

24 July 2002

The Secretary
House of Representatives
Standing Committee on Economics, Finance and Public Administration
Parliament House
Canberra ACT 2600

Dear Sir

Inquiry into Local Government and Cost Shifting

Brisbane City Council wishes to comment on the inquiry into cost shifting on local government and the financial position of local government in Australia. Given the wide-ranging nature of the terms of reference and the short time for submissions, our attached comments are in the nature of a preliminary submission and address each of the points in the terms of reference. We would like to expand upon the comments with a supplementary submission in August/September and attendance at public hearings.

Yours sincerely

Jim Soorley
Lord Mayor

SUBMISSION BY BRISBANE CITY COUNCIL

TO THE INQUIRY INTO LOCAL GOVERNMENT and COST SHIFTING

Date prepared: 18 July 2002

Introduction

Due to the wide ranging nature of the terms of reference and the short time frame for submissions, this submission has concentrated on providing basic information on the changing role of local government and cost shifting with particular reference to Brisbane City Council. The submission addresses each of the points in the Terms of Reference. We would like to expand on the material with a supplementary submission and at public hearings.

This submission highlights how the role of local government has evolved from the provision of basic property services to the broader provision of community services. This evolution has been brought about by two factors. Firstly, where local government initiatives have identified and met community demands not satisfied by State and Commonwealth Governments. Secondly, where State and Commonwealth legislation has shifted the responsibility for service provision to local government. In the latter case, the shift has not been accompanied by appropriate funding processes.

This submission addresses each of the terms of reference as follows.

1. Local government's current roles and responsibilities

In Queensland, the roles of local government are set out in section 20 of the Local Government Act 1993. These roles are:

- a law making role for local laws; and
- an executive role for-
 - adoption and implementation of policy; and
 - administration of local government; and
 - enforcement of its local laws.

The Act does not provide any sense of the wide variations in local government in Queensland. For example, Brisbane City Council (BCC) is responsible for a capital city of over 880,000 people, maintains 5,200 kilometres of urban roads and covers a land area of 1,367 square kilometres.

By contrast, Banana Shire Council in Central Queensland, has 13,600 people spread over 15,729 square kilometres of which only 23 square kilometres are urbanised¹ and maintains roads of 3,276 kilometres².

Nor does the Act give any indication of the evolving role of local government. Despite the wide variations in demographics, local government functions continue to evolve in response to community expectations and needs (for example in areas of community welfare) as well as to changes in legislation (such as concerning the environment). This is not a new trend and was evident in 1986 when the

¹ <http://www.banana.qld.gov.au/profile/>

² Local Government Grants Commission Queensland, Twenty-fifth Report 2001 on Financial Assistance for Local Government, p24.

Commonwealth Minister for Local Government and Services noted that “..from the early 1970s, local government has evolved from authorities dealing with roads, gutters, drains and garbage to increasingly sophisticated multi-factional and multi-functional authorities dealing with human and community services.”³ In 2001, the trend continues according to the Commonwealth Grants Commission, “Local Government is increasingly providing human services at the expense of traditional property based services (particularly roads)”⁴.

Examples of BCC initiatives in supplementing traditional based property services are:

- BCC’s 2002-03 budget allocates \$2 million to the newly formed Brisbane Housing Company, which in partnership with the State, aims to provide up to 1000 units of affordable housing in its first four years of operation. These units will be rented to people on low to moderate income.⁵
- The budget also commits BCC to \$2.1 million to establish an Innovation Incubator with the University of Queensland specialising in biotechnology using the public/private partnership model.⁶
- In 2000/01, BCC allocated \$6 million to the implementation of its ourbrisbane.com strategy. The strategy includes projects to boost internet access for residents, provide free internet skills training and deliver advice and support for small businesses looking to develop an e-commerce capability. Council has also developed an online information and services gateway for the city at www.brisbane.com, which over time will become an essential resource for life in the city.⁷

These services are part of BCC’s long term strategy supported by a vision for the future in BCC’s *Living in Brisbane 2010* document.⁸ The document was the result of extensive community consultation and gives BCC’s budget its focus. *Living in Brisbane 2010* identifies 8 key themes of livability:

- a clean and green city
- an accessible city
- a city designed for subtropical living
- a smart and prosperous city
- a creative city
- a city of inclusive communities
- an active and healthy city
- a regional and world city

The need for such long term community planning was emphasised in the Commonwealth Government’s Intergenerational Report where it was noted that a “...steadily ageing population is likely to continue to place significant pressure on

³ The Commonwealth Grants Commission, Review of The Operation of the Local Government (Financial Assistance) Act 1995, p7-8)

⁴ Ibid p xiv.

⁵ BCC Lord Mayor’s Budget Speech 2002-03, p12

⁶ Lord Mayor’s budget speech p11.

⁷ BCC Annual Report 00/01, p8.

⁸ http://cityweb.bcc.qld.gov.au/bcc2010/8_themes.stm

Commonwealth government finances.”⁹ Local government, as well, must position itself to deal with these long-term issues. The report also went on to note that “The Government can improve the economy’s capacity to manage future increases in social spending or other longer term expenditures by continuing to pursue policies that boost long term economic growth.”¹⁰ Given the large social and economic issue involved, governments at all levels can no longer be reactive, they must plan and manage long term social change. To do this, local government needs flexibility in funding and the ability to implement policies in conjunction with other levels of government. Local government also needs a commitment from the Commonwealth and the State on medium term funding and not just short term funding.

2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.

Funding Sources

Local government funding in Queensland is constrained by the Local Government Act. One of the constraints is the constitutional inability of the State to provide local government powers outside its jurisdiction, for example, only the Commonwealth can exercise excise powers.

Hence local government funding is restricted to raising own source revenue, donations, contributions, subsidies and grants, borrowing and public/private partnerships.

Own source revenue

Local governments have two broad categories of revenue raising powers; the power to make rates (limited generally to some valuation-based methodology) and the power to charge for goods and services. The latter charges are constrained by National Competition Policy, for example, the prices oversight application to local government monopoly business activities (in BCC’s case water and sewerage).

In setting rating mechanisms, Councils have two competing principles-the capacity to pay principle and the user pays or ‘benefit principle’. In recent years there has been increasing pressure for Councils to provide better balance between the capacity to pay principle and the benefit principle, for example in establishing property rates where pensioners are asset rich but cash poor.¹¹ BCC uses a number of strategies such as rate capping and average rateable value to limit the impact of rising land valuations on ratepayers. While the community expects continued delivery of services and infrastructure, it expects only modest increases in rates.

In Brisbane City Council, net rate and utility charges revenue account for around 58% of total revenue.¹² This reflects pressure on BCC to fund increasing levels of community services and infrastructure from own source revenue and the limited ability to source extra funds from the State and the Commonwealth. Included in the

⁹ Costello, Peter, Intergenerational Report 2002-03, Budget Paper No5, p1.

¹⁰ Ibid p68.

¹¹ Queensland Department of Communication and Information, Local Government and Planning, Review of Local Government Revenue Raising Powers, Discussion Paper May 1999, p10.

¹² BCC Annual Report 00/01, p84

net rate and utility charges category are levies for environmental management and compliance and bushland Preservation.

BCC introduced the Environmental Management and Compliance Levy in 1997/98 to help fund the \$250 million cost of addressing the city's most serious environmental issues. A capital works program over 10 years was developed to address issues of upgrading sewerage systems, landfill contamination and stormwater¹³.

The Bushland Preservation Levy is for the acquisition and protection of natural bushland areas in Brisbane and their access.¹⁴

Borrowings

Local governments in Queensland have very limited flexibility in entering into financial arrangements. Under the Statutory Bodies Financial Arrangements Act, Queensland local governments are required to obtain the Treasurer's approval before entering into borrowings and long term investments. BCC long term borrowings are through the State's Queensland Treasury Corporation. The borrowings at 30.6.2001 were \$1,058 million with a term of 12.5 years.¹⁵ Borrowings are only undertaken to fund capital works and not for operating purposes.

