

14.0 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 sewerage services. These essential services underpin healthy communities.

This chapter discusses some 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 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.

14.1 Current status

Councils are responsible for delivering municipal services

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, providing municipal services and managing the associated capital assets are their predominant activities. However, councils servicing remote and discrete Indigenous communities perform a wider range of services. These may include:

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

It is now widely recognised that Indigenous councils⁴⁹ have, historically, been burdened with too wide an array of services, without sufficient assistance to build the capacity to deliver (Australian Government 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 capacities of Indigenous councils have 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 drinking, 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).

⁴⁹ Indigenous councils are those that operate solely within a discrete Indigenous community.

While there are no comparable data for the remote and discrete Indigenous communities, concerns have been raised that infrastructure in these communities do 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

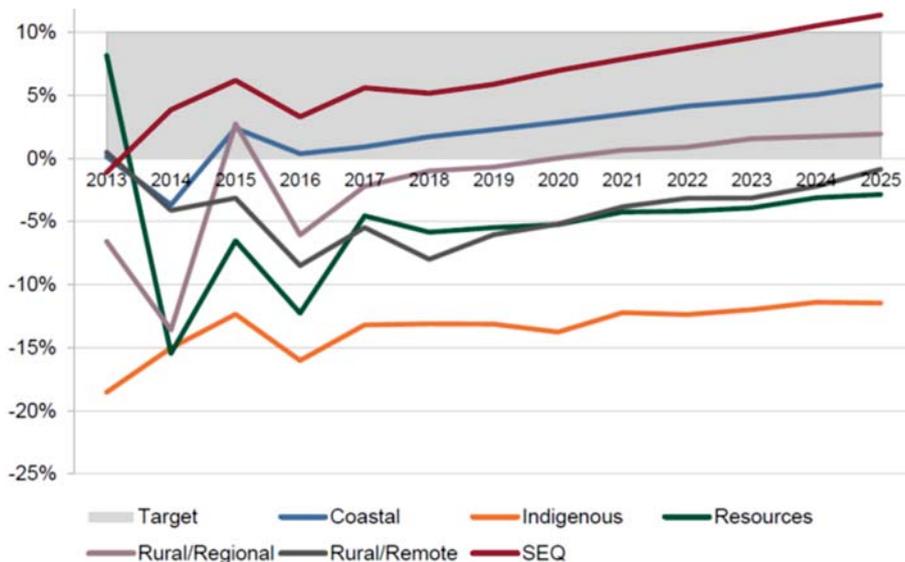
Indigenous and other councils in remote communities control many billions of dollars of assets—the Torres Strait Island Regional Council, alone, has over \$1.1 billion of assets on its books, including around \$500 million of social housing (TSIRC sub. 12, attachment 1, p. 6).

For councils to sustain 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 operating deficits for 2015-16, with 24 of these forecasting deficits for the next 10 years (QAO 2016). Figure 66 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 66 Operating surplus by council segment



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

Source: QAO 2016.

Maintaining the sustainability of council operations in remote communities where tax bases and economic opportunities are low is challenging:

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)

A recent review of the water, wastewater and solid waste assets of 16 Indigenous Councils 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). In response to the review, the 2017–18 Queensland Budget provided for \$120 million over four years for discrete Indigenous councils to provide critical infrastructure.

The Commission notes that no additional funding is provided to non-Indigenous councils in remote areas. As identified in submissions, these councils often subsidise services to discrete Indigenous communities:

Burke provides treated drinking water to Bidunggu [community] and has never received payment of water rates or water use – i.e. Burke Shire Council is unofficially providing subsidised drinking water to this community...[DATSIP] lists neither Burketown nor Bidunggu as a discrete ATSI community. (Burke Shire Council sub. DR18, p. 2)

Funding for designated Aboriginal Shire Councils is not made available to non-discrete local governments such as Cloncurry Shire Council, that nevertheless have a predominantly Indigenous population... It essentially means [we are] expected to provide services to Indigenous communities with limited means to derive income to pay. (Cloncurry Shire Council, sub. DR9, p. 7)

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 said the staging of construction works has enabled a steadier stream of work in the discrete communities, providing local people with opportunities to take up training and apprenticeship positions.

While this has helped, the LGAQ raised ongoing concerns about the fact that government delivery timeframes can mean that capacity building does not always 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)

14.2 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. The community of Doomadgee for example, is reliant on the single road that connects it to the rest of the world (Box 14.1).

Geographically isolated small communities also generally 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 many Indigenous communities, councils have large housing portfolios on their books, since there is no private housing market.⁵⁰

Box 14.1 Case study—Doomadgee

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

Doomadgee is connected to Burketown 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 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 Gregorv River even during minor flooding—keeping Doomadgee isolated when most other communities are accessible.

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

⁵⁰ 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.

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 several 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 14.2). This can be exacerbated by the inadequacy and fragmentation of financing provided through state and federal infrastructure funding.

The SFGA funding model needs to consider the actual cost of maintaining and running essential infrastructure. The initial model was incorrect to begin with and as a result has had a continued negative impact on the preventative maintenance of essential infrastructure. (Yarrabah Shire Council, sub. DR14 p. 19)

Issues arising from a lack of consideration of whole-of-life costs and from funding fragmentation are not unique to Indigenous councils, nor to councils especially (Productivity Commission 2014), but have a greater impact in remote and discrete communities because of their high reliance on public infrastructure and low revenue bases.

Box 14.2 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 that 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.

