Committee Secretary

Infrastructure, Planning and Natural Resources Committee

Parliament House

George Street,

Brisbane QLD 4000

Friday 19 May 2017

Dear Chair and Committee Members,

Subject: Inquiry into the Long Term Financial Sustainability of Local Governments.

Thank you for the opportunity to make a submission to your committee. I am currently employed as the Chief Executive Officer of the Blackall-Tambo Regional Council but this submission is my own. I am not speaking on behalf of this Council or any other local authority, although I will use statistics from several Councils to support my arguments. Over the last thirty years I have held the position of Shire Clerk or CEO in Cloncurry, Boulia and Murweh Shires (Charleville) and other small Councils interstate. I believe that these large remote Councils with small populations are generally the focus of sustainability issues in government reporting.

The terms of reference for your committee items a. to j. address issues from financial planning to sustainability ratios. I see no point on providing my opinion on these issues based on my experience, as anything I may have to say will be dismissed and countered by far more qualified economists and public officials from government departments and agencies based in Brisbane that have been championing and pushing the sustainability issue for more than a decade. We've been through it all before, an inquiry followed by the carnage of forced amalgamations or enormous pressure to base our existence on the principles of sustainability.

The 2007 Local Government Reform Commission recommendations that saw so many local councils disappear focused greatly on this issue of sustainability. Every possible argument refuting the findings of the commission were put up by desperate councils and communities fighting for their existence. Reports were commissioned by major accounting firms that reached alternative conclusions but all was to no avail. If I can use the Council of Aramac as an example; 700 residents living in an area of over 23,000 sq km; Council cash reserves of $6Million; zero debt, extensive plant fleet employed doing contract work for TMR and the major employer in town supporting families and businesses. Someone in Brisbane crunched the numbers and came to the conclusion that in 20 or 30 years they wouldn't be able to build a new town hall or replace their water mains unless the State funded it. The Aramac Council believed that when these issues arose they would use their resources and squeeze the State and Federal governments for every cent they could, just as Brisbane City Council and Logan City Council would do. Aramac Shire Council disappeared into Barcaldine Regional Council and this was repeated across the state.

The term of reference I would like to address is **"item k. -other matters the committee determines are relevant to the enquiry"**. I would ask if the committee could ask if the issue of financial sustainability becoming the major focus of local government is to the detriment of services being provided and maintained, especially in small communities and whether this issue is actually contributing to the decline in the provision and maintenance of assets across the state.

Never before in the history of local government have the statistics shown that there is a real chance that if you are elected as first term Mayor or Councillor that you will not be re-elected to a second term. I believe this is a direct result of Councils not keeping their facilities up to scratch or improving services to residents because the name of the game now is to hoard cash. It must be very frustrating for Councillors to improve our communities when it is being constantly hammered home that we need to improve cash reserves so that we can comply with sustainability formulas. I have extracted the following financial details from the 2016 annual reports of the following local governments:

Local Government	Population	Cash Reserves	Debt
Blackall – Tambo	2200	$11.3Million	$1.40Million
Boulia	430	$11.8Million	$1.30Million
Barcoo	370	$16.3Million	$0.06Million
Diamantina	300	$20.6Million	$3.07Million
Barcaldine	3300	$23.0Million	$3.09Million
Longreach	4200	$25.0Million	$7.70Million
Winton	1400	$36.9Million	$2.56Million

The Department of Local Government expresses concern that Councils are more and more dependent on Government to maintain assets and facilities. The figures above would indicate that we would be less dependent if we were able use our resources without being adversely judged. The name of the game now is to build cash reserves.

Councils with greater rating bases but perhaps smaller geographic areas also maintain large cash reserves but are able to use their larger rate base to service low interest loans.

Banana	15,000	$13.6Million	$10.40Million
North Burnett	10,000	$18.2Million	$ 3.90Million
Hinchinbrook	12,000	$24.6Million	
Mount Isa	20,000	$31.4Million	$28.00Milllion
Central Highlands	27,000	$64.9Million	$65.30Million

I don't believe it is possible for Council's with lower rating bases of 10,000 rateable properties to achieve the outcomes that your committee addresses and this state is too large to combine us into massive single Councils without killing towns and obliterating democratic representation.

As Members of Parliament you approve and fund facilities and services across our vast state. A fire station in Morven, a bitumen road to Yaraka, medical clinic in Urandangie, sealed airport in Dajarra, rural fire station in Bollon, Day Care Centre in Tambo and thousands more across the state. The hundreds of MP's and Ministers I have met over the years that made these services possible and visited the communities to open them and meet with local residents, never questioned if they were viable or sustainable or met some formula on whether the service could be justified. Many MP's have told me that the best part of their job and the most rewarding was that they could improve the lives of people who live in our remote and rural areas. These people make it possible to land an aircraft in almost all areas of the state, fuel a car, get a cup of coffee or a meal, drive on a safe road, provide emergency services if needed, and provide a room at night. These services are essential in the commerce of minerals, agriculture and other enterprises that contribute to the vast wealth of this state which is delivered to our capital. The priority of local governments is to service these communities and areas or at least used to be, now the focus seems to be on how much we cost the state and not what we contribute.

I would think that the majority of low population local authorities would agree that the primary source of income comprises rate revenue, roadworks contracts and the annual financial assistance grant. I would ask that the committee look at the distribution of the annual FAG's and whether the allocations fit with the original purpose of the grants.

The Whitlam Government introduced the FAG's payment scheme in 1974. The Bill stated " The Government's aim is that the Grants Commission should play the same role in reducing local governing authorities inequalities as it has between the States since 1933. In accordance with the principles of fiscal equalisation which have been developed by the Grants Commission over many years and which have been incorporated in the relevant legislation, **the grants are designed to reduce inequalities between local government bodies in the provision of ordinary services.**

...It is in the nature of the Commission's task that in any year some local authorities will receive lower grants than their neighbouring Councils or Shires, and some authorities will not receive any grants".

The opposition supported the Bill. "The Opposition supports this legislation – not because it represents an adequate response to the financial problems of local government, but because the funds proposed will be of assistance to those municipal bodies **which are at a comparative financial disadvantage".**

Fiscal equalisation is a transfer of fiscal resources across jurisdictions with the aim of offsetting differences in revenue raising capacity.

Over many years I have seen grants commission methodology tinkered with and changed so that now the largest slice of the pie goes to the Brisbane City Council. In 2015/16 the allocation for the general purpose grant was $318,870,461.00. While this seems a lot of money it rapidly diminishes when split across the 77 Councils. Brisbane's allocation of the grant was $23,238,277.00 or 7.29% of amount available. The identified roads grant component is even worse. The 2015/16 allocation was $131,787,806.00. Brisbane City Council received $15,041,795.00 or 11.41%. The Commission justifies this by saying that per capita Brisbane residents are getting cents while in the bush we're getting thousands. That was the original intention of the grant. Their population allows BCC to raise enormous amounts of revenue and their population means that private enterprise provides services that are not commercially viable in rural areas. We own a taxi and pay a driver so that seniors can get to the hospital and passengers can get from the airport. I could provide many other examples

If the commission is unwilling to address this issue could they at least be persuaded to place a cap on the maximum amount any one Council is paid from the pool? A cap of 3% in 2015/16 would have seen BCC paid $9,566,114.00 FAG and $3,953,634.00 Roads. It would have left nearly $25Million in the pool for the remaining 76 Councils.

In summary I would like to say that of course Councils with low rating bases and significant areas to cover will not be able to maintain sustainability and asset management programmes to the extent that city Councils can. However this does not mean we are less likely to be financially responsible and provide a high level of service and amenity for our residents. Monitoring of those few Councils that are unable to live within their means for a long period and addressing the issues of why this is happening should remain in the province of the department. Addressing this issue by blanket regulation and legislation won't work because of the diversity of each local government in the state and will likely drain additional resources in compliance.

Thank you for the opportunity to express my views.

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