Donations, contributions, subsidies and grants

BCC has limited flexibility in increasing funding from the area of donations, contributions, subsidies and grants. Donations and contributions mainly take the form of infrastructure assets provided by developers under the Integrated Planning Act approval process and relate to specific developments.

Government grants (eg financial assistance grants) and subsidies (eg for transport services) are normally formula driven or related to specific performance measures.

In 2000/01, BCC received \$216.1 million (or 16.3% of total revenue from ordinary activities) in donations, contributions, subsidies and grants. Government grants and subsidies formed \$95.3 million (covering transport subsidies, NCP financial incentive payments and financial assistance grants and road grants). The balance of the funds was mainly made up of developer contributions for infrastructure assets.¹⁶

Commonwealth funding to BCC in 2000/01 has increased by \$20 million. This is due to the Roads to Recovery initiative. In constant dollar terms, Commonwealth funding, even with Roads to Recovery funding included has declined over the 9 years to 2001/02 by 14.3%. Local government notes the Commonwealth's commitment to "continue to invest heavily in transport infrastructure, recognising its importance to the future development of local and regional economies."¹⁷

¹³ Ibid p52.

¹⁴ The 2 levies are included in BCC's annual budget resolution. See BCC's Budget 2002-2003, p182-3.

¹⁵ BCC Annual Report 00/01, p121

¹⁶ BCC Annual Report 00/01, p104.

¹⁷ Anderson J and Tuckey Wilson, Regional Australia: A Partnership for Stronger Regions 2002-03, p2

The Commonwealth Financial Assistance Grant has remained relatively unchanged over the 9 years to 2001/02 in nominal terms but has declined by 21.6% in constant dollar terms. This funding, while allocated under the Local Government Grants Commission Queensland methodology is endorsed by the Commonwealth Government.

With one-off initiatives, such as National Competition Policy financial incentive payments, State funding to BCC has slightly increased in nominal terms but fell 4.7% in constant dollar terms.

Public private partnerships

BCC is in the process of assessing the benefits of public private partnerships (PPPs) to assist in long term infrastructure development. Local governments (along with other tax-exempt bodies) are disadvantaged in being able to use PPPs because of the provisions of s51AD and Division 16D of the Income Tax Assessment Act. Basically, these provisions can deny tax deductions to asset owners where the asset is used or controlled by a tax-exempt body. BCC supports the Commonwealth's proposed review of s51AD and Division 16D.

3. The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.

The challenge facing local government is not just meeting existing obligations but also how to manage the longer term issues of demographic change, an ageing population and environmental concerns. Effective management of these issues requires involvement of governments at all levels particularly on a regional basis.

Regional cooperation and collaboration can take a number of forms from the corporations law entity to a facilitation group. The capacity to undertake this co-operation and collaboration is not limited to financial considerations. The critical factors are strategic planning coordination, technical expertise, the commitment of all parties to make it work as well as leadership and the ability to engage the community. Examples where BCC has been involved in regional collaboration are:

- In 1996, Brisbane City Council initiated the Asia Pacific Cities Summits with the aim of developing closer links with Brisbane's Asia Pacific neighbours and shared solutions to common issues in the region such as environmental management and sustainable urban development. Highly success summits were held in Brisbane in 1996 and 1999. The 2001 summit in Seattle attracted over 600 delegates from 102 Asia Pacific cities.¹⁸ The 2003 summit to be again held in Brisbane is expected to see similar attendances.
- BCC provides secretariat support for the South-East Queensland Regional Organisation of Councils (SEQROC). Comprising 18 local governments, SEQROC aims at supporting the interests of its members, formulating policies to

¹⁸ BCC Annual Report, p20

coordinate regional growth and fostering cooperation among members on issues of mutual concern.¹⁹

