

13.0 Municipal services and infrastructure

Councils in remote and discrete Aboriginal and Torres Strait Islander communities provide a range of essential services including roads, water, waste removal and sewage services. These essential services underpin healthy communities.

This chapter discusses some of the key challenges in delivering these services. Many issues, particularly those relating to funding, apply to local government more broadly, and therefore may require broader consideration than is required within the scope of this inquiry.

Key points

- Councils are responsible for municipal service delivery, including roads, water, sewerage and waste removal.
- Services are dependent on complex and long-lived infrastructure that requires ongoing maintenance and renewal.
- Effective municipal services—water, sewerage and waste management—are essential for maintaining health outcomes.
- Councils in remote and discrete communities struggle to sustainably finance service delivery.
 - This is largely because communities have few taxable resources and per capita infrastructure costs are high.
 - Attracting and retaining staff is difficult and construction costs are higher than in the rest of the state.
- Councils supplement revenues by undertaking commercial activities—these capture rents for the community and provide employment, but may hinder the growth of private activity.
- Revenue shortfalls are made up through grants, which reduces flexibility, makes planning difficult and may introduce inefficiencies.
- Infrastructure funding does not adequately consider life cycle costs:
 - This is not unique to remote and discrete Aboriginal and Torres Strait Islander communities, but it has disproportionate impacts on these communities.
 - Current funding arrangements do not incentivise life cycle planning.
- Solutions are not straight forward and may require broader system reform that is beyond the scope of this inquiry. However, some potential solutions are:
 - better consideration for whole-of-life infrastructure costs
 - the development of a grants and subsidies framework that provides greater long-term funding certainty
 - identifying impediments to training of local people to better manage assets
 - improving coordination of capital works to achieve cost savings
 - greater involvement of local expertise in decision-making regarding asset planning.

13.1 Current status

Councils are responsible for delivering municipal services in the discrete communities

The delivery of municipal services including water, sewerage, waste disposal and roads are the responsibility of local governments. These services necessitate that councils manage complex long-lived assets, most of which they own and control (QAO 2016).

For most councils, the provision of municipal services and the management of the capital assets form their predominant activities. For the Indigenous communities, however, councils perform a much wider range of functions, which may include:

- housing
- early childhood services
- employment programs
- economic development (while all councils do this to some extent, the lack of private economic activity places the council as the primary source of employment)
- other social services, where there are no providers.

It is now widely recognised that Indigenous councils in remote areas have, historically, been burdened with too wide an array of services, without sufficient assistance to build the capacity to deliver (AG 2014). This has undermined the capacity of Indigenous councils, particularly when family and kin attachments are a part of the equation:

An Aboriginal council is one of the most challenging governance environments. Leaders and staff are faced with profound levels of community disadvantage, a bewildering and disempowering bureaucratic framework, and at times, suffocating personal pressure arising from family and kinship obligations. (Limerick 2009)

The capacity of Indigenous Councils has grown significantly. Although declining government grant funding in recent years has put stress on Indigenous councils (QAO 2016, p. 48), the overall governance capacity of councils appears to be improving. For example, audit results for Indigenous councils are strong. In 2015–16, over 90 per cent of councils received unqualified audit results, up from less than 50 per cent in 2004–05 (data provided in consultations with DILGP).

Effective municipal service delivery is linked to health outcomes

Effective municipal services are essential for maintaining health outcomes:

- A clean, adequate and reliable water supply is required for drink cooking and washing.
- A functioning sewerage system is required to prevent sewage from contaminating water and food supplies.
- An adequate waste disposal system is required to prevent the spread of disease.

The 2016 Overcoming Disadvantage report highlights the impact that poor environmental health can have on health outcomes—it found that the death rate for Aboriginal and Torres Strait Islander people from diseases associated with poor environmental health was 1.8 times the non-Indigenous rate over the period 2003–07 and 1.7 times the non-Indigenous rate in both 2008–12 and 2012–14 (SCRGSP 2016a).

