

Executive Summary

Queensland communities have never relied on their councils for so much.

Soaring living costs, a housing crisis, community safety and a transitioning economy are all impacting the daily lives of Queenslanders.

Councils are doing what they can to support communities through these challenges, even though the responsibility lies with other levels of government.

This means councils are using their limited resources to fund services that are not their responsibility to fund.

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- Councils are running the local childcare so they can still attract a workforce by supporting families in the community.
 - They are paying for rebroadcasting so residents can access free-to-air TV and radio.
 - They are purchasing buildings so there is a home for critical health services.
 - They are providing undertaking and morgue services.
 - They are spending millions of dollars each year on security cameras to keep their communities safe.
 - They are providing housing; running the post office, the service station, the bakery – the list is endless.

Councils are funding these additional services and infrastructure because State and Federal governments have stopped providing them – or are not appropriately funding councils to cover the cost of their delivery.

Councils do not step in because they want to, they step in because they have to. Without their intervention, many communities would not be able to exist.

But it all comes at a cost. A cost that comes at the expense of delivering other council services. A cost that should be borne by other levels of government but is not.

**This
is
Cost
Shifting.**

The LGAQ has quantified that cost with the help of Queensland councils and leading research consultancy AEC Group.

For the first time in 20 years, we have a concrete picture of the impact this cost shifting is having on Queensland councils – and the communities they serve.

The impact is staggering.

In 2002, the financial impact of services shifted onto local councils over a 12-month period was estimated to be \$47 million.

Two decades on, this has increased by a whopping 378 percent to \$360 million over one year.

From the Cape to Coolangatta, this research confirms the level of government that has the most direct impact on communities is the level that is doing it with the smallest share of government taxation revenue.

Communities cannot afford for the cost shift to continue. Cuts and cost shifts to councils are cuts to community liveability.

The level of government that is funded the least – around three cents in every dollar of taxation revenue compared to 80 cents for the Federal Government and roughly 17 cents for the State Government – local government cannot keep delivering more and more, without adequate funding to do so.

It is not fair that people should miss out because funding, policies and legislation from Federal and State governments hasn't kept pace with the needs of every local community.

We have included a list of recommendations to end the cost shift, to provide communities with what they deserve including restoring federally funded Financial Assistance Grants to at least one percent of Commonwealth and taxation, to both levels of government, expanding a list of roads, infrastructure and community funding programs.

State and Federal government cost shifting needs to end.

It is time to give communities and their councils the financial fair go they need so all Queensland communities remain liveable ones.

Alison Smith
LGAQ CEO



About the problem

What is cost shifting?

As Australia's most decentralised state, more communities are spread across the length and breadth of Queensland than anywhere else.

Queensland councils are the most diverse in the nation. We have the biggest metropolitan councils in the country – as well as the local government areas with the fewest people living in them.

Councils do so much more than roads, rates and rubbish. In many cases, they are the service providers of last resort, stepping in to fill the gaps left by State and Federal governments, or private operators.

Cost shifting refers to services or other costs transferred to local government from State and Federal governments without the necessary funding (or powers to general revenue) to provide the service – as well as where there is market failure from commercial interest to provide the essential services within the community.

The very existence, and survival, of some communities depends on the delivery of these services.

Without councils stepping in to provide what a liveable community needs – like childcare, morgue and undertaking services, airports and vital health services – many communities would be unable to exist.



3%

Local Government is funded about three cents in every dollar of taxation revenue – the least of all levels of Government.

The current climate

The increase in the range of services provided by councils to maintain the liveability, or social capital, for their communities has a clear impact on the financial sustainability of the local government sector.

The recent Local Government 2022 (Report 15: 2022-23) highlighted that 46 of 77 councils (or 60%) are at either a moderate or a high risk of not being financially sustainable.

As population shifts and rate bases change, so does the ability of councils to raise their own revenue.

Quite simply, councils are doing more, with less.