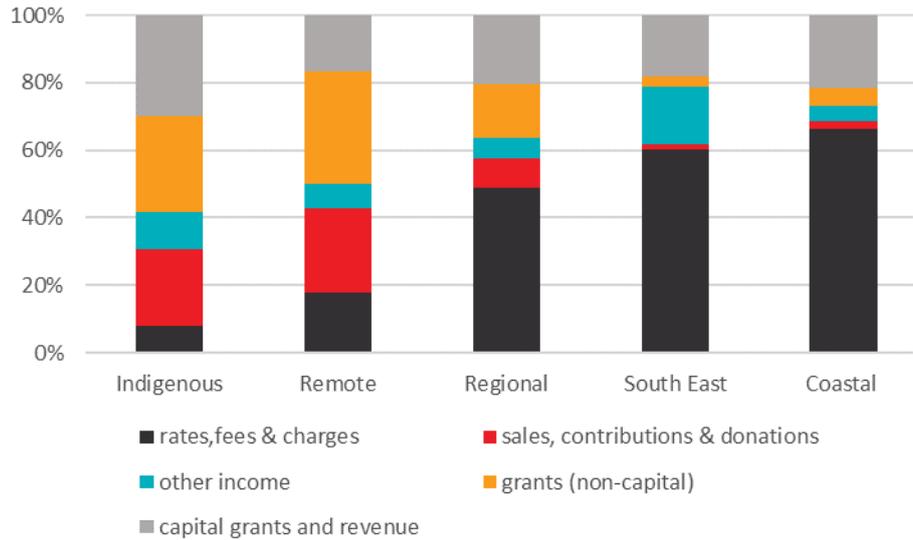
For example, the Aurukun Aboriginal Shire Council determined last year that it could no longer afford to operate and maintain the local pool and was looking to repurpose it, so that it is not an ongoing drain on council resources. Given that swimming pools have been linked with significant health and 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 67).

Figure 67 Indigenous and remote region councils are reliant on grants and sales income



Source: QAO 2016.

For Indigenous councils, the lack of tax revenue arises because their communities are largely comprised of unrateable communal title land, or is occupied by either social housing, non-profit enterprises or government agencies which makes the land unrateable. This inability to raise revenue (from general council rates) 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 et al 2012), although this revenue source may have to be revisited if Deed of Grant in Trust (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 12).

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 et al 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 rely on other forms of revenue—predominantly grants and sales income.

Box 14.3 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, but indexation was restored in the 2017-18 State Budget.
- 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.

Relying 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 councils' flexibility to influence their financial performance by varying revenues, and impedes their ability to plan strategically for the long-term. Relying on external funding restricts councils' ability to renew their asset base when needed and affects their 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 14.4 and Box 14.5).

Box 14.4 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, pp. 24-32.

Box 14.5 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 \$980,348 worse off in real terms than in 2012–13.

Source: LGAQ sub. 14, p. 29.

Infrastructure may not meet the needs of Indigenous communities

Stakeholders raised concerns that some 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 [local] 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)

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 have suggested that 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). A similar example is provided by the LGAQ:

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 12, 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 is currently considering a general rating scheme for Indigenous councils, 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 12). One option would be to replace lease fees with general rates; however, this may require legislative change, since social housing and non-commercial land is currently rate-exempt, and there is little other rateable land in the discrete communities (Table 34).

Table 34 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). Consequently, most remote councils have back offices in Cairns, where they are able to more easily employ specialist skills, and interface with other agencies and councils.

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 problems for remote communities, since they may not have the capacity to respond as quickly as other 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)

14.3 Potential solutions

The issues presented in this chapter are not unique to Aboriginal and Torres Strait communities. Many 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 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 stakeholders 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 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.

The LGAQ suggests that infrastructure funding should include 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 end up crowding out private sector activities to remain viable.

Stakeholders have asked 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 form part of any agreements made between government and Indigenous communities.

It will also be important to consider whether benefits can be created by shifting the funding mix for councils. For example, a move to rates based funding would encourage councils to plan and provide infrastructure for economic development within their communities, as it will contribute to their rating base. How a more general rating scheme would operate, would need special consideration, given that most land in the discrete communities currently non-rateable.

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.

These actions are not all the responsibility of the Queensland Government. However, both councils and the government need to negotiate on how to improve the efficiency of infrastructure and municipal service delivery, and agreements need to be developed 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.

Stakeholders identified that there are opportunities for councils to share expertise and resources. For example, Burke and Doomadgee Aboriginal Shire Councils are currently exploring a range of cooperative approaches:

Burke is also keen to investigate opportunities to share resources, knowledge and capacity in the area of governance with a particular focus on asset management. Like roadbuilding, sharing knowledge and systems in asset management makes sense and should result in improved capacity, reduced duplication and lower costs. Joint use of assets, and further shared services in other areas, are further opportunities to explore. (Burke Shire Council sub. DR18, p. 4)

Cairns and Yarrabah Aboriginal Shire Councils have entered a formal memorandum of understanding where Cairns provides mentoring for staff in relation of water and wastewater management (CRSC sub. DR20).

Councils should be encouraged to develop other cost sharing opportunities where they are available. For example, sharing back office services in Cairns might provide a means to reduce costs.

Recommendation 17

The Queensland Government should revise existing arrangements to ensure that:

- infrastructure funding allows for whole-of-life costs
- asset management plans are developed for all significant assets and funded appropriately
- funding arrangements allow for the coordination of capital works to facilitate equipment sharing and avoid 'boom and bust' cycles of economic activity
- greater long-term funding certainty is provided for infrastructure funding and maintenance
- there is greater support for local management and planning of municipal infrastructure, including support for training and mentoring
- local knowledge and expertise are used during infrastructure planning and construction
- legislation and policy enables an efficient rates base in the discrete Indigenous communities.

The Queensland Government should also enable councils to share resources and explore options to develop shared capability and services.