While there are no comparable data for remoteness, concerns have been raised that infrastructure in remote and discrete Aboriginal and Torres Strait Islander communities does not meet the standard that would be expected in non-Indigenous communities (DSS 2013, p. 29).

Hall et al. (2017) also note that the use of poorly treated or unpalatable water can result in a preference for sugared drinks, with flow on impacts on health outcomes.

Remote and discrete councils have insufficient revenue to cover service delivery

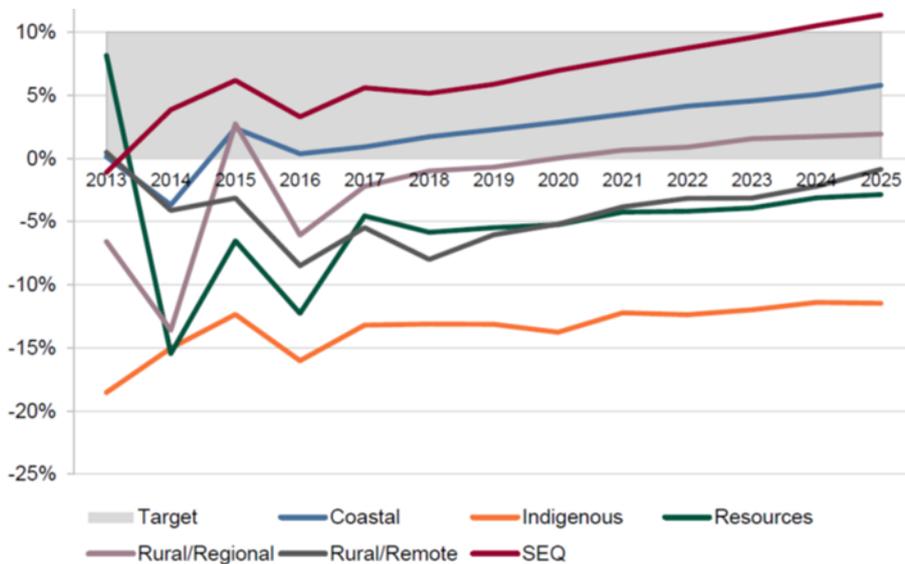
Indigenous and other councils in remote communities control many billions of dollars of assets—the Torres Strait Island Regional Council, alone, has over \$1.1 billion of assets on its books, including around \$500 million of social housing (TSIRC sub. 12, attachment 1, p. 6).

For councils to retain existing service levels, these assets need to be maintained and then replaced at the end of their useful lives. There are concerns about the ability of local governments to generate sufficient revenues to recover capital, maintenance and operating costs over the life cycle for their assets. This concern is not limited to Indigenous councils—a recent review conducted by LGAQ found:

There is a long history of poor financial sustainability outcomes in Local Government. In recent times, no less than thirteen State and national based inquiries into Local Government financial sustainability have been undertaken, with the general conclusions being that the Local Government sector is financially stressed, with anywhere from one third to 50% of Local Governments deemed to be unsustainable, weak or distressed. (LGAQ 2013, p. iii)

The Queensland Audit Office found that 39 of the 77 Queensland Councils forecast deficits for 2015–16, with 24 of these forecasting deficits for the next 10 years (QAO 2016). Figure 58 provides forecast operating positions for all councils—while many councils are showing deficits, Indigenous councils have, and are forecast to show, significantly larger deficits than other council types.

Figure 58 Operating surplus by council segment



Note: The shaded area reflects QAO's target area for operating surpluses.
Source: QAO 2016.

The situation is exacerbated in remote communities where tax bases and economic opportunities are currently low. This has led to concerns about the sustainability of a number of communities:

Torres Shire Council faces a range of unique circumstances compared to other Indigenous communities. Approximately 37 State and Federal Government agencies are housed on Thursday Island and, under the rating scheme, are not required to pay council rates, placing a burden on council for the delivery of core services. Torres Shire Council is classed as a non-Indigenous council and does not receive the same level of subsidies as other Indigenous Councils – a shortfall of around \$2.5–\$3 million per annum. Council credits that these two factors alone have the potential to lead to the council being placed into administration within the next four years. (LGAQ sub. 14, p. 18)

The 2017–18 Queensland Budget provided for \$120 million over four years for Indigenous councils to address infrastructure needs, following a review of water, wastewater and solid waste assets. The review found there were issues arising from a lack of regular and appropriate operations and maintenance practices, reducing the anticipated lifespan of assets and creating potential health issues (Queensland Government sub. 27, p. 14).

