LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND INC.

LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND (INC.)

SUBMISSION TO PRODUCTIVITY COMMISSION STUDY

ASSESSING LOCAL GOVERNMENT REVENUE RAISING CAPACITY

June 2007

CONTENTS

EXECUTIVE SUMMARY

This submission by LGAQ addresses the key issues impacting on the capacity of local government to raise revenue, including those matters identified by the Productivity Commission's Terms of Reference.

At present, the local government sector is heavily constrained in terms of ability to access a broad range of revenue sources. Local governments cannot levy tolls on roads in their own right, obtain road revenue from fuel taxes or vehicle registration, introduce parking franchise fees in major cities, levy charges on heavy vehicles (eg at quarries) on a tonne basis or tax major industries based on employment levels or production.

Of particular concern to LGAQ is the lack of access of the local government sector to a growth source of revenue such as the GST.

Councils in Queensland and elsewhere are under pressure to expand the range and quality of services. This is either the result of "cost shifting" by other spheres of government or simply in response to community expectations. On top of this, rapid escalation in prices for many of the functions provided by councils, impact further on revenue requirements.

It is the view of LGAQ, that the capacity of councils to raise own-source revenue is very constrained at present. On the other side of the ledger, the capacity to constrain expenditure is limited. There is a need for new revenue sources if local government is to properly meet the needs of their community.

It is also important to recognise that the needs of indigenous councils and the issues involved in determining their revenue capacity must be treated separately from non-indigenous councils. Indigenous councils typically have a very limited economic base, serve communities with very low personal incomes and generally do not have rateable property.

The pressure on the property tax base of local government has been exacerbated in recent years by the fact that Commonwealth Financial Assistance Grants, the only other significant source of untied revenue for local government apart from rate revenue, have not kept pace with the increasing role of local government and the increases in the cost base driving local government service outlays. Indexation of FAG relative to CPI and Population gradually erodes the value of this revenue source.

When levying rates, councils must also compete with State Governments who have been rapidly increasing their tax take from property.

It is important that the Productivity Commission recognises that growth in the overall value of property does not determine revenue raising capacity. It is the recurrent resources available to each sector of the economy to meet the rate impost that has a significant bearing on revenue capacity. In addition, the flexibility of the rating system available to councils, particularly in terms of differential rating, also impacts on the ability to tap into this revenue capacity.

Queensland local government is generally fortunate in having reasonably flexible legislation in relation to rating, particularly in the use of differential rates but also in relation to the levying of special rates. This has assisted councils across the state to obtain a more equitable spread of the rate burden across their communities as well as to access rate revenue that would not be available with a limited use of differential rating. Nevertheless, greater flexibility in the choice of the valuation base for rating, as exists in a number of other states, could assist in overcoming some problems in developing a fair and equitable distribution of the rate burden.

While rate exemptions provided to state and federal government agencies do have some impact on the revenue base of councils, it is not as significant issue as it once was. Most government agencies that are of a commercial nature do pay general rates. However, there are some anomalies that should be addressed.

In addressing the revenue needs of local government, LGAQ believes it is important that the federal government recognises that it has not maintained an adequate level of financial support for councils. It is essential that this issue is addressed as soon as possible. Nationally, around $400 million additional federal funding is needed annually to overcome this real loss of funding support over the last decade.

The following sections of this submission expand on these issues and address a number of questions raised by the Productivity Commission in its May 2007 Issues Paper.

1. Introduction

1.1. Background

This submission has been prepared by the Local Government Association of Queensland (LGAQ) in relation to the Productivity Commission Study of Local Government Revenue Raising Capacity.

The submission addresses the key issues impacting on the capacity of Local Government to raise revenue including those matters identified by the Terms of Reference. The submission covers:-

- the revenue sources of Queensland Councils;
- the declining share of revenue provided through financial assistance grants;
- crowding out of the main revenue source – property rates – by State governments;
- the need for flexibility in legislation in relation to revenue raising measures and options, and the impact of State regulatory regimes on revenue raising capacity;
- the capacity of different types of councils to raise revenue, and factors contributing to capacity and its variability;
- the impacts on individuals, organisations and businesses of the various taxes, user charges and other revenue sources;

Comments are also made on questions raised by the Productivity Commission in its May 2007 Issues Paper.

1.2. The Revenue Base of Queensland Councils

The Issues Paper provides a broad overview of the revenue sources of Local Government in Australia. As Table 1.1 shows, there are some differences in the share of revenue from each broad category by State as a result of different functional responsibilities. In Queensland, where councils are responsible for water and sewerage services, over 41% of revenue came from sale of goods and services in 2004/05 compared with 30.8% nationally.

Table 1.1: Local Government Revenue, 2004/05, Queensland

Source	Qld $m	Share	Aust. $m.	Share
Taxation (rates)	$1,615	27.4%	8146	38.0%
Current Grants/Subsidies	$454	7.7%	2217	10.4%
Sales of Goods/Services	$2,439	41.4%	6596	30.8%
Interest Income	$129	2.2%	591	2.8%
Other	$1,257	21.3%	3868	18.1%
Total	$5,894	100.0%	21418	100.0%

Source: ABS Cat. 5512.0

The 2004/05 figures have been used for this comparison as there appears to be some error in the ABS figures for 2005/06 in relation to taxation revenue. ABS 5512.0 for 2005/06 shows Queensland local government taxation revenue as $1,807 million, an increase of 11.9% from 2004/05. ABS Catalogue 5506.0 shows 2005/06 taxation revenue for local government as $1,736 million, an increase of 7.5% over the 2004/05 figure. The figure in Catalogue 5506.0 is considered to be more accurate.

The ABS figures are however somewhat too broad to properly understand the revenue sources of Local Government. In particular, the “Other” Revenue category covers a very wide range of revenue sources.

Table 1.2 provides a further breakdown of Queensland Local Government revenue sources using data extracted by the Department of Local Government, Planning, Sport & Recreation (DLGPSR).

Table 1.2: Revenue Sources, Queensland Local Government 2004/05

Source	**$ million**	**Share**
Net Rates	$1,643	27.8%
Net Utility charges	$1,531	25.9%
Fees/Charges	$492	8.3%
Recoverable Works	$223	3.8%
Current Grants	$405	6.8%
Capital Grants	$276	4.7%
Contributions	$815	13.8%
Interest	$134	2.3%
Other Current Income	$333	5.6%
Other Capital Income	$65	1.1%
Total	$5,917	100.0%

Source: DLGPSR

This table reveals that Contributions (primarily from developers) is the third most significant source of revenue for Queensland Councils providing $815 million in 2004/05, with 95% of these contributions being of a capital nature.

This is primarily the result of the responsibility of Queensland Councils for water and sewerage infrastructure, with headworks charges being a major component of developer contributions in Queensland.

In terms of the distribution of these capital contributions, over 95% came from metropolitan and provincial cities and towns which represent around 26% of the total councils in the state (excluding indigenous councils). Some 76% of the contributions came from councils in the South East Queensland (SEQ) region.

Apart from the significant difference in developer contributions to revenue sources by council category within Queensland, there is also a substantial difference in the contribution made by rates and utility charges to individual council operating revenue as illustrated by Table 1.3.

For metropolitan and provincial councils, rates and utility charges represent over 70% of revenue. For small to medium rural councils, rates and utility charges represent just over 30% of revenue while for remote rural councils, rates and utility charges are only 15% of revenue. For these councils, grants and subsidies become a significant portion of revenue, representing between 30% and 40% of total operating revenue.

Almost 80% of the $223 million in revenue for recoverable works shown in Table 1.2 came from rural councils across the State. For these councils in total, recoverable works represented 20% of operating revenue.

Table 1.3: Revenue by Council Category 2004/05

Council Category	Total Operating Revenue per capita	% Rates & Charges	% Grants	% Other Operating Revenue	Gross general rates per capita
Metropolitan	$1,118	72.2%	4.1%	23.7%	$429
Provincial	$1,188	70.1%	6.5%	23.4%	$449
Rural Large/Very Large	$1,383	56.1%	15.0%	28.9%	$547
Rural Small/ Medium	$2,524	33.3%	31.6%	35.1%	$713
Rural Remote	$7,310	15.3%	40.1%	44.5%	$736
State Average	$1,223	66.1%	8.4%	25.5%	$454

Source: DLGP Council Profile 2004/05

It is important that this Productivity Commission review recognises these differences in the operating environment of councils within and between States and the impact this has on revenue sources.