- SEQ 2021 is a three-year program to develop a long-term vision and strategy for a sustainable SEQ and to respond to expected continuing high population growth. The project will be managed in partnership between the State Government and the South East Queensland Regional Organisation of Councils. The Commonwealth Government and peak community sector groups will also be involved.²⁰ SEQ 2021 carries on the work of the Regional Framework for Growth Management, a partnership between the Commonwealth, the State and local government to plan and manage growth in South East Queensland over the next 20 years.²¹
- In 2000, BCC acquired a 45% interest (\$88.7 million) in South-East Queensland Water Corporation Ltd (SEQWCo). SEQWCo, owned 20% by the Queensland Government, 45% by BCC and 35% by 11 other councils was established to place the operation and the assets of the South East Queensland Water Board (SEQWB) in a more commercial environment. SEQWB supplies water on a bulk basis to most of the councils in south-east Queensland.²²
- The Moreton Bay Waterways and Catchments Partnership is a whole of government (state and local government), whole of community strategic framework for the integrated and sustainable management of the waterways of the South East Queensland (SEQ) region, including Moreton Bay and coastal zones. The partnership, through its members is responsible for implementing the 1999 Waterways Management Plan and the 2001 SEQ Regional Water Quality Management Strategy. More generally, the partnership is responsible for promoting leadership, increasing knowledge and obtaining commitment for planning, resourcing, monitoring, coordinating and implementing agreed waterways and relevant catchment management actions for all stakeholders and the broader community, across the regional planning area of SEQ.
- BCC has established a regional collaboration unit. The unit's mission is to build strategic partnerships to solve common problems at a local and regional level and identify opportunities that deliver improved commercial and service outcomes for Brisbane and South East Queensland local governments.

4. Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments.

According to the Commonwealth Grants Commission²³ “the composition of services provided by local government has changed markedly over the last 30 to 35 years and local government is increasingly providing human services (social welfare type services) at the expense of its traditional property based services particularly roads”.

¹⁹ BCC Annual Report 00/01, p20.

²⁰ Queensland Department of Local Government and Planning, SEQ 2021, A sustainable Future.

²¹ This is reviewed in some detail in SEQ 2001, south east Queensland regional framework for growth management.

²² Queensland Government, Converting the South East Queensland Water Board into a joint State/Local Government owned company, July 1999,p2.

²³ Commonwealth Grants Commission Review of the Operation of the Local Government (Financial Assistance) Act 1995 p54.

The Commission found²⁴ that compared to pre-1974-75:

- following the initial impact of the injection of Commonwealth funds, local government has maintained the share of revenue it derives from own-sources;
- the share of local government revenue coming from the Commonwealth has increased;
- the share of revenue coming from State grants has declined; and
- local government responsibilities have broadened.

However, Government needs to recognise that there are large variations in the roles and responsibilities of local government in Australia. BCC undertakes a number of roles such as public transport and road funding and water and sewerage, normally the province of the state in other Australian capital cities. These capital expenditures as well as the large population of 880,000 and the strong population growth of about 2% pa present a number of challenges. According to rating agency Standard & Poor's, the result is that "BCC is faced with increasing operating expenditures and continual pressure to upgrade the city infrastructure"²⁵. In contrast to Brisbane, Melbourne faces little pressure on its infrastructure, despite a 7% annual increase residential population currently at 56,000 and half a million visitors (including workers and shoppers) daily.²⁶

There are also considerable variations in local governments' flexibility in raising revenue. For example, the City of Sydney and the City of Melbourne each derive more than 80% of their rates from business. According to Standard & Poor's "these local governments enjoy a high degree of revenue flexibility than most other local governments in Australia because they can increase their revenue by increasing rates on businesses without upsetting voters too much".²⁷ By contrast, Brisbane derives only around 37% of its general rates revenue from businesses.

Both the Commonwealth and the State at times have transferred responsibilities either explicitly or implicitly to local government with inadequate or no funding as the examples below show.

Transport and traffic

BCC provides major public transport facilities and road infrastructure for the city. In other capital cities, these would normally come under the province of the State. The community demand for these provisions reflect Brisbane's status as a capital city, its gateway for tourism and the need to provide the public (and not just Brisbane ratepayers) with an efficient means of moving around.

The heavy budgetary impact of transport and traffic services is set out in the table below.