Capital works programs provide important economic opportunities

For many remote and discrete Aboriginal and Torres Strait Islander communities, capital works programs may provide one of the few opportunities for employment and development of private sector activity.

Harnessing the opportunities presented by capital works programs can be challenging. By their nature, capital works programs are lumpy—expenditures are generally large, infrequent, and may require specialist skills and equipment, meaning it can be difficult to provide work or training opportunities for locals.

Despite these challenges, government (through the Remote Indigenous Land and Infrastructure Program Office) and Indigenous councils have been relatively successful at developing employment opportunities from capital works programs, particularly those relating to housing construction.

Following concerns raised by councils, DATSIP established an infrastructure and coordination group that works with agencies to stage construction works (Queensland Government sub. 27, p. 14). Stakeholders have told us that the staging of construction works has enabled a steadier stream of work across the discrete communities, allowing local people to take up training and apprenticeship positions, knowing there is sufficient work to allow completion.

While this has helped, the LGAQ submission raises ongoing concerns about the fact that government delivery timeframes can mean that capacity building does not occur:

In 2016 there was a shift in focus for the Housing program to embrace Indigenous employment and local business engagement as program outcomes. This change set up a tension between the state government's need to deliver a specific number of houses within a defined period of time and the requirement to maximise the number of locals employed and in training. Indigenous Councils clear preference was to extend contracted timelines slightly in order for local apprentices to complete their trade qualifications. (LGAQ sub. 14, p. 20)

13.2 Key issues and challenges

Remote communities are heavily reliant on public infrastructure

The remote locations and challenges of delivering service into remote and discrete communities mean that populations are more reliant on public infrastructure than in less remote areas.

Partly this is due to isolation. The community of Doomadgee for example, is totally reliant on the single road that connects it to the rest of the world (Box 13.1). In the Torres Strait, geographically isolated small communities have much higher infrastructure costs per capita than in other parts of the state—the Torres Strait Island Regional Council estimates its infrastructure costs are around 10 times the per capita costs of mainland councils (TSIRC sub. 12, attachment 1, p. 7).

High reliance on public infrastructure, is also exacerbated by a low level of market activity in remote and discrete communities. In most Indigenous communities, for example, councils have large housing portfolios on their books, since there is no private housing market in these communities.²⁶

Infrastructure funding does not cover or properly consider life cycle costs

Infrastructure assets—such as roads, pipes, or major recreation facilities—require ongoing maintenance to ensure councils maintain their condition and can use them for as long as possible. These costs should be factored into funding decisions.

The QAO (2016) notes that this rarely occurs. In an audit of select councils it found:

- Most councils did not adequately plan for whole of life costs.
- More than half cannot afford to maintain assets in a satisfactory condition.
- Few councils had up-to-date or accurate asset management plans and there was a lack of reliable data on asset condition.
- A large proportion of councils would not be able to renew significant assets prior to the end of their useful lives.

One key factor behind these failures was that funding bodies and councils did not adequately factor in life cycle costs at the time of funding, meaning that councils were often left with assets they could not afford to maintain (see Box 13.2). This can be exacerbated by the fragmentation of financing provided through state and federal infrastructure funding.

These factors were not unique to Indigenous councils, nor to councils especially (Productivity Commission 2014). However, it is likely that these factors are exacerbated in remote and discrete communities because of the high reliance on public infrastructure and the low revenue bases of these communities.

²⁶ Although, for those that have entered into 40-year leases with government, maintenance and upgrades are now the responsibility of the Department of Housing and Public Works.