Nationally, councils deliver 33% of the services with only 3% of the direct taxation funding.

And as councils continue to go above and beyond for the sake of liveability, they can only do so much.

Cost shifting means councils are forced to make difficult decisions and trade-offs in the provision of additional services – with core service delivery now competing for resources and budget as they are forced to take on the responsibilities of other levels of government.

As the number of Queenslanders rating the liveability of their local area as excellent or good is decreasing, there has never been a more critical time to address the issue of cost shifting.*



46 of 77 councils (60%) are at risk of being financially unsustainable.



Councils deliver 33% of services, whilst receiving only 3% of direct taxation funding.



As population shifts and rate bases change, so does the ability of councils to raise their own revenue.

* 2023 LGAQ Community Sentiment Research

About the Survey

In 2022, the LGAQ engaged AEC Group to develop a survey to quantify the level of community service obligations provided by councils in Queensland.

A community service obligation is defined as an obligation government imposes on a business entity to do something that is not in the commercial interests of the business entity to do.

It further encompasses decisions made by the Council not in their commercial interest – but to meet a specified social objective – to maintain liveability for their community.



75%

58 of 77 councils across Queensland completed the survey (a response rate of 75%).



AEC

Councils completed the survey to the best of their ability, with support from AEC Group, including facilitated interviews, where necessary.

The Findings



\$47m

Estimated cost shifting in 2001/02

\$360m

Estimated cost shifting in 2020/21

378%

Increase in reported cost shifting in Queensland (after factoring in indexation since 2002)

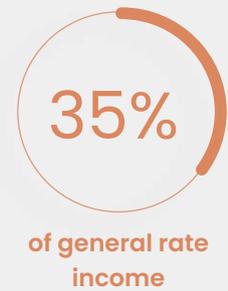
Impact snapshot



Blackall-Tambo Regional Council

\$1,775,200 in reported community service obligations or 35.5% of general rate income, including:

- Airport operations
- Cemetery undertaking services
- Youth sport and recreation



Townsville City Council

\$18,664,730 in reported community service obligations or 5.2% of general rate income, including:

- Pensioner assistance
- Community leases
- First homeowner concessions

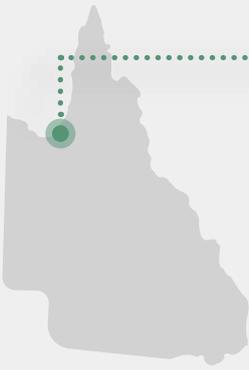


Brisbane City Council

\$116,140,000 in reported community service obligations or 10% of general rate income, including:

- Traffic planning and management
- Subsidising public transport





Carpenteria Shire Council

\$1,018,776 in reported community service obligations or 13.2% of general rate income, including:

- Undertaking
- Gyms
- Environmental health



of general rate income



Longreach Regional Council

\$3,557,902 in reported community service obligations or 31.8% of general rate income, including:

- Airport services
- Stock route management
- Australia Post services



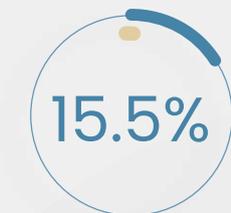
of general rate income



Balonne Shire Council

\$1,575,500 in reported community service obligations or 15.5% of general rate income, including:

- Running airport
- Supporting seasonal workers and new residents
- Supporting opportunities for tertiary education



of general rate income



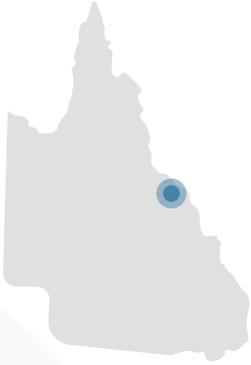
Cairns Regional Council

\$4,470,000 in reported community service obligations or 1.6% of rates income, including:

- Climate resilience
- Boat ramps and dredging
- Smoking regulation and infrastructure



of rates income



“Funding for vital infrastructure, including roads, is reducing, and has not kept up with CPI. It does not adequately provide funding for us to service all our state roads. Biosecurity is also a key issue in the Whitsunday Region – and we need increased funding support to fund on-ground actions to deal with growing threats like Yellow Crazy Ants, control weeds, and manage the residential impact of flying foxes.”

