

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 319

Topic: Local Government Funding

Hansard Page: Written

Senator EGGLESTON asked:

1. Can I just take funding for the Douglas Arterial Road. Under this project \$15 million was to be spent in 2012-13. It will now be brought forward to 2009-10. Will the Queensland Government actually spend this \$15 million in 2009-10?
2. How does the \$15 million which was originally not to be spent for at least another two years, "accelerate commencement"?
3. Did the Queensland Government specifically request that this \$15 million be paid this year? Was this request made without prompting from your Department?
4. Is it normal practice for funding to be delivered to the States so far in advance of their expenditure needs?
5. The Budget also brings forward \$511 in local government funding. What was the rationale for this bring forward expenditure?
6. Payments under this program were brought forward last year as a stimulus measure. Now that we are moving towards trend growth though why are they being brought forward now?
7. Do you expect Local Governments to spend this money early than otherwise? If not why are we giving them the money now?
8. Did you receive any requests from Local Governments to move forward this spending?
9. An Australian National Audit Office Report on the "Roads to Recovery" expressed concern about the costs of the Commonwealth making advance payments to Local Government. Did you look at this report before bringing forward this spending?
10. What are the costs to the Commonwealth on the foregone interest of being these amounts earlier than expected?

Answer:

1. The payment was made to Queensland before the end of the financial year, whether they actually spent the money in 2009-10 would have been a matter for Queensland to determine taking into account their cash management requirements and management of the project.

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2. The bring forward of funding will give the Queensland Government the financial capacity to commence the project earlier. Please also refer to measure description “Nation Building Program – road infrastructure – Douglas Arterial Road” outlined in the 2010-11 Budget Paper No.2 (p.272).
3. The Queensland Government did not specifically request to the Treasury that this \$15 million be brought forward.
4. It is not uncommon for funding to be brought forward.
- 5 & 6 The bring forward of Financial Assistance Grants to local governments was to ensure that local governments have immediate use of the funds enabling them to take maximum advantage of the global recovery and to prepare for future challenges. The provision of funding to local governments will improve the financial capacity of local governments and assist them in planning their works programs for 2010-11. Please also refer to measure description “Local government payments – accelerating payments” outlined in the 2010-11 Budget Paper No.2 (p.270).
7. The payments were made to Local Governments before the end of the financial year, whether they actually spend the money earlier than otherwise is a matter for Local Governments to determine taking into account their cash management requirements and management of projects.
8. The Pre-Budget Submission prepared by the Australian Local Government Association stated that many Councils did not have the financial capacity to maintain local roads; and called for a permanent road program including future funding to reflect road usage.
9. The Treasury was aware of the “Roads to Recovery” Report by the Australian National Audit Office.
10. The interest costs of individual expense measures are not costed. The Australian Office of Financial Management undertakes a single overall public debt interest calculation on the basis of the Government’s overall financing task. Public Debt Interest costs associated with individual policies are not typically disclosed.