Box 13.1 Case study—Doomadgee

Doomadgee is a discrete Aboriginal community located approximately 500 km north of Mt Isa in the Gulf of Carpentaria. Its population of around 1,400 people are predominantly Indigenous (QGSO 2016a).

Doomadgee is connected to Burketown (approximately 140 km away) via the Doomadgee East Road. Various sections of this road are under the control of the Burke and Doomadgee Shire Councils. Neither council has sufficient funds to upgrade the road and they told the Commission they spend significant funds maintaining the road as best they can.

Most wet seasons the road floods, leaving the resident of Doomadgee completely cut off from the rest of the world for several months of the year. The only option to leave or enter the community at these times is by air, which can be prohibitively expensive for residents.



The picture above shows how Doomadgee East Road disappears into a lake at the Gregory River even during minor flooding—keeping Doomadgee isolated when most other communities are accessible.

Source: Burke Shire Council sub. 25, p. 7.

Box 13.2 Case study—implications of building assets without consideration for whole of life costs

The Queensland Audit Office *Forecasting Long-term Sustainability* report provides a hypothetical example of a council upgrading a swimming pool without due consideration for the whole-of-life-cycle costs.

It describes how a council enters into an arrangement to renew an old swimming pool. No business case was prepared for the pool; thus, no consideration was given to:

- what the operational costs of the new pool would be
- how these costs would be funded.

As a result, the council exposes itself to a high level of risk.

This is similar to stories the Commission heard from stakeholders.

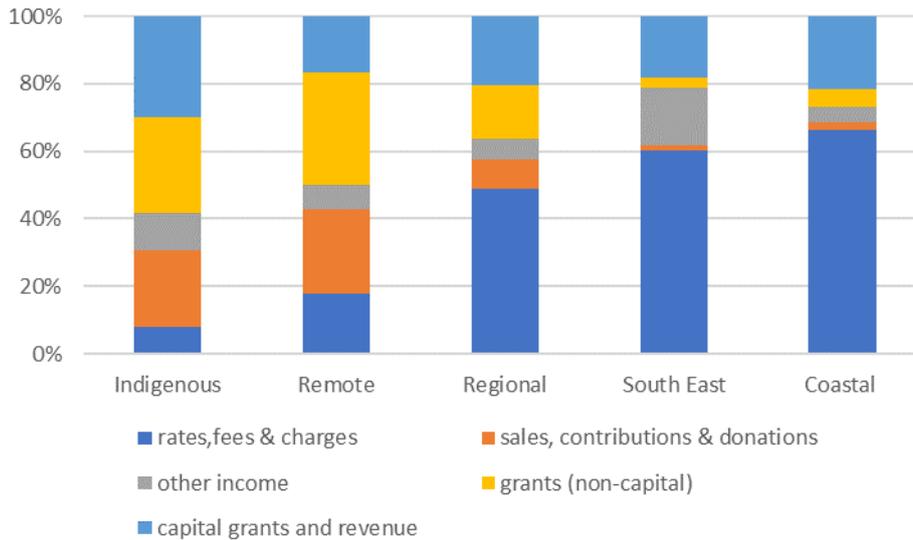
For example, the Aurukun Aboriginal Shire Council determined last year that it could no longer afford to operate and maintain the local pool and was looking to repurpose it so it is not an ongoing drain on council resources. Given that swimming pools have been linked with significant health and social benefits, the inability of the council to meet the operational costs of running the pool is likely to have ramifications for the community.

Sources: QAO 2016; LGAQ sub. 14, p. 37; Hannan sub. 24, p. 1.

Indigenous and remote councils have low tax revenue bases

Unlike their counterparts in the rest of the state, Indigenous and remote councils generate little revenue from rates and other charges (Figure 59).

Figure 59 Indigenous and remote region councils are reliant on grants and sales income



Source: QAO, 2016.

For Indigenous councils, this lack of tax revenue is largely because they operate on largely unrateable communal title land and are limited in their ability to raise revenue from general council rates. This is compounded by the fact that weak local economies limit the development of other tax bases.