Of particular significance is the fact that rates and utility charges remain as the most significant component of own-source operating revenue available to Queensland councils. The capacity to raise revenue is therefore heavily reliant on taxes and charges levied on property.

It is not the overall value of the property that determines capacity to pay (and therefore revenue raising capacity), but rather the recurrent resources available to each sector of the economy to meet the rate impost. In addition, the flexibility of the rating system available to councils, particularly in terms of differential rating, also impacts on the ability to tap into this revenue capacity.

Table 1.4 and Figure 1.1 both illustrate the difference in the growth of the “tax base” (unimproved valuation) and the revenue raised by councils in Queensland. There is effectively no relationship between the two factors. The revenue capacity of local government is clearly not related to the growth in property valuation.

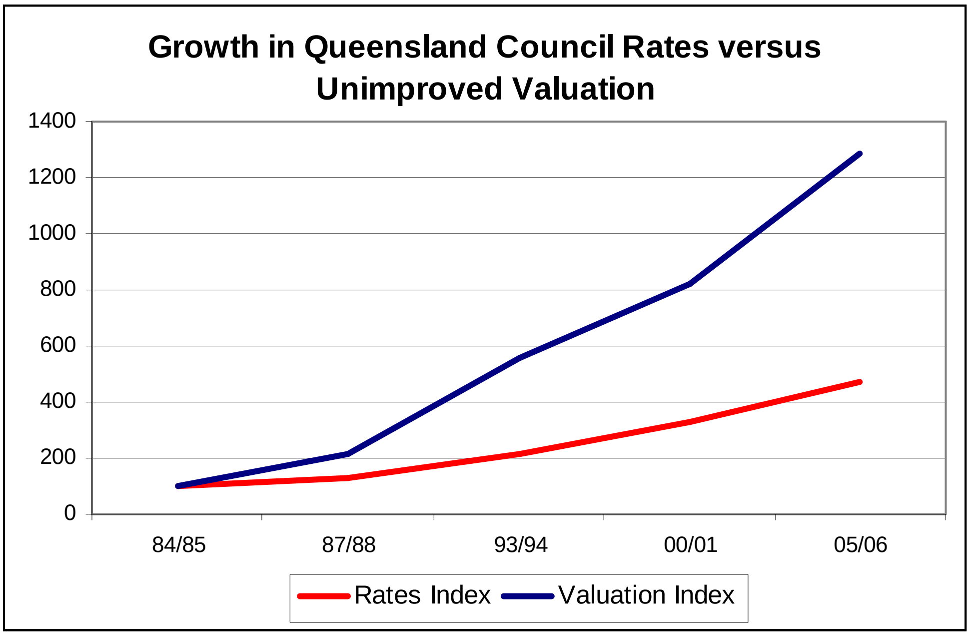
Table 1.4: Growth in Queensland Council Rates vs Valuation

	84/85	**87/88**	**93/94**	**00/01**	**05/06**
Council rates $m	$371	$477	$802	$1,210	$1,736
LG Rateable Valuation $m	$13,000	$28,000	$72,000	$107,000	167,000
Rates Index	100	129	216	326	468
Valuation Index	100	215	554	823	1285

Source: DLGP Comparative Data Base and ABS 5502.3 and 5512.0

Councils in Queensland and elsewhere are under pressure to expand the range and quality of services. This is either the result of “cost shifting” by other spheres of government or simply in response to community expectations. On top of this, rapid escalation in costs for many of the functions provided by councils, impact further on revenue requirements.

Figure 1.1:



It is the view of LGAQ, that the capacity of councils to raise own-source revenue is very constrained at present. On the other side of the ledger, the capacity to constrain expenditure is limited. There is a need for new revenue sources if local government is to properly meet the needs of their community.

2. The Need for a Broader Revenue Base

At present, the Local Government sector is heavily constrained in terms of ability to access a broad range of revenue sources. Local Governments cannot levy tolls on roads in their own right, obtain road revenue from fuel taxes or vehicle registration, introduce parking franchise fees in major cities, levy charges on heavy vehicles (eg at quarries) on a tonne basis or tax major industries based on employment levels or production.

Of particular concern to LGAQ is the lack of access of the Local Government sector to a growth source of revenue such as the GST. The heavy reliance of the Local Government sector on property based charges limits the overall capacity to raise revenue, particularly when the State Government also raises significant tax revenue from property.

2.1. Relative Decline of Financial Assistance Grants

The pressure on the property tax base of Local Government has been exacerbated in recent years by the fact that Commonwealth Financial Assistance Grants (FAG) have not kept pace with the increasing role of local government, and the increases in the cost base driving Local Government service outlays. Indexation of FAG relative to CPI and Population gradually erodes the value of this revenue source. FAG is the only other significant source of untied revenue for Local Government apart from rate revenue,

Table 2.1 shows details of Total Financial Assistance to Local Government as a percentage of Commonwealth Taxation revenue. This includes Commonwealth Taxation revenue with and without the GST.

Given that the GST is earmarked for distribution to State Governments, it would be unlikely that FAG payments would be tied to taxation revenue which also included the GST component.

As Table 2.1 shows, Commonwealth Taxation revenue, including the GST grew by 121% over the period from 1994/95 to 2004/05. In contrast, Financial Assistance Grants to Local Government in Australia (General Revenue Grant and Local Roads Grant) grew by only 42%. Commonwealth taxation revenue excluding the GST grew by 87% over the period.

Whereas in 1995/96, FAG was around 1% of Commonwealth taxation revenue, by 2004/05 this had dropped to 0.8% when GST revenue is excluded. This share of Commonwealth Taxation revenue represented by FAG is forecast to continue to fall over the coming years.

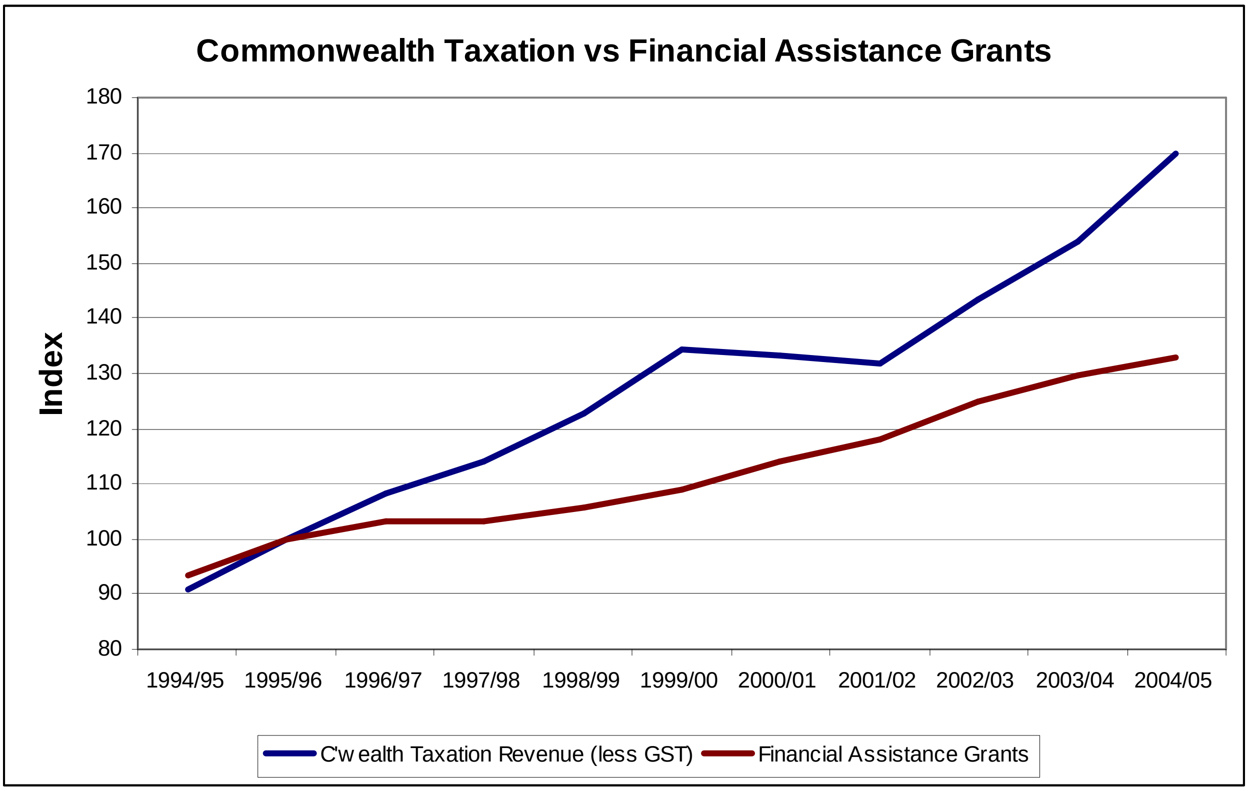
If the call by the Australian Local Government Association (ALGA) for **FAG to be set at 1% of Commonwealth taxation revenue (excluding GST)** was adopted, then the FAG allocation in 2004/05 would have been $1.94 billion rather than the $1.55 billion noted above. **Local Government across Australia would now be receiving at least an additional $400 million a year.**