²⁴ Ibid

²⁵ Standard & Poor's, Australian Local Government Statistics 2002, April 2002. P9.

²⁶ Ibid p9

²⁷ Ibid

Summary of BCC's Transport & Traffic Budget 2002/03	\$ million	% expenditure²⁸
Road Infrastructure		
Upgrades and new roads	\$45.8	2.9
Inner City Bypass	\$6.5	0.4
Maintenance and depreciation	\$152.1	9.7
Travel Demand Management		
Including Traffic Operations	\$26.1	1.7
Urban Amenity		
Including road safety	\$41.0	2.6
Passenger Transport Infrastructure		
Including Bus/High Occupancy Vehicle Lanes.	\$104.7	6.6
Passenger Services		
BCC subsidy to Brisbane Transport	\$31.4	2.0
Queensland Transport subsidy to BCC	\$27.5	1.7

The high level of infrastructure spending is mainly funded within BCC. BCC's 2002/3 budget shows specific traffic and transport subsidy and grant receipts of \$39 million. (This does not include the road component under the Financial Assistance grants of approximately \$ 9 million). Virtually all the grant and subsidies funds are to come from the State. By contrast, the 2001/02 budget reflected BCC's eligibility for \$21.6 million available then under the Commonwealth's Roads to Recovery program.

Through its business unit, Brisbane Transport, BCC provides a bus and ferry service for most of metropolitan Brisbane. The fleet of 706 buses, 12 mono-hulled ferries and 8 City Cat ferries is owned and funded by BCC. In other capital cities, the State government normally runs the urban transport services.

Brisbane Transport's operating deficit is subsidised by BCC (the 2001/02 subsidy was \$32.8 million) and by a subsidy from the State's Queensland Transport. The State subsidy is expected to fall from \$29.6 million in 1999/00 to \$27.5 million in 2002/03. While the State influences the level of service provision through subsidies it also impacts through the requirement for BCC to seek Queensland Transport's approval for any fare increases.

Brisbane maintains over 5,200 kilometres of roads, 5 cross-river bridges, 389 other bridges and 865 culverts. Unlike other councils, BCC has very few State controlled roads (271 km) within the boundaries of the city. As a result, BCC is responsible for the traffic operation and maintenance of the majority of the road network, including many freeway standard facilities.

Over recent years, the State Government has devolved responsibility for a significant portion of roads to BCC. The expense of maintaining the extra roads (as well as the associated street lighting, traffic signals and pavement rehabilitation) reduces BCC's ability to implement new capital projects.

²⁸ Made up of 2002/03 budgeted total expenditure of \$1,164 million plus capital funding of \$412 million.

BCC has undertaken motorway facilities, such as the Inner City Bypass (expected cost \$235 million) and Hale St (cost of \$51 million) to address deficiencies in the major road network. These works provide a bypass to the central city area and are examples of the type of road function that a state government authority would provide elsewhere.

BCC, through its Brisbane Linked Intersection System, coordinates over 730 sets of traffic signals and generally maintains travel speeds over the city's arterial roads (for example through the use of closed circuit television cameras). This is another example of work that would normally be undertaken by a State Agency.

Environmental protection

Queensland's Environmental Protection Act explicitly imposes responsibility for its administration onto local government. However, the responsibility is not accompanied by adequate funding. At the time the Act was assented to, the State's intention was for the administration to be funded from licence fees and not from rates. But since then, the State has limited the capacity of local government to raise the licence fees to meet environmental administration costs. As a result, local government's ability to undertake full compliance programs has been curtailed.

Under BCC's 2002/03 budget, \$19.7 million will be raised from ratepayers by the Environmental Management and Compliance Levy (EMCL). The EMCL covers BCC activities such as managing environmental programs and initiatives, remediation of environmental initiatives and monitoring and enforcement of environmental compliance. Expenditure on these activities will amount to \$57 million²⁹. The gap between the levy proceeds and the expenditure, is being funded from general rates.