Indigenous councils currently levy lease fees on social housing stock which is roughly equivalent to rates revenue (Limerick 2012), although this could change if DOGIT land is transferred to Indigenous freehold, as required under the Aboriginal Land Act 1991 and the *Torres Strait Island Land Act 1991* (see Chapter 11).

While Indigenous councils have the unique ability to levy a poll tax on residents under the *Local Government Act 2009* (section 100), this may be difficult to implement in practice and has only been used in the past as a tool for replacing rent collections (Limerick 2012).

Remote councils face similar challenges—although they have a rates base, they have small populations with lower than average incomes, and high infrastructure costs per capita.

Low tax bases mean that Indigenous and remote councils are reliant on other forms of revenue—predominantly grants and sales income.

Box 13.3 Grants to remote and discrete councils

Councils in remote and discrete parts of the state rely on a range of grant funding to maintain their operations. These include:

- Financial Assistance Grants (FAGs)—provided by the Australian Government and consisting of two components:
 - a general purpose component, which is distributed between the states and territories according to population
 - an identified road component, which is distributed to the states and territories according to fixed historical shares.
- Indigenous Local Government Sustainability Fund—provides funding to assist Indigenous councils to increase their capacity, capability and sustainability. The program has a budget allocation of just over \$8 million over the period 2016–18, and is to be distributed equally between the 16 Indigenous councils.
- Indigenous Economic Development Grant—a Queensland Government initiative to help alleviate the impact of Community Development Employment Project (CDEP) reforms. Indigenous councils were allocated between \$80,000 and \$160,000 in 2016–17.
- State Government Financial Aid (SGFA) program—ongoing financial contributions made to Indigenous councils in lieu of rates. Just over \$30 million was allocated to the 16 councils in 2016–17. The SFGA was frozen in 2012–13 and has declined in real terms since then.
- Revenue replacement program—part of the Queensland Government's harm reduction strategy, provided to councils which divested or surrendered profitable general liquor licenses. Just over \$3 million was allocated in 2016–17.
- Works for Queensland program—a \$400 million program over 2016–19 to support local government outside of South East Queensland to undertake job-creating maintenance and minor infrastructure projects.
- Indigenous Water Infrastructure program—\$120 million provided over four years to provide fit-for-place, fit-for-purpose water infrastructure for Indigenous councils.

Councils can and do seek funding from a range of other ad hoc or ongoing grant programs.

A reliance on grant funding reduces flexibility and control, and makes planning difficult

With reliance on external funding comes greater dependence on that funding, and that invariably means less control, flexibility and independence (Moran et al. 2014).

The low levels of revenue under their control restrict a council's flexibility to influence future financial performance by varying revenues, and impede its ability to strategically plan for the long-term. A high reliance on external funding restricts a council's ability to renew its asset base when needed and affects its service delivery (QAO 2016, p. 48).

Funding arrangements play an important role in determining the effectiveness and efficiency of service delivery. Varying degrees of funding continuity, flexibility, and fragmentation influence the ability to plan and deliver services efficiently. It can build, or undermine, local capacity and governance, in turn helping or hindering the mechanisms for effective service delivery. (LGAQ sub. 14, p. 24)

Dependence on external grants means that Indigenous councils are highly vulnerable to changes in government policy and program funding levels, highlighting the importance of a stable grant funding regime, which has not been achieved in recent years (LGAQ sub. 14, p. 27, Box 13.4).

Infrastructure may not meet the needs of Indigenous communities

Stakeholders raised concerns that some of the infrastructure solutions imposed on remote and discrete Aboriginal and Torres Strait Islander communities have not been suitable:

Many of the infrastructure solutions have been developed by external consultants or contractors that design industry standard solutions that are not necessarily fit-for-purpose for the community. Key to this challenge is the limited pool of staff available to operate the systems. (LGAQ sub. 14, p. 17)

Partly, this may be due to how infrastructure projects have been planned and implemented, particularly when there has been insufficient consideration for community capacity or concerns:

Historically there have been significant issues with how projects submitted under the Major Infrastructure Project (MIP) fund were prioritised and implemented, with insufficient input from TSIRC.