Table 2.1: FAG vs Commonwealth Taxation Revenue

	C'wealth Taxation $m	Total FAG $m	FAG as % Taxation	C'wealth Taxation excluding GST	FAG as % Taxation less GST
1994/95	103,777	1,087	1.05%	103,777	1.05%
1995/96	113,988	1,165	1.02%	113,988	1.02%
1996/97	123,320	1,204	0.98%	123,320	0.98%
1997/98	130,031	1,202	0.92%	130,031	0.92%
1998/99	139,797	1,233	0.88%	139,797	0.88%
1999/00	153,153	1,271	0.83%	153,153	0.83%
2000/01	175,591	1,328	0.76%	151,737	0.88%
2001/02	177,838	1,375	0.77%	150,449	0.91%
2002/03	194,827	1,455	0.75%	163,570	0.89%
2003/04	209,560	1,508	0.72%	175,439	0.86%
2004/05	229,131	1,548	0.68%	193,658	0.80%
Growth 94 to 2005	121%	42%		87%	

Source: ABS Cat. 5506.0 and DOTARS National Reports on Local Government

Figure 2.1:



The decline in the real value of Commonwealth Financial Assistance relative to GDP is shown in Table 2.2 and Figure 2.2. Whereas FAG (GPG + IRG) represented 0.24% of GDP in 1991/92, it had dropped to only 0.17% by 2004/05.

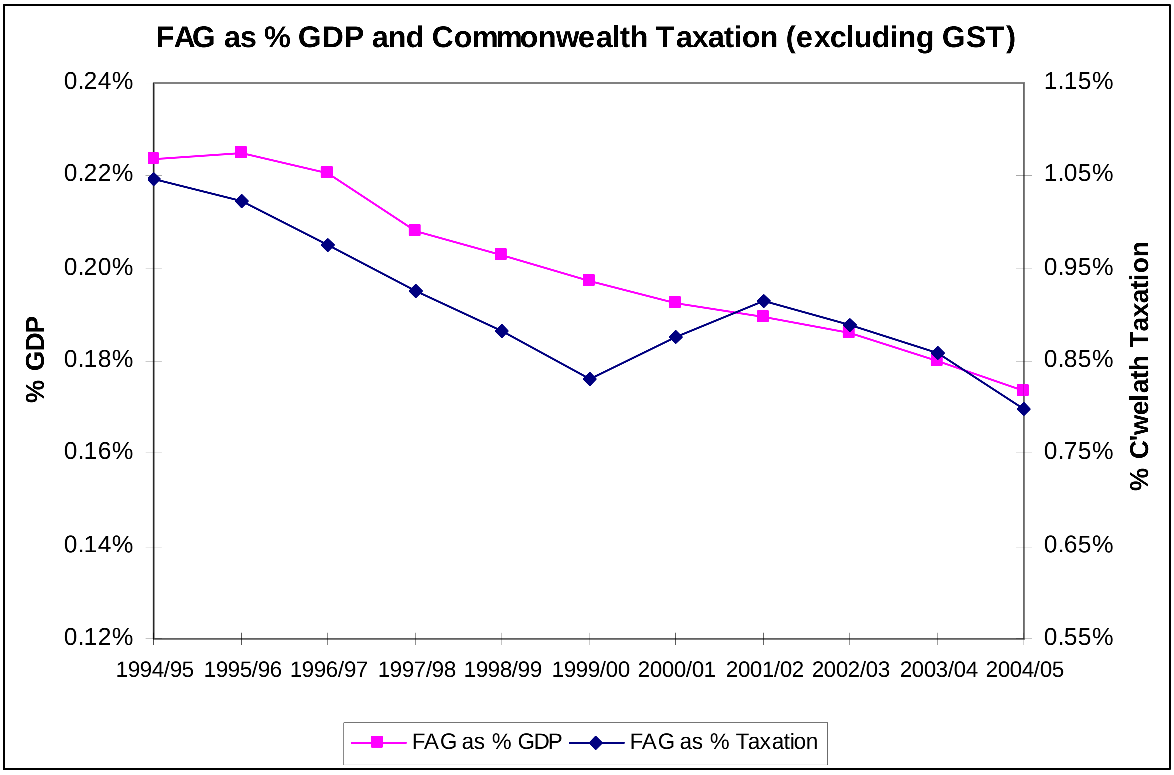
Table 2.2: FAG vs GDP

Year	Total FAG grants	Gross domestic product $m	FAG as % GDP
1991/92	1018.1	416997	0.24%
1992/93	1049.1	438038	0.24%
1993/94	1059.3	459982	0.23%
1994/95	1087.0	486578	0.22%
1995/96	1164.7	518158	0.22%
1996/97	1203.6	545736	0.22%
1997/98	1202.4	577422	0.21%
1998/99	1233.2	607863	0.20%
1999/00	1271.3	645153	0.20%
2000/01	1328.0	689340	0.19%
2001/02	1394.4	735783	0.19%
2002/03	1455.1	782798	0.19%
2003/04	1508.1	838251	0.18%
2004/05	1547.6	891524	0.17%

Source: ABS Cat. 5220.0 and DOTARS National Reports

Figure 2.2 illustrates the drop in the share of FAG relative to both taxation revenue and GDP.

Figure 2.2



The result of the inadequate maintenance of Financial Assistance Grants as a supplementary revenue source for local government has resulted in pressure on the rate base to maintain services and meet new demands from a rapidly growing population. This is illustrated by Table 2.3 which shows the increase in Queensland Local Government rates relative to FAG.

Local Government rates in Queensland have increased by around 7.5% per annum since 1999/2000 whereas FAG, which is adjusted only for population growth and CPI, increased by 4.75% per annum.

Table 2.3: Trends in Rates and FAG, Qld Local Government

	1999/00	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07** estimate	increase 99/00 to 06/07
Council rates $m	$1,137	$1,210	$1,281	$1,369	$1,463	$1,593	$1,736	$1,890	66.2%
FAG $m	235.9	247.2	256.9	272.9	284.0	294.9	311.0	326.2	38.3%

Source: ABS Taxation Revenue, Cat.5506.0 and DOTARS

2.2. Inadequacy of Inter-State Distribution of FAG

Other concerns of LGAQ include the fact that the general revenue component of FAG, which is distributed on a fiscal equalisation basis to councils within each State, is distributed *between* States on a per capita basis. This is regarded as a significant disadvantage to Local Government in Queensland as evidenced by the Commonwealth Grants Commission's 1991 Review[1].