Refugees

The Commonwealth's Temporary Protection Visa (TPV) program places implicit costs on local government with no funding considerations. In granting the visas the Commonwealth effectively allows refugees into the community but does not assist with any medium to long term infrastructure. As a result, it is left to the local community to provide assistance without compensation from the Commonwealth³⁰. BCC has been active in supporting TPV entrants through its community development team and through direct grants. BCC has spent over \$1 million in the past 2 years providing settlement support for newly arrived migrants and refugees.

Fire ants

The reductions in the number of inspections by the Australian Quarantine Service may well have led to the introduction of fire ants in Australia and as a result, the cost of managing what was originally a detection program has been shifted to the State and local government as an eradication program. The discovery of fire ants in Brisbane has imposed direct costs on BCC in terms of eradicating the threat and indirect costs in terms of delays in carrying out works projects on infested land.

²⁹ BCC 2002/03 Budget, p 182.

³⁰ This is discussed in some detail in Queensland Government, Temporary Protection Visa Holders in Queensland, February 2001: http://www.premiers.qld.gov.au/about/maq/pdfs/temp_visa.pdf

GST

As a result of the New Tax System, local governments have become a major tax collector for the ATO. BCC collects GST on its products and services of approximately \$20 million per annum. The cost to BCC of administering this (in terms of systems and staff) is in the order of \$1 million a year.

Infrastructure charges

In a number of cases the Commonwealth and the State has avoided contributing to the full cost of development infrastructure through specific legislation. Examples are:

- Under Queensland's Integrated Planning Act, the State Government has the capacity to declare sites for Community Infrastructure. Amongst other things, this declaration exempts the State from paying infrastructure charges for that site. BCC is negotiating with the State to pay the full infrastructure costs where relevant.
- Under the Commonwealth Airports Act, lessees are exempt from State and local government legislation. As a result there is no trigger by which the Brisbane Airport Corporation and the Port of Brisbane Corporation can be required to pay infrastructure contributions for water supply, sewerage, waterways, transport and community facilities. The Port of Brisbane has agreed to pay infrastructure charges at the same rate as private developers in the surrounding areas but the Brisbane Airport Corporation has not.

5. The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities.

There are a number of areas that would benefit from a rationalisation of government roles and responsibilities:

- There is a need to avoid duplication of activities and infrastructure across the 3 spheres of government. For example, the campaigns against illegal drugs, health, education and policing are all interconnected. However, accountability and responsibility are ill defined and resources duplicated.
- There is also a need for a coordinated, coherent approach on a whole of government basis to the provision and funding of community services. This does not exist at the moment with responsibility usually devolving to local government by default. For example, local government undertakes significant support to community organisations through the provision of land, facilities, training and grants. These organisations range from seniors groups to child care centres to cultural associations
- There needs to be processes in place to allow a quick and consistent response across all levels of government to emerging issues. For example, the refugee issue affects governments at all levels.
- Efficient traffic and transport planning requires a clearly defined long term funding commitment.

Ultimately, the community is focused on outcomes and seeks a consistent, coordinated approach across all levels of government for services to be delivered on time, at a reasonable cost and of a high quality. The community is relatively

indifferent as to which levels of government deliver what services (there are exceptions of course, for example, in defence).

Any rationalisation of roles and responsibilities involving local government would require that;

- there is constitutional recognition of local government and
- funding sources need to be guaranteed funding on an ongoing basis. Local governments have limited revenue-raising powers, unless these powers are broadened, local government will be dependent on other levels of government for funding for extra responsibilities.

Any shift also needs to take into account changes in the bureaucracy, we need to avoid situations where responsibilities are transferred but the bureaucracies remain intact. Duplication of costs is to be avoided.

6. The findings of the Commonwealth Grants Commission Review of the Local Government (Financial Assistance) Act 1995 of June 2001, taking into account the views of interested parties as sought by the Committee.

The Commission basically concluded that “ the current arrangements are generally delivering outcomes consistent with the Commonwealth’s intentions. We think improvements can be made to make the arrangements clearer and more transparent and to promote greater consistency of LGGCs’ (Local Governments Grants Commissions) methods with the National Principles”.³¹

Under the Local Government (Financial Assistance) Act 1995, the Commonwealth provides financial assistance grants through the States to local government bodies (LGBS) via a General Purpose grant and a Local Roads grant. Both parts can be spent as the LGBs choose. The General Purpose grants are distributed between States on an equal per capita basis and the Local Roads grants on the basis of the relative needs of each LGB for road expenditure and to preserve its road assets. Under the Act, the intrastate distribution of these grants is to be determined by the Local Government Grants Commission in each State in accordance with a set of National Principles.

One of the major principles is horizontal equalisation. This is to ensure that “each LGB is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State. It takes account of differences in the expenditure required by those LGBs in the performance of their function and in the capacity of those local governing bodies to raise revenue”.³² Another principle is that the statutory minimum grant, equal to what a local governing body would receive if 30% of the State entitlement was distributed on a per capita basis, will continue.

According to the Commission, “The operation of the Act would be improved if the Commonwealth’s intentions in providing its assistance were clearer and more transparent, with a clearer relationship between the purposes and the funds provided. We think this would be achieved if there were:

³¹ Commonwealth Grants Commission, Review of The Operation of the Local Government (Financial Assistance) Act 1995, June 2001, p45.

³² Ibid p60.

- a Per Capita pool to provide every LGB with a share of the assistance;
- a Local Roads pool to contribute towards LGBs' costs of maintaining their local roads; and
- a Relative Need pool to improve equity by providing additional assistance to the more disadvantaged LGBs.

Every LGB would receive a fixed per capita share from the Per Capita pool. Every LGB that has a road responsibility would receive funding from the Local Roads pool. Only relatively disadvantaged LGBs would receive funding from the Relative Need pool.”³³

While BCC supports the underlying methodology for calculating financial assistance grants, we argued in our submission to the Queensland Local Government Grants Commission Review of the Methodology that the methodology fails to consider the demands placed on large urban centres. There are community expectations that cities will deliver a higher standard and wider range of services than smaller rural local governments.

These services can cover both infrastructure and social areas. Brisbane maintains over 5,200 kilometres of roads, 5 cross-river bridges, 389 other bridges and 865 culverts, over 6,300 kilometres of sewerage pipes and significant water supply and storm water networks. Council's collective infrastructure assets have an estimated replacement value in excess of \$10 billion³⁴.

On the social front, the 1996 ABS census identified 5,000 homeless in Brisbane. The 2001 census figures may show an increase in this number. Community expectations are for local governments to address this and other social issues such as health, crime prevention strategies, community safety, (especially for the elderly and younger people at night) illicit drugs, unemployment and business development.

Brisbane is a rapidly urbanising city that provides and maintains an extensive public transport network to the South East Queensland region particularly to adjacent local authorities. Without Council's investment in the public transport system, the increased road demand would compound traffic and environmental problems.

BCC argues that there should be recognition in the funding methodology for any urban public transport initiatives by local authorities that assist in reducing travel demand for roads.

The Urban Local Government Association of Queensland shared BCC's concerns over the need to consider the special role of urban local governments noting that, “the existing methodology focuses on a ‘traditional set’ of local government services and does not reflect the extended service range that is particularly impacting on local governments with urban area ie environmental management and social/human welfare services.”³⁵

³³ Ibid p xii

³⁴ BCC, Queensland Local Government Grants Commission-Review of the Methodology, p2.

³⁵ Urban Local Government Association of Queensland, Submission Queensland Local Government Grants Commission Methodological Review, piii.

In its review, the Commonwealth Grants Commission also states³⁶ that “Where the source of the financial pressure is a result of the discretionary actions of the LGB itself (because the LGBs have chosen to respond to particular needs of their residents), it would be appropriate for LGBs to meet these pressures from their own revenue sources.” BCC strongly believes that this would penalise local government in undertaking initiatives in the case of inaction by the State or Commonwealth.

³⁶ Commonwealth Grants Commission, Review of the Operation of the Local Government (Financial Assistance) Act 1995, p55, para 35.

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