These issues resulted in infrastructure which were not fit for place and purpose and has higher ongoing operational and maintenance costs than preferable alternatives There may be insufficient capacity to manage and maintain infrastructure assets in all communities.

We are still not actively involved in prioritising the funding for our own communities. Costings estimated by the consultant engaged by MIP are underestimated, relative to contract costs determined on tenders. This has been a persistent problem with the MIP program and results in insufficient funds to deliver MIP projects. (TSIRC sub. 12, p. 16)

Box 13.4 Uncertainty in council funding

When grants are cut unexpectedly, frozen, or not indexed, councils' ability to deliver services to their communities suffer. In recent years, sources of uncertainty in council funding have included:

- loss of CDEP funding, which was partially replaced by Indigenous Economic Development Grants
- loss of Municipal and Essential Services (MUNs) funding from the Australian Government when full responsibility for delivering municipal services was transitioned to state governments
- cessation of indexation of SFGA grants from 2012 to 2013—LGAQ estimates this has left Indigenous councils worse off by around \$20 million per annum
- cessation of indexation of FAGs from 2013 to 2014—LGAQ estimates this resulted in an effective \$6.3 million cut to Indigenous councils. The May 2017 Federal Budget announced that the freeze would end in 2017–18.

The LGAQ estimates that these cuts to funding have resulted in a 21 per cent cut to staffing levels across Indigenous councils.

Source: LGAQ sub. 14.

Box 13.5 Impact of funding cuts on Cherbourg Aboriginal Shire Council

State Government Financial Aid (SGFA) funding makes up around 14 per cent of Cherbourg Aboriginal Shire Council revenues. In 2012–13, the base line SGFA funding for Cherbourg was \$1.695 million. In all the years since, SGFA funding has been lower than this, due to government policy and funding changes.

In the same year (2013–14), the Cherbourg Aboriginal Shire Council lost its CDEP and MUNs funding due to Australian Government policy changes. These funding cuts equated to a total loss in revenue in the 2013–14 financial year of \$1.512 million, or around 12.5 per cent of their total revenue.

This resulted in a 29 per cent cut in full-time staff and a drop-in service delivery in the areas of parks and gardens, painting, local café, and farm projects. The Cherbourg Aboriginal Shire Council has had to seek alternate revenue streams (\$7 million building program) to cross-subsidise base line service delivery.

Applying the Council Cost Index increases for the past four years shows that the Cherbourg Aboriginal Shire Council, in relation to SGFA funding alone, is actually \$980,348 worse off in real terms than in 2012–13.

Source: LGAQ sub. 14, p. 29.

Interactions between government and councils could be improved

Like other areas of service delivery, stakeholders have raised concerns about the way that compliance and monitoring occurs and whether it could be more productive:

TSIRC have failing sewerage infrastructure on a number of its 15 islands due principally to a lack of funding to maintain/renew its 1.1B asset base. The Department of Environment and Heritage Protection (DEHP) Compliance section has issued compliance notices to TSIRC to fix issues in line with legislative requirements. These letters threaten fines and require TSIRC to respond to them.

This pattern of writing letters backwards and forwards is counter-productive, consuming staff time and resources which would be better spent sourcing funding and delivering projects to rectify infrastructure issues outside TSIRC's control

...

Staff within DEHP Compliance seem to lack understanding regarding how long it takes to source funding and deliver projects to rectify issues, expecting faster resolution of issues than what is physically possible given TSIRC's small engineering team, remote environment, and a lack of funding.

A solution would be for DEHP to assist with sourcing funding to rectify issues with infrastructure and provide on the ground training to upskill sewer operators. Nothing will be resolved without funding to take the necessary remedial actions, therefore this is the first step. (TSIRC sub. 12, p. 31)

Council revenue raising may crowd out private activity

To meet revenue shortfalls, Indigenous councils undertake commercial activity, particularly housing construction and maintenance—sales revenue now contributes over 20 per cent of all revenue for Indigenous communities (QAO 2016).

