



GK: JC
Trim: R17/3267

16 June 2017

Committee Secretary
Infrastructure, Planning and Natural Resources Committee
Parliament House Cnr George & Alice Streets
BRISBANE QLD 4000

P. 07 4741 2900 F. 07 4741 1741
PO Box 274 Hughenden Q 4821
34 Gray St, Hughenden Q 4821
flinders@flinders.qld.gov.au
www.flinders.qld.gov.au

Dear Jacqui

Please find attached Flinders Shire Council's Submission to the Inquiry into Long-Term Financial Sustainability of Local Governments.

- Copy of Chief Executive Officer's Report to Flinders Shire Council on Commonwealth Financial Assistance Grants (FAGs). This Report highlights the need from Flinders Shire Council's perspective to allocate all the FAGs on a horizontal fiscal equalisation basis. While this is a Commonwealth Government matter, the Queensland State Government should have a position on this important question. The Queensland Local Government Grant's Commission should also address how the existing distribution is addressing horizontal fiscal equalisation, the basis of the distribution of the FAGs.
- Flinders Shire Council notes the following extract from the Queensland Audit Office Report to Parliament on the 2015-16 financial audits for Local Government:
 - More than 50 per cent of council's are not generating enough revenue on average over five years to meet their operational expenditure.
 - Council's collectively have made operating surpluses of \$169 million in 2015-16, which is largely attributed to South East Queensland (SEQ) councils. However, this result is not consistent across the sector, with Indigenous, Resources and Rural and Remote councils making collective operating losses of \$99 million.
 - Own-source revenue (revenue from rates, fees and services) has increased by two per cent since last year and now make up 74 per cent of total revenue. SEQ, Coastal and Rural/Regional councils have the highest proportions of own source revenue, other segments are more reliant on grant funding.
 - Fourteen indigenous, Rural/Regional and Resource councils are showing signs of stress and have been assessed as having a higher risk of becoming financially unsustainable.

The Auditor General also stated that 44 councils had a high or moderate risk rating in regard to financial sustainability. Attached is a map showing the distribution of such local governments throughout Queensland. It is clear that a good many of these council are located within Outback Queensland.

Given that many of the Council's within Outback Queensland are Council's with diminishing or very limited population growth, have very limited own source revenue, have very large geographic areas to provides works and services to, and rely on grant funding to sustain their operations, it is imperative that the Committee look at the way the FAGs are distributed and see if they are meeting the principles of horizontal fiscal equalisation.

Flinders Shire Council considers the Queensland Local Government Grants Commission has a role in addressing financial sustainability of local governments particularly because their main charter is to deliver the grants as far as practical on a horizontal fiscal equalisation basis. The Commission should be doing a lot more work in identifying service level standards and ascertaining if the current distribution of grants if achieving its objectives.

Thank you for the opportunity to provide a Submission.

Yours faithfully

Graham King
Chief Executive Officer