As a further disadvantage to Local Government in Queensland, the interstate distribution of the identified road grant has also not been based on need. The recently released Commonwealth Grants Commission review of the interstate distribution of local road grants indicates the Queensland has been under-funded for many years.

Table 2.4: CGC Assessed State shares for Local Roads Grants

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Current shares including supplementary funds for South Australia	28.3	20.1	18.3	14.9	7.8	5.2	3.1	2.3	100.0
Recommended shares—based on data 2002-03 to 2004-05	31.3	22.0	20.2	11.3	8.9	3.3	1.2	1.8	100.0
Recommended shares for 2006-07	31.1	22.0	20.5	11.3	8.8	3.3	1.2	1.8	100.0

Source: Final Report, CGC Review of the interstate distribution of local road grants, 2006

[1] Commonwealth Grants Commission, Report on the Interstate Distribution of General Purpose Grants for Local Government 1991

2.3. Crowding Out of Property Tax Base

Local Government in Queensland must compete with the State Government in accessing the property tax base.

As Table 2.5 reveals, the State has rapidly increased its take from taxes on property. This has occurred because the State typically takes the windfall gain from increasing land values, without regard to capacity to pay from such unrealised capital gains. As an example, State Budget papers show that between 2005/06 and 2007/08, State Land Tax will increase from $404 million to $622 million, an increase of 54% in two years.

Local Government on the other hand uses property valuations as a rating mechanism, not as an indicator of wealth for taxation purposes or as an indicator of recurrent capacity to pay. The Local Government tax rate is what is needed to fund the range of services to be provided after other revenue sources are taken into account.

In addition to State taxes on immovable property as shown in Table 2.5, the State also obtains around $2 billion in revenue from property conveyancing.

Table 2.5: Property Tax Revenue, State & Local Government Queensland

	99/00	**00-01**	**01-02**	**02-03**	**03-04**	**04-05**	**05-06**	**06-07** estimate	**07-08** estimate	**increase 99/00 to 04/05**
Council rates $m	$1,137	$1,210	$1,281	$1,369	$1,463	$1,593	$1,736	$1,890	$2,060	81%
State property tax $m	$383	$414	$423	$482	$527	$644	$643	$775	$886	131%

Source: ABS Taxation Revenue, Cat.5506.0 & Government Finance Statistics 5512.0 & Qld Budget Paper #2; State Property Tax is tax on immovable property and includes land tax and fire levy

The question could well be asked as to why Local Government does not simply maintain a constant tax rate and take advantage of increases in property values.

The answer lies with the perception by the community that Local Government rates and charges are levied to meet the costs of services provided to them – almost a user pays perception. While general rates using property values can never be directly a user charge, no council anywhere in Australia would be allowed by the community to get away with a 30% increase in rates in one year as State Governments do.

3. Local Government Cost Drivers

The inadequacy of CPI as an indexation base for Local Government funding (whether from the Commonwealth, State or in terms of rate revenue growth) is illustrated by the following figure. It shows the way in which the major drivers of Local Government costs have moved relative to CPI.

Figure 3.1:

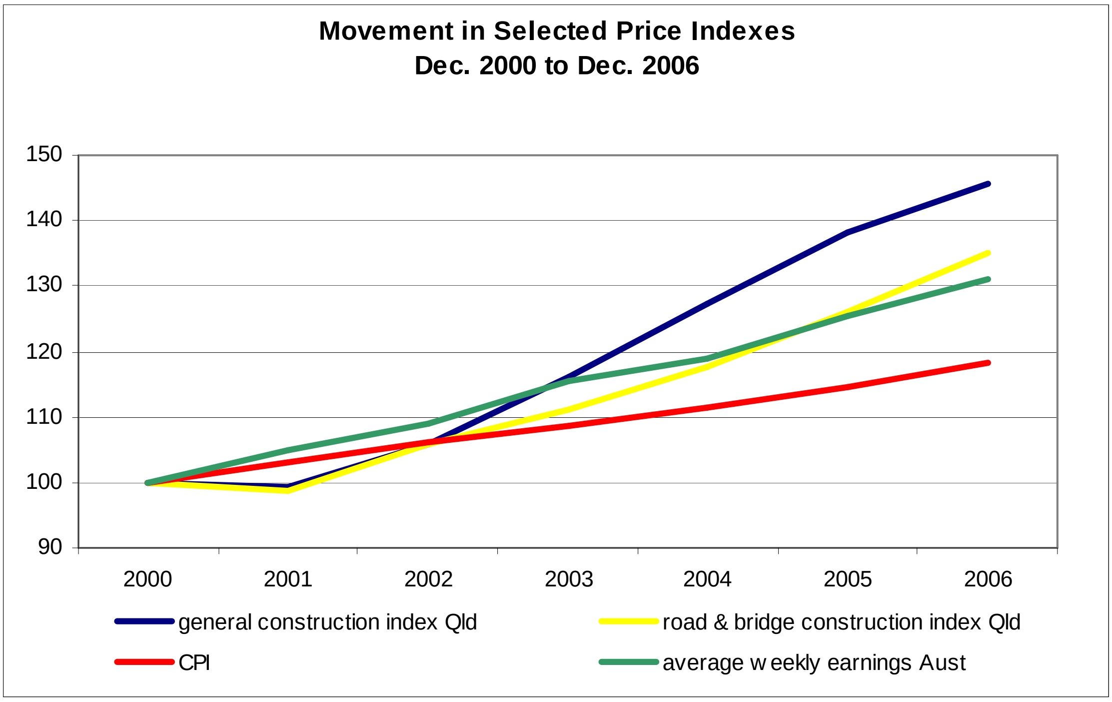


Table 3.1 shows that the General Construction Index increased by 46% between 2000 and 2006 compared to a CPI increase of 18%. In addition, average weekly earnings increased by 31% over the period.

Construction costs and wages are major drivers of Local Government costs, and it is clear that funding indexed to CPI is quite inappropriate.

Table 3.1: Movement in Selected Price Indexes

	general construction index Qld	road & bridge construction index Qld	CPI	average weekly earnings Aust
Dec-2000	100.0	100.0	100.0	100.0
Dec-2001	99.2	98.6	103.1	105.0
Dec-2002	105.9	105.9	106.2	109.0
Dec-2003	116.1	111.2	108.8	115.6
Dec-2004	127.2	117.8	111.6	119.1
Dec-2005	138.1	126.2	114.7	125.4
Dec-2006	145.8	135.1	118.4	131.1

Source: ABS Catalogues 6401.0, 6345.0 and 6427.0

In recent years, LGAQ has published annually a Local Government Cost Index. This index has been based on the average movement of the CPI and general construction cost index in the previous twelve months. This has assisted many councils to escape the trap of limiting their maximum rate increase to the CPI by being able to explain to their community what is driving their costs and therefore their need for revenue.

However, for small councils with a heavy reliance on grant funding to meet service needs, there may be a need to raise rate revenue at a much higher rate than is indicated by the statewide Local Government Cost Index. With grant increases limited to CPI, and a need for total revenue to increase by 5% to 6% to maintain current service levels, rates may need to increase by more than 7% to 8%.

In some regions, councils are also facing more significant cost increases as a result of the boom in the mining industry. These additional cost increases are a combination of many things including an overheated construction industry, competition for scare human and other resources, high mining wage rates and lack of affordable housing for staff. LGAQ has been working with a number of councils to develop enhanced rating strategies that better access revenue from these new or expanding industries. Such rating strategies recognise the costs imposed on services, and the benefits obtained, by these sectors of the local economy.

4. Legislative Flexibility for Rating

Queensland local government is generally fortunate in having reasonably flexible legislation in relation to rating, particularly in the use of differential rates but also in relation to the levying of special rates.

Most other States impose constraints on rating powers. For example, some States limit the amount that can be raised from the base charge (eg it could be only20% of total general rates) and in some cases there is a requirement that this base charge be the same for all differential rate categories. In some States, the variation in the amount of the differential rate is also limited. The amount of the minimum rate may also be restricted. Rate capping is a particular problem in New South Wales.