For some Indigenous councils, revenue from commercial activity has become the largest source of revenues. For example, recoverable works (construction) make up 46 per cent of total revenue for the Torres Strait Regional Council (TSIRC sub. 12, attachment 12, p. 4).

We have to operate commercially in order to cross subsidise government funding levels of key services and to self-fund key community and cultural programs. We have year on year shortfalls in funding provided by government for core municipal services. (CEO of Lockhart River, LGAQ sub. 14, p. 33)

As discussed in Chapter 11, stakeholders have raised concerns that these commercial operations are effectively monopolies that crowd out private sector activity.

There are no short-term fixes

The state government introduced a general rating scheme for Indigenous councils which took effect from 1 July 2017. However, this is not expected to significantly change the fiscal position of councils:

Indigenous councils that have already undertaken a land identification process, the first step to progress a general rating scheme, highlight a significantly restricted number of rateable properties. For example, Lockhart River Aboriginal Shire Council area has eight (8) rateable properties and Woorabinda Aboriginal Shire Council area has only one (1) rateable property ... The cost of administering a general rating scheme, combined with the limited number of rateable properties and the fee associated with the Valuer-General, will far outweigh the income generated through rates. Indigenous council reliance on government funding (SGFA and FAGs) will continue for at least 10 years into the foreseeable future ... (LGAQ sub. 14, p. 34)

Further, if, as required by legislation, DOGIT land is transferred to Aboriginal Freehold, consideration will need to be given to how current lease fee arrangements for social housing can be replaced (see Chapter 11). One option would be to replace lease fees with general rates; however, this may require legislative change, since social housing is currently rate-exempt (Table 28).

Table 28 Rateable land in discrete communities

Land type	Rateable	Rationale
Social housing on 40-year leases to State	No	Specific exemption for public housing
99-year leases to individual for home ownership	Yes	Privately occupied residential land
30-year lease to individual for commercial operation	Yes	Privately occupied commercial land
Council house tenanted by community resident or employee	No	Council-occupied or -managed land is exempt
Exclusive lease from council to not for profit organisation providing community services	No	Not residential or commercial, therefore exempt
Land granted in freehold to individual by trustee	Yes	Freehold land

Source: DILGP, 2015.

Difficulties attracting qualified staff exacerbate sustainability

The operation and maintenance of infrastructure required to deliver municipal services may require specialist staff. It can be difficult and expensive to attract and retain these staff to remote locations (LGAQ 2013).

Stakeholders have raised concerns that the lack of qualified staff is also compromising the ability of remote and discrete Aboriginal and Torres Strait Islander communities to maintain facilities:

Despite the improvement in waste water services, there has been evidence of poor maintenance of wastewater treatment facilities. (University of Queensland sub. 28, attachment 1, p. 15)

Stakeholders also noted that changes to standards present particular problems for remote communities, since they may not have the capacity to respond as quickly as mainstream communities:

The transition towards higher standards, without appropriate financial and training support poses a challenge for Indigenous councils. The inclusion of Indigenous councils in forums where management decisions about water and sewerage services are made is important to ensure they are adequately supported to provide a sustainable water and sewerage service to their communities. (LGAQ sub. 14, p. 18)

The Commission notes that the 2017–18 State Budget allocated \$120 million to Indigenous communities to improve the delivery of water infrastructure. It is unclear what funding has been made available to address capacity issues.

13.3 Potential solutions

The issues presented in this chapter are not unique to Aboriginal and Torres Strait communities. Many of these apply to all councils, regardless of whether they are in remote parts of the state or have a high proportion of Indigenous residents.

Many of the issues raised also touch on broader issues of governance, and could apply to any assessment of public infrastructure funding.

Nevertheless, the consequences of poor infrastructure investments in remote and discrete Aboriginal and Torres Strait Islander communities have the potential to have disproportionate effects on service delivery and outcomes.

The Commission has considered how the issues raised by stakeholders may be addressed, but, given the broad scope of this inquiry and the resources and time available, has been not able to arrive at definitive solutions. Further, some of the issues raised by stakeholder may need to be considered in the broader context of funding for local governments and for public infrastructure—this is outside the scope of this inquiry.