Whitsunday Regional Council



“Because Council has a permanent and extremely visible presence in the community, it is often the scapegoat for the failure of service delivery from other stakeholders and working groups, many of whom operating on a FIFO/DIDO basis despite funding capacity to maintain a permanent presence in Aurukun.”

Aurukun Shire Council



“Council proactively addresses a range of infrastructure matters, particularly relating to potable water and wastewater, as well as roads upgrades and maintenance, that should be the remit of the state and Commonwealth. Further, the state and Commonwealth should step up when it comes to ongoing critical matters like public housing, youth justice and social welfare. The state and Commonwealth need to be held accountable and demonstrate a genuine commitment towards improved liveability. Our Council always picks up the pieces when the state and Feds don’t deliver!”

Mornington Shire Council

Why does this matter?

Cost shifting to councils matters because if it is allowed to continue it will be local communities who miss out.

Cuts to councils are cuts to community liveability. Councils want cost shifting to stop, and for other levels of government to step up and resume their responsibilities – or to better fund councils to take on their delivery.

Community solutions



Federal Government

Queensland councils have a set of priorities to restore the balance in our federation and give all local communities a fair go.

Restore Financial Assistance Grants to at least one per cent of Commonwealth taxation revenue (not including GST), to address the serious financial sustainability issues experienced by all councils.

Provide funding certainty for all Queensland councils by restoring the very successful Local Roads and Community Infrastructure (LRCI) Program, which is currently due to end on 30 June 2026, with the same broad program remit that was initially introduced and in legislation.

Community solutions

State Government

Guarantee funding Works for Queensland of \$100 million a year, plus indexation, to give councils and local communities certainty and to retain secure jobs in regional communities at a time when cost of living pressures are hurting the household budget.

Queensland councils strongly welcomed the 2023 State Budget announcement of a one-off increase in State Government Financial Aid (SGFA) funding to deliver essential services in communities including maintaining water and road infrastructure. We are now calling for **permanent funding**, indexed annually, to give **First Nations councils and their communities** the certainty they need to plan and deliver their operations over the medium and long-term.

Recognise the systemic infrastructure funding gap for local governments in Queensland and invest a further \$500 million per annum for at least four years, to support investment in core trunk infrastructure and critical renewal and augmentation of assets, including water, sewerage, drainage and road assets.

Increase annual funding for the Transport and Infrastructure Development Scheme (TIDS) to \$100 million to build safer road networks in regional communities, support almost 1200 FTE jobs and enhance flexibility to support rural communities. Safer roads are the backbone of thriving communities, they facilitate economic growth, access to education and healthcare, and the overall quality of life we desire.

Reintroduce an ongoing and dedicated subsidy program such as the former Water and Sewerage Program (WASP) to assist regional councils to maintain ageing infrastructure and safe, sustainable service levels and in the immediate term, to address a backlog of necessary upgrades and renewals and make capital funding available through the continuation of the successful Building our Regions program, which will see funding end on 30 June 2024.

Supercharge the circular economy with \$400 million over four years from the \$1.1 billion Jobs and Recycling Fund to support the development of waste infrastructure needed to reach landfill diversion targets in regional and First Nations communities and realign advance payment schedules and environmental regulation from regional waste management plans.

Boost biosecurity through a new partnership, with greater regional collaboration and increased funding of on-ground actions that support priority pest and weed management.

For further information contact:

Sarah Vogler

LGAQ Head of Advocacy

Phone: 07 3000 2286

Email: sarah_vogler@lgaq.asn.au



Every Queensland community deserves to be a liveable one