The biggest problem in Queensland is that unimproved valuation is the basis for levying general rates. However, appropriate use of the differential rating power as discussed below has been used to overcome this impediment. Nevertheless, greater flexibility in the choice of the valuation base, as exists in a number of other states, could assist in overcoming some problems in developing a fair and equitable distribution of the rate burden. The use of site valuation, rather than unimproved valuation, would be an improvement.

LGAQ has undertaken a series of rating workshops across the State to ensure that councils understand their capacity to use the rating powers of the *Local Government Act* 1993. Almost all councils in the State are now using differential general rates.

As the LGAQ Commentary on the *Local Government Act* 1993 notes, the purpose of a differential rating system is to enable " *…a closer relationship between revenue raised from particular land and the services provided to that land than is the case under a standard rating system where rates are levied at a single rate in the dollar on all rateable land. The object, however, is more to eliminate some of the unfairness which can emerge in a single rate system than it is to turn rating into a true "user pays" system. It is inherent in the nature of a system of property taxes that there will be imbalances between tax paid and services received, and differential rating cannot eliminate those imbalances - merely make them a little less unfair"*

The LGAQ Commentary goes on to note the following factors as relevant in making a decision on differential rate categories and rate levels:-

(a) the rateable value of land and the equity or otherwise of the level of rates which would be payable under an ordinary system;

(b) relative valuation as between different types of land;

(c) the level of services provided to that land as compared to the rates burden it would carry under an ordinary system; and

(d) use of the land in so far as it relates to the extent of utilisation of or benefit from Council services; and

(e) ability to pay, including whether or not the land is revenue producing (bearing in mind that revenues provide a source of funds which is relevant to the net impact on the landowner, and also that most revenue producing lands are used for a business for which rates will be tax deductible).

By bringing to the attention of councils the way in which the differential rating powers of the Act can be, and are being used, LGAQ believes it has enabled councils to better access their revenue raising capacity.

The range of differential rates being used by Queensland councils includes:-

Residential, Single Dwelling – A number of categories based on valuation range eg <$100,000; $100,000 to $150,000, $150,001 to $200,000 … and so on. This has enabled some councils to obtain a more equitable spread of rates relative to benefits obtained or costs imposed. This has been particularly important in reducing the level of rates on higher valued residential property eg canal frontage where service levels or benefit do not increase at the same rate as the increase in valuation. For example, in one council some canal frontage residential properties were paying $6,000 in general rates, whereas a similar residential property a few streets away was paying around $800. By categorising relative to valuation, the rates for the higher valued properties were brought down to around $3,000.

Residential Units – Some councils have introduced categories based on the height of the block of units eg less than 4 levels; greater than 4 levels. This was done to overcome the problem of high density units of high capital value having very low unimproved valuations, and then paying only the minimum rate. Obviously, the problem would not exist if there was capacity to use capital valuations or rental valuations as in some other states. In one case, a council has then further sub-divided the category based on whether it is owner-occupied or not. The rationale was that owner-occupiers do not get a tax deduction for their rates whereas investors do.

Shopping Centres – Often large shopping centres built on the edge of towns have lower valuations than smaller centres built closer to the CBD. Yet the larger centre has greater impacts (traffic, roads, environmental health). Councils have categorized relative to gross floor area (less than 10,000 sq m. GFA; 10,000 to 20,000 sq. m. GFA; > 20,000 sq m. GFA) or even relative to the on-site car parking provision. This then allows the council to obtain a higher rate yield from a larger shopping centre as compared to a smaller one.

Major Industries – Sometimes large and possibly noxious industries eg food processing, tanneries, sugar mills may be sited on land with a comparatively low valuation relative to the number of employees involved and potential cost impacts. Councils have created categories for such industries based on number of employees (eg < 50; 50-100; >100). Again the aim is to obtain a fair contribution from the larger activity which has greater impact than a smaller one.

Mining – A major mine employing significant numbers (eg more than 800 people) may have a relatively low valuation for the mining lease which tends to reflect the value of the land for rural uses. Again councils have created categories based on bands of employment. In some cases mines that may have paid less than $5,000 on the previous rural rate are now paying general rates in excess of $300,000.

The list goes on. Feedlots, intensive agriculture, quarries, major accommodation providers, marinas, power stations, oil and gas processing plants are further examples of the way in which Queensland councils are using the flexibility of the differential rating powers. Application of differential rating powers improves equity in the distribution of the rate burden to legitimately gain additional revenue from those previously obtaining what might be termed “a free ride”.

While there are few constraints on council rating in Queensland, one constraint that is a concern to LGAQ is the requirement of Section 25 of the Queensland *Valuation of Land Act 1944* to give developers a 40% concession on rates per property while they are still in the original developers name. In addition, Councils cannot charge a minimum rate on these lots resulting in some situations where the developer land-owner pays less than $10 in rates per subdivided lot.

This contrasts with rates paid by individual owners of vacant lots who would typically pay a minimum of between $350 to $400 in general rates.

No other State or Territory in Australia has any requirement under legislation for Councils to rate parcels of vacant land held by developers any differently to parcels held by any other owner.

LGAQ has estimated that, without the concession, these properties subject to Section 25 would have been liable for $20 million in general rates. Because of the concession, the properties pay only $12 million, an effective subsidy by other ratepayers of some $8 million.

It is considered not lawful for councils to use differential rating provisions to mitigate this State imposed subsidy for the development industry.

5. Capacity to Pay and Council Revenue Capacity

LGAQ considers that the capacity for councils to raise revenue is limited, and is related to indicators of economic activity. In particular, it is recurrent income (wages, production) that provides the capacity to meet the annual rate impost, not the capital value of land or buildings.

Work by BTRE[2] suggests that Aggregate Real Taxable Income may be a useful indicator of regional economic activity.

5.1. Wage Levels and Council General Rates

The broad relationship between wages and local government rates is illustrated by Table 5.1 using average weekly earnings.

This table shows that across Australia, rates have remained at around 2.2% to 2.3% of gross earnings over the last fifteen years or so. While this does not prove that local government revenue capacity is fixed at around 2.3% of gross annual earnings, it does suggest that capacity to increase rates is strongly tied to increases in personal income and not property value increases.

Table 5.1: Council Rates vs Average Earnings, 1988 and 2005, Australia

	1988	2005
LG Rates Australia $m	$3,334	$8,920
Average Weekly Earnings	$496	$1,061
No. Employed persons	5918000	7160800
Estimated gross earnings $m	$152,576	$395,001
Rates as % gross earnings	2.2%	2.3%

Source: ABS 5512.0 and 6302.0

It is also interesting to note that there is little substantial difference in the general rates collected per capita by each State, as shown by Table 5.2. The lowest rate per capita is in NSW which has been subjected to rate pegging for a lengthy period. Some differences would be anticipated as a result of the different scope of general services as well as relative ease of service delivery.

Table 5.2: General Rates per Capita, by State, 2004/05

	NSW	VIC	QLD	SA	WA	TAS	Total
General rates 04/05 $m	$2,539	$2,170	$1,615	$730	$836	$199	$8,089
Population 2005	6828132	5082432	4041340	1551396	2042666	488309	20034275
Rates/capita	$372	$427	$400	$471	$409	$408	$404

Source: ABS 5512.0

Appendix B provides details of general rate levies by Queensland council (where comparative data is available) relative to both aggregate real taxable income and unimproved valuation. Table 5.3 provides details of general rates versus ARTI for Queensland councils sorted from lowest to highest impact on taxable income. While aggregate real taxable may not be reliable for some smaller rural areas as a result of the location of the tax paying entity, it does provide some indication of the share of

[2] BTRE Information Paper 54: Taxable Income

taxable income consumed by local government general rates (including separate and special rates).

On average, local government general rates and charges represent around 2.8% of taxable income. However, there is significant variation across the State as illustrated by Table 5.3. Reference to Appendix B shows that there is a more constrained relationship between percentage of ARTI than percentage of Unimproved Valuation devoted to local government rates.