Infrastructure funding needs to consider whole-of-life costs

A failure to consider whole-of-life costs risks burdening communities with infrastructure they cannot maintain. More mature discussion must take place about the funds governments are prepared to invest in remote and discrete Aboriginal and Torres Strait Islander communities and the infrastructure levels this funding can realistically support.

Councils could assist by preparing asset management plans and ensuring that planning better considers life cycle costs. However, unless funding decisions are made with these considerations in mind, there will be little incentive for councils to undertake better asset management planning.

Consideration could be given to ensuring that any infrastructure funding includes an annual provision for asset maintenance:

To ensure the sustainability of service delivery, Indigenous Councils would like to see future grant funding for new infrastructure include an annual provision for ongoing maintenance over the useful life of the asset. If the State government invested more money now in asset maintenance the useful life of assets could be extended, deferring the high cost of asset replacement. (LGAQ sub. 14, p. 37)

Incentives created by funding arrangements

As discussed in this chapter, the impact of insufficient funding on the operation of municipal services, with consequential impacts on health outcomes, may put councils in the position where they need to crowd out private sector activities to remain viable.

Stakeholders have requested the Queensland Government to restore indexation to SFGA grants; however, this, alone is unlikely to solve the financial sustainability issues facing Indigenous councils.

Currently, sustainability issues are addressed through ad hoc infrastructure funding, such as the \$120 million Indigenous Councils Infrastructure Program (Qld Government sub. 27, p. 14). This does not help councils plan and may encourage suboptimal investments in remote communities. A better approach may be to develop long-term investment plans based around the needs of these communities.

Under the broader reform proposal, these negotiations could be part of any agreements made between government and Indigenous communities.

Improve the viability of remote and discrete Aboriginal and Torres Strait Islander communities

Actions that could be taken to improve the viability of remote and discrete Aboriginal and Torres Strait Islander communities include:

- ensuring greater funding certainty to remote and discrete councils
- developing capacity by identifying impediments to training local residents to manage infrastructure assets
- funding to better assess the condition of existing assets and for the development of effective asset management plans
- ensuring that local knowledge is better utilised when infrastructure assets are planned and constructed
- reducing council costs by better coordinating construction works—Doomadgee Shire Council noted that heavy machinery mobilised into remote communities could be better coordinated to minimise costs (Burke Shire Council sub. 25, p. 2)
- considering the use of other means to raise funds, including the option of using poll taxes or user charges.

Councils need to drive the discussions to improve the efficiency of infrastructure and municipal service delivery, and agreements need to be developed with government for how any changes will be implemented.

Non-Indigenous councils need to be included

Non-Indigenous councils in remote areas face many of the same challenges as the Indigenous councils and many have a high proportion of Indigenous residents. Many of these councils need to be included in discussions since:

- there is a risk that Aboriginal and Torres Strait Islander people in these communities will suffer effects from an unsustainable municipal service delivery model
- these councils may have expertise they can share.

Seeking further views

The Commission is seeking further views on how the delivery of municipal services and funding for infrastructure can be improved, and sustainability of councils providing these services could be improved. In particular:

- How could government work better with communities to ensure that infrastructure is fit for purpose, meeting community needs and able to be sustainably managed?
- Would the broader reform proposals improve things?
- Are there other issues that impede efficient and effective delivery of municipal services?
- Are there other solutions the Commission should consider?
- How can a more mature discussion around the sustainability of communities be encouraged?
- How can non-Indigenous councils with significant Indigenous populations participate more with Indigenous Councils?

Draft recommendation 12

To achieve better support for municipal services in communities, reforms should:

- ensure infrastructure funding allows for whole-of-life costs for community assets
 - develop asset management plans for existing assets
 - develop a funding model that provides greater long-term funding certainty and sustainability
 - enable local management of municipal infrastructure, including support for training
 - coordinate capital works to facilitate equipment sharing and avoid ‘boom and bust’ cycles of economic activity
 - leverage mechanisms to ensure local knowledge and expertise is used during infrastructure planning and construction.
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