱⁱⁱ 5512.0 - Government Finance Statistics, Australia, 2013-14,
Latest ISSUE Released at 11:30 AM (CANBERRA TIME) 13/05/2015

^{iv} Dept. Infrastructure, Local Government and Planning, 2013-14 Consolidated Data Collection (aggregated; respondent councils)
Extract provided to LGAQ on 22 June 2015.