Table 5.3: General Rates as Share of Taxable Income, Queensland

	Aggregate Real Taxable Income (ARTI) 2003/04 (2004/05 values)	General Rates 2005/06	% ARTI
Mount Isa (C)	412 626 543	6,610,000	1.6%
Pine Rivers (S)	2 772 556 485	48,838,394	1.8%
Rosalie (S)	128 808 798	2,605,269	2.0%
Redland (S)	2 410 934 537	51,526,285	2.1%
Logan (C)	2 805 501 009	63,600,287	2.3%
Charters Towers (C)	127 305 414	2,900,000	2.3%
Roma (T)	121 727 187	2,793,433	2.3%
Calliope (S)	354 626 838	8,405,000	2.4%
Brisbane (C)	20 859 656 977	501,778,000	2.4%
Thuringowa (C)	1 017 575 130	24,584,000	2.4%
Toowoomba (C)	1 574 898 615	38,131,000	2.4%
Caboolture (S)	1 812 281 247	46,660,000	2.6%
Carpentaria (S)	38 892 160	1,029,195	2.6%
Redcliffe (C)	790 870 437	20,994,731	2.7%
Duaringa (S)	188 402 599	5,036,129	2.7%
Gayndah (S)	41 881 728	1,134,000	2.7%
Cambooya (S)	72 157 391	1,961,000	2.7%
Goondiwindi (T)	93 091 561	2,534,000	2.7%
Belyando (S)	286 179 884	7,802,643	2.7%
Crow's Nest (S)	182 185 087	4,981,930	2.7%
Bundaberg (C)	606 804 528	16,627,023	2.7%
Rockhampton (C)	881 499 062	24,488,000	2.8%
Townsville (C)	1 863 069 830	52,276,085	2.8%
Cairns (C)	2 347 046 447	66,139,626	2.8%
Ipswich (C)	2 128 100 091	60,231,000	2.8%
Mundubbera (S)	34 860 877	1,005,000	2.9%
Maroochy (S)	2 303 351 638	66,455,000	2.9%
Mackay (C)	1 581 568 059	46,011,760	2.9%
Banana (S)	276 692 477	8,066,308	2.9%
Kingaroy (S)	177 497 944	5,216,000	2.9%
Chinchilla (S)	75 908 157	2,244,427	3.0%
Murgon (S)	51 111 216	1,565,000	3.1%
Gold Coast (C)	8 187 819 234	250,838,176	3.1%
Sarina (S)	201 086 628	6,268,870	3.1%
Jondaryan (S)	212 514 097	6,663,000	3.1%
Gladstone (C)	614 534 529	19,317,708	3.1%
Warwick (S)	284 057 184	8,975,412	3.2%

	Aggregate Real Taxable Income (ARTI) 2003/04 (2004/05 values)	General Rates 2005/06	% ARTI
Burnett (S)	345 219 970	10,929,445	3.2%
Beaudesert (S)	937 977 188	29,751,154	3.2%
Longreach (S)	63 443 851	2,032,920	3.2%
Woocoo (S)	42 799 786	1,382,430	3.2%
Barcaldine (S)	27 110 854	878,612	3.2%
Gatton (S)	221 922 410	7,420,528	3.3%
Nanango (S)	111 155 885	3,802,000	3.4%
Stanthorpe (S)	127 530 417	4,421,876	3.5%
Maryborough (C)	331 483 353	11,500,000	3.5%
Esk (S)	204 866 148	7,257,000	3.5%
Livingstone (S)	494 958 860	17,694,464	3.6%
Mareeba (S)	231 986 314	8,295,900	3.6%
Murilla (S)	37 958 434	1,365,000	3.6%
Murweh (S)	66 546 971	2,404,000	3.6%
Caloundra (C)	1 331 794 244	48,406,000	3.6%
Dalby (T)	148 376 322	5,445,000	3.7%
Broadsound (S)	171 662 849	6,304,756	3.7%
Inglewood (S)	32 918 468	1,219,717	3.7%
Atherton (S)	152 754 464	5,724,900	3.7%
Cooloola (S)	446 663 619	16,748,202	3.7%
Wondai (S)	45 644 814	1,719,036	3.8%
Eacham (S)	88 810 751	3,367,000	3.8%
Fitzroy (S)	155 441 329	5,935,000	3.8%
Herberton (S)	64 802 654	2,507,247	3.9%
Whitsunday (S)	296 126 564	11,734,000	4.0%
Clifton (S)	32 052 224	1,274,000	4.0%
Monto (S)	29 928 035	1,198,000	4.0%
Noosa (S)	774 687 592	31,014,677	4.0%
Bowen (S)	194 454 509	7,820,000	4.0%
Hervey Bay (C)	605 410 049	24,382,000	4.0%
Richmond (S)	16 565 183	676,109	4.1%
Pittsworth (S)	72 376 754	3,024,000	4.2%
Biggenden (S)	14 667 589	615,591	4.2%
Bendemere (S)	12 309 202	538,000	4.4%
Boulia (S)	12 223 107	550,258	4.5%
Isis (S)	73 592 819	3,313,000	4.5%
Boonah (S)	118 660 237	5,711,800	4.8%
Flinders (S)	29 287 784	1,416,326	4.8%
Tara (S)	48 174 694	2,358,407	4.9%
Douglas (S)	179 507 402	9,064,720	5.0%
Wambo (S)	74 315 620	3,763,087	5.1%
Mirani (S)	79 506 280	4,076,775	5.1%
Millmerran (S)	46 843 230	2,414,560	5.2%
Johnstone (S)	257 311 838	13,266,278	5.2%
Hinchinbrook (S)	208 781 835	10,802,525	5.2%
Balonne (S)	74 764 965	3,905,500	5.2%
Eidsvold (S)	10 343 854	548,649	5.3%

	Aggregate Real Taxable Income (ARTI) 2003/04 (2004/05 values)	General Rates 2005/06	% ARTI
Kilkivan (S)	40 306 041	2,146,000	5.3%
Burdekin (S)	291 628 800	16,165,470	5.5%
Kolan (S)	43 621 706	2,466,249	5.7%
Jericho (S)	18 203 873	1,037,420	5.7%
Tiaro (S)	64 050 819	3,694,000	5.8%
Perry (S)	4 214 623	260,000	6.2%
Dalrymple (S)	48 410 363	3,132,252	6.5%
Blackall (S)	21 829 654	1,432,600	6.6%
Cardwell (S)	157 705 403	10,423,158	6.6%
Taroom (S)	40 451 240	2,758,700	6.8%
Peak Downs (S)	82 562 089	6,046,820	7.3%
Bauhinia (S)	40 082 024	2,998,000	7.5%
Barcoo (S)	6 234 224	480,035	7.7%
Bungil (S)	35 911 021	2,781,983	7.7%
Paroo (S)	18 510 292	1,472,600	8.0%
McKinlay (S)	18 141 310	1,500,342	8.3%
Warroo (S)	16 705 738	1,390,000	8.3%
Ilfracombe (S)	4 755 857	422,000	8.9%
Nebo (S)	49 034 663	4,394,660	9.0%
Booringa (S)	18 387 888	1,738,700	9.5%
Burke (S)	9 846 088	933,000	9.5%
Tambo (S)	7 856 604	745,000	9.5%
Croydon (S)	2 254 019	216,865	9.6%
Winton (S)	20 307 905	1,983,000	9.8%
Waggamba (S)	40 353 162	4,010,000	9.9%
Cloncurry (S)	78 965 517	7,866,000	10.0%
Miriam Vale (S)	62 094 662	6,811,000	11.0%
Total	**68 307 828 527**	**1,925,579,995**	**2.8%**

Source: BTRE database

5.2. Previous Research on Revenue Capacity

Many of the issues related to the measurement of revenue raising capacity of local government were canvassed in a report prepared for the Local Government Ministers in 1996[3]. The report notes that the use of property values to measure revenue raising capacity includes a notion of underlying wealth of a community whereas the use of indicators such as personal income relates revenue capacity to the current resources available to pay for basic living necessities. Expenditures from local government rates and charges not only provide benefits consumed by residents on an annual basis, they also act to increase the value of property and hence the wealth of the residents of an area. This suggests that measurement of revenue raising capacity is complex and driven by many variables.

The report makes a number of points relevant to the question of revenue capacity. These include:-

[3] Assessment of Revenue Raising Capacity of Local Government, LGMC Research Project, Morton Consulting Services Pty Ltd, May 1996

- the tax mechanism and its use is of more relevance to policy decisions on the distribution of rates between ratepayers in a Local Government than as an indicator of the relative revenue raising capacity of different councils;
- unimproved valuations (or site values) are unlikely to provide any reasonable estimate of revenue raising capacity between councils because they are not a reasonable indicator of cash flow, or of wealth or of permanent income. They also include speculative (demand) related components;
- assessed rental values do provide a better measure of both cash flow and of wealth. They also provide an indicator of additional capacity through the presence of commercial and industrial activities;
- capital values (site and building) are likely to be less reliable than rental values as an indicator of capacity to pay because they relate more to wealth than to income. They also include speculative elements;
- personal income as measured by either ABS Census collections or by taxation statistics can only be a partial indicator of revenue capacity. It may not account fully for the presence of commercial and industrial activity. Adjustment for the level of retail sales as an additional indicator in conjunction with personal income may overcome some of the limitations of using personal income;
- unimproved valuations are not a good indicator of capacity to earn rural income and hence capacity to pay rates and charges. Rural revenue capacity may be better measured by farm incomes although this is complicated by variations in costs of production between agricultural sectors;

The report observes that *"…whatever the theory may suggest, it is reasonably clear that individual councils have a perspective that their capacity to increase rates has little to do with the overall increase in property valuations. Councils are aware that the community would be outraged if the rate-in-the dollar was simply fixed and revenue allowed to increase in line with the increase in property values"*.

As noted earlier in this report, LGAQ believes that the capacity of local government to substantially increase its rate revenue is limited. New sources of revenue which are not related to property taxation need to be made available to local government.

5.3. Revenue Capacity of Indigenous Councils

The 34 indigenous councils in Queensland do not have any rateable land. They do have the capacity to levy service charges, and this capacity is used to provide some own-source revenue for services such as solid waste management, water and sewerage.

However, the limited personal income available to community members limits capacity to raise any significant own-source revenue. Personal income levels in indigenous communities are on average less than half that of the wider Australian community. The first priority for councils has been to obtain a reasonable contribution to housing maintenance through rentals, and again the rental levels set based on typical housing commission standards is insufficient to cover actual housing related costs.

Indigenous communities are therefore almost completely reliant on grant funding for general operational revenue. In Queensland, the State Government provides such untied revenue support through the State Government Financial Aid (SGFA) program. This is in addition to funding provided from access to Federal Financial Assistance Grants.

While indigenous councils may undertake some business operations, most of these do not cover operational costs and those that do (eg taverns) have conflicting objectives in terms of community wellbeing (limiting alcohol consumption) and maximizing profits.

The needs of indigenous communities and the issues in determining their revenue capacity must therefore be treated separately from the wider non-indigenous councils.

6. Response to Issues Paper Questions

The following sections provide a brief response to questions posed in the May 2007 Issues Paper. A number of these issues have been covered in earlier sections of this submission.

6.1. Revenue

What are the principal factors explaining the trends in revenue from councils' various sources?

As noted earlier, the relative decline in grant funding in terms of the overall task to be performed and associated cost drivers has been a key factor in putting extra pressure on the rate base. In setting rates and charges, councils feel constrained by their perception of the capacity of the community to pay.

Why has 'other income' been growing at a faster rate than council rate revenues and sales of goods and services?

This is such a "catch-all" basket in ABS data that it does not provide any indication that there are other sources of income that are supporting council services. Table 1.2 provides a better breakdown of a number of components of this GFA category. Queensland councils account for around 38% of this "other" revenue which is linked to its role in providing water and sewerage. Capital contributions for infrastructure headworks is the major component in the "other" category in Queensland.

Do these trends differ between States and Territories, and between urban, rural, remote, and indigenous local governments? If so, what are the primary factors explaining such differences?

Some of the differences in revenue sources by type of council have been noted in section 1.0 of this submission. Grants are a relatively small source of revenue for metropolitan and larger provincial councils. The rate base is the key source of operating revenue for these councils. Councils are faced with the choice of either cutting service levels or increasing rates relative to key cost drivers if services are to be maintained.

Does the composition of council revenue (shares of each own-source revenue — rates, fees and charges, and 'other') differ between States and Territories, and between urban, rural and remote local governments? If so, what are the primary factors explaining such differences? Do these factors have implications for the potential revenue raising capacity across different types of councils?

The major role of Queensland councils in provision of water and sewerage skews the share of revenue obtained from "sale of goods and services" and "other" in the ABS statistics. Comments in Section 1.0 of this submission highlight key differences by type of council. Councils in growth areas will have what appear to be additional revenue sources by way of developer contributions. But this is not revenue for general services. It is provided to pay, up front, the costs of infrastructure provision for new development.

6.2. Capacity to Raise Own-Source Revenue

What are the principal factors that determine the magnitude of the various revenue raising bases available to local governments?

It is important to recognise that the valuation base (particularly unimproved valuation) is not a measure of revenue raising capacity. The valuation is the mechanism to levy, and to distribute the load between different types of property. The magnitude of general rate revenue available is related to an individual's capacity to pay. For residential uses this may relate more to personal income. For commercial/industrial properties it will relate to turnover and profit and for rural producers it will relate to farm income and production. Higher valuations in growing areas relative to slower growing rural areas is not an indication of significantly increased capacity to pay. It is more an indication of the market's perception of the potential for capital gains and is related to supply and demand factors.

How and why might they differ between local governments within and between States and Territories (for example, by council type or location and functions required of them), and over time?
The revenue raising capacity is likely to be directly related to the economic performance of an area, so revenue raising capacity will vary significantly from location to location, even in what might appear to be similar communities (population and geographic dispersion). This is illustrated by what has happened in the coal mining areas of Central Queensland. General rates and special rates on coal mines raise almost $20 million in revenue (this excludes utility charges) across ten councils that would be placed in the rural categories. If compared with other rural councils with a similar valuation this additional revenue capacity (and demand for services) would not be apparent.

What are the key determinants of the capacity and willingness of resident households, organisations and businesses to pay for services provided by their local governments?
Ratepayers tend to consider the escalation in rates on a year to year basis as a measure of reasonableness, regardless of whether they are facing what might well be a very low or very high rate. The media in particular pick up the percentage increase in rates as the measure of fair pricing relative to CPI. This puts significant pressure on councils to keep rate increases at no more than CPI even though their costs are increasing at a much faster rate.

What scope is there for local governments to augment their revenues with fees and charges collected from non-residents? How and why might the scope to do so differ between local governments?
There is very little scope to collect from non-residents directly. Councils can use special rates in Queensland (eg a tourism levy on all accommodation providers) to indirectly obtain additional revenue. While visitors may also pay car parking fees, this is relatively minor for most councils.

Do local governments have policies, which in effect, limit their own-source revenue raising? If so, what are these policies and what might be factors holding back councils from increasing their own-source revenue? What might stand in the way of changing the policies to expand the ways, and extent to which local governments raise revenues?
As noted earlier, election policies may in some cases constrain revenue raising as a result of promises to "freeze" rates, even though this may not be appropriate or feasible. The pressure to keep rate rises to CPI is strong in many councils. Many councils are also averse to the use of debt to fund required infrastructure or services. Legislation is the more relevant determinant of revenue raising options.

What strategies might be available to local governments to increase the capacity and willingness of local residents to pay for goods and services provided, and where applicable, non residents? Would any new strategies provide stable sources of revenue over time or would they be subject to variability over time? Are there any untapped revenue sources that local governments could use to augment or change the mix of their revenue raising? Would any potential new revenue sources be stable or variable over time?

The most important factor in being able to maximise own-source revenue is having a flexible rating system without imposed external constraints. There is some evidence that the community is happier to pay for specific services on a user pays basis. For example, customers are happier with refuse charges and charges for water and sewerage because they know what they are paying for. But general services cannot be funded on a user pays basis. For example, non car owners should pay something towards road costs simply because it provides a potential service (eg bus, taxi or in an emergency). However, access to say a percentage of fuel excise or a share of vehicle registration fees might allow a better targeting of the cost of local roads. Local government does not have the power to raise such revenue or access to these revenue sources even though they are directly linked to local demands for road infrastructure.

6.3. Land Rating and Valuation

To what extent do limits on land categories that local governments can adopt for rating purposes restrict their capacity to raise rate revenues?

In Queensland there is effectively no unreasonable limit to the way in which land can be categorised for rating purposes. In other states, this is a problem.

What are the principal reasons why some local governments do not pursue differential rate setting even where they are free to categorise their own land?

LGAQ has worked hard to ensure that councils understand the benefits of differential rating. The few remaining councils that have not adopted differential rating are potentially not maximizing their revenue raising capacity or obtaining the most equitable spread of the rate burden.

Do restrictions on land valuation methods affect the capacity of local governments to raise revenue? If so, how and to what extent?

Unimproved valuations alone can be a problem in allowing councils to maximize revenue capacity. But in most cases well thought out differential rating strategies can deal with the problems posed by unimproved valuations as the rate base. Flexibility in the type of valuation that can be used would be desirable (as in some states) but there are issues in the cost associated with obtaining such valuations.

What are, or might be, the reasons for rate pegging?

Political popularity is the reason, regardless of the impact on local service provision. LGAQ views such measures by state governments as inappropriate in terms of developing and sustaining a strong, accountable and autonomous local government sector.

To what extent does rate pegging limit the ability of local governments to raise council rate revenues? Are local governments able to raise revenues from other sources to compensate for the potential revenue raising limits imposed by rate pegging? How, and with what consequences?

While not a Queensland problem, it is a major impediment in other states. LGAQ does not see that there are other revenue sources which can effectively compensate for the rate pegging restriction on the rate base.

6.4. Concessions and Exemptions

To what extent do mandated exemptions and concessions limit the ability of local governments to raise council rate revenue?

Rate exemptions of State and Federal Governments have been estimated by LGAQ to result in more than $70 million in revenue foregone annually. However, there are some reciprocal arrangements in terms of tax exemptions for local government that provide some compensation for the loss of general rate revenue (eg payroll tax, stamp duty, debits tax). The main issue is ensuring that land owned by Federal or State bodies that are either used for commercial activities or have a major impact on a particular local government area make an appropriate contribution to revenue.

One rural shire in Queensland had a problem with a large pastoral property owned by the Indigenous Land Corporation (ILC) which is not liable for rates. The ILC had held the property for 10 years, and even though the property was leased to a major non-indigenous cattle enterprise, refused to make any contribution to rate revenue. Only in Februrary 2007 did the ILC make an offer to make an ex gratia payment covering three years rates. This is clearly an unsatisfactory situation particularly when it is at the discretion of the body concerned as to whether to make such an ex gratia payment.

In Queensland, Forestry land is exempt from rates unless it is subject to a commercial lease. Yet Forestry is a major commercial operation and can have significant impacts on local roads.

Additionally, for some councils, very large areas in the shire may be rate exempt National Park. While these are not commercial, they can also have a significant impact on a local council, particularly where large areas of previously rateable land are converted to National Park, or where the park generates substantial visitor numbers, with consequent use of local roads. While at a State level such impacts may not be significant in terms of loss of revenue raising capacity, the impacts on small councils may be substantial relative to their resource base. While Financial Assistance Grants do compensate for reduced revenue raising capacity, the methodology and the quantum of grants is not sufficient to fully cover the impact. LGAQ submissions to the State to recognise problems created by large areas of National Parks for smaller rural councils have not resulted in any revenue contribution.

State and Federal bodies may also undertake developments which have a major impact on local services yet are exempt from normal developer charges. In Queensland, State Schools pay only 50% of the infrastructure costs involved and often locate on land which is the most expensive for the local council to service. Federal buildings in city centres do not provide car parking spaces, contributions to infrastructure and the like that would normally be provided by a private developer.

Another concern in Queensland relating to concessions for developer held land were identified in Section 4.0.

What are the existing arrangements in each State and Territory regarding the payment of council rates and rate-equivalents by Australian, State and Territory landholders? What are the existing arrangements in each State and Territory regarding the provision of concessions, and the compensation by State and Territory governments for the loss of revenue by local governments from these concessions?
Under the *Local Government Act 1993*, the following land is exempt from rates:-

- Vacant State land;
- Land occupied by the State or a government entity (other than a non-exempt GOC), except under a lease from a private person;
- Land in a state forest or timber reserve, other than land occupied under an occupation permit under the *Forestry Act 1959* or under a lease under the *Land Act 1994*;
- Aboriginal land under the *Aboriginal Land Act 1991* or Torres Strait Islander land under the *Torres Strait Islander Land Act 1991*, other than land used for commercial or residential purposes;
- Certain land under the *Transport Infrastructure Act 1994.*

As noted earlier, developer held land under Section 25 of the *Valuation of Land Act 1944* also gains a 40% concession on valuation for rating purposes.

The impacts of such exemptions were noted in previous comments in this section.

To what extent do exemptions and concessions limit the ability of local governments to raise revenues?
As a rough estimate, mandated exemptions and concessions potentially amount to around $100 million per annum in revenue foregone across Queensland councils. This is around 6% of general rate revenue. The impacts depend on the extent of the rate exempt or concessional properties in each council area. In some cases, forestry or national parks may represent a very large proportion of the potential rate base in a rural area. While FAG distribution methodology is meant to partially address this reduced revenue raising capacity, it is unlikely that it provides adequate compensation.

Are local governments exempt from taxes and charges by other tiers of government? If so, what are they? Does any lack of reciprocity favour or disadvantage local governments?
As noted earlier, councils are exempt from some taxes and charges of other spheres of government. Exemptions involve payroll tax, land tax, stamp duty on vehicle registration and debits tax. It is very difficult to accurately estimate the extent of benefit conferred on Queensland councils from such exemptions. It is possible that they could be around the $100 million mark noted as the revenue lost by mandated rate exemptions and concessions.

6.5. Setting Fees and Charges

What are the regulatory requirements and guidelines applied to local governments for setting fees and charges? To what extent are local governments constrained in setting fees and charges? To what extent are the requirements and guidelines followed by local governments?

Under the *Local Government Act 1993*, regulatory fees must not be more than the cost to the local government of providing the service or taking the action. In many cases, other fees and charges are subject to NCP guidelines, and can only cover the costs involved. Significant business activities are subject to full cost pricing.

Infrastructure charges are covered by the requirements of the *Integrated Planning Act 1997.* Charges for infrastructure headworks must only be apportioned relative to the costs fairly attributable to each development.

To what extent do local governments under or over-recover the costs of supplying goods and services?
In general terms, it is not possible to over-recover costs for goods and services. In most cases, charges for goods and services follow NCP guidelines.

What scope would there be to raise additional revenue if the limits were removed?
As noted earlier, it is often easier to increase charges for goods and services. Increasing profits from these sources to fund general services would potentially be easier from a political perspective than increasing general rates to achieve the same outcome.

To what extent does local government legislation or other relevant legislation explicitly provide the power to set fees and charges in excess of the cost of supply? If powers are not explicitly provided, to what extent, if any, does this limit the ability of councils to raise revenue from introducing new fees and charges?
There are no powers provided to set fees and charges in excess of the cost of supply.

6.6. Impacts on Individuals, Organisations and Businesses

What would be the effects on individuals, organisations and businesses of local governments increasing council rates?
The effects will vary depending on which sector it relates to and their recurrent resources. With local government general rates representing just over 2% of taxable income, it could be argued that small increases could be tolerated. Unfortunately this would not appear to be the view of the community.

What effects might rate pegging and the choice of land valuation methods have upon individuals, organisations and businesses?
Rate pegging does not apply in Queensland. With appropriate use of differential rating it is difficult to see that the choice of land valuation methods for rating will have differential impacts on individuals, organisations and businesses.

To what extent are council rate revenues used to subsidise the delivery of goods and