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26 May 2017

Your Reference:
Our Reference: 815641

The Committee Secretary
Infrastructure, Planning and Natural Resources Committee
Parliament House
George Street
Brisbane, Qld, 4000

Email to: ipnrc@parliament.qld.gov.au

Dear Sir/Madam

Submission to the Inquiry into the Long-Term Financial Sustainability of Local Government

I write on behalf of the North Burnett Regional Council and forward Council's submission to the Inquiry into the Long-Term Financial Sustainability of Local Government.

Background

The North Burnett Regional Council is established as a body corporate under the Local Government Act 2009. The Council came into existence on the 15 March, 2008 following the Queensland local government reform process which resulted in the amalgamation of 6 Shires – Monto, Eidsvold, Mundubbera, Gayndah, Perry and Biggenden, into the new North Burnett Regional Council. The elected Council is the law making body and consists of the Mayor and 6 Councillors. The administration of Council is headed by the Chief Executive Officer.

The North Burnett Region covers 19,708 square kilometres with the topography of the region being diverse from fertile farmland to rugged geographical formations. North Burnett is home to an estimated population of 10,580. The region has a strong connection with its rural background and promotes a safe and friendly atmosphere supported by a healthy country lifestyle. North Burnett Regional Council maintains 3177 km of unsealed and 873 km of sealed road network.

Like a number of rural Councils North Burnett Regional Council recognises the need for greater economic development and the need to not only attract more people to the region but to retain the current level of population.

The operating budget of North Burnett Regional Council is approx. \$33 million with capital varying greatly through grant and other external funding.

Terms of Reference

Rather than address each of the terms of reference, this submission will speak broadly to the issues raised. One of the greatest issues faced by the North Burnett Regional Council is a secure revenue funding stream. Council in 2010 adopted the recommendations of a Strategic Financial Action Plan which has seen a marked improvement in the cash position and bought relative stability to the Council. Expenditure has been tightly controlled. Yet our Council still often finds ourselves classified by treasurer or audit reports as unsustainable.

Address all correspondence to the Chief Executive Officer



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As a Council we are required to produce long term financial plans yet revenue streams that are controlled by State and Federal Government continually change.

For example own source revenue. The Financial Management Guidelines for the definition of owned sourced revenue. It states that sales revenue is included, however as it is demonstrated in the table below this causes us problems due to the reduction in this revenue. The reporting as per the guidelines do not demonstrate the full picture with rates increasing in some of the Council area over 100% for the same period as the loss of the RPC/RMPC. The State Government no longer considers the awarding of RPC/RMPC as viability issue for Council and works (including the revenue attached) is now delivered in-house by Road Tech.

Owned Sourced Revenue Calculations

	Recurrent Revenue	Capital Revenue	RPC/RMPC Revenue	Operating Grants	Owned Sourced Recurrent Revenue	% owned Sourced	Owned Sourced Revenue Exc RMPC/RPM	% owned Sourced (exc RMPC/RPM)
2010-11	\$37,648,591	\$4,109,424	\$7,995,937	\$14,787,689	\$22,860,902	60.72%	\$14,864,965	39.48%
2015-16	\$36,342,616	\$72,711,968	\$4,142,569	\$15,413,620	\$20,928,996	57.59%	\$16,786,427	46.19%

North Burnett Regional Council also supports that the State Government should remove legislative or policy barriers that limit a council's ability to maximise its own-source revenue as well as noting that there should be no equivalent of "centralised rate capping" that occurs in other States (e.g. Victoria). Such an approach would further negatively impact on the long-term financial sustainability of Councils.

There have been many examples of devolution of responsibility from other levels of government to local government without the accompanying resources. Whilst in a number of areas local government may be the best level of government to deal with an issue this should not occur without appropriate resourcing. It is the lack accompanying resources to match the devolution of responsibility that is the issue.

At the time of Amalgamation State Government reduced grants such as the Local Government Capital Works Subsidy Scheme. With the changes to the grant programme at that time, Council estimated the impact on the 2015-16 Capital Works budget to be approx. \$2.8 million.

Couple this with the freeze on the indexation of the Federal Assistance Grant and the inconsistency of funding amounts received from one financial year to the next. For example in 2014-15 Council received a reduction in the Financial Assistance Grant of \$576k. It has been estimated that the freeze will have impacted council in direct cost and loss of opportunity in the vicinity of \$4.2 million.

This is one of the biggest challenges facing local government between the three levels of government. It is understood that the current mix of revenue collected by the three levels of government is as follows:-



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Level of government	Percentage of Revenue collected
Commonwealth	83%
States	14%
Local Government	3%

This inequitable revenue mix cannot be solved by local government alone. It requires a COAG level solution and in that regard, we support the LGAQ's policy position that local government should be receiving a fixed percentage of the Commonwealth taxation revenue. The current revenue funding mix does not lead to long-term financially sustainable local government.

Finally a review of the sustainability indicators may assist in the understanding for the future viability of Local Governments. For example, the Asset Sustainability Ratio notes that 90% of Depreciation is required for Asset replacement. An Asset Management Plan may indicated funding levels of 70%. One size does not fit all Councils and the sustainability ratios should be reflective of each Council circumstances.

Further information

Each of these items in isolation is significant but combined they create sustainability issues for a regional council.

Representatives of the North Burnett Regional Council would be happy to appear before the Committee if that would be of assistance. We believe that we would be able to provide a practical view of the issues facing local government around financial sustainability.

Should you have any enquiries regarding this matter, please do not hesitate to contact the undersigned on 1300 696 272.

Yours faithfully


MJP Pitt
 Chief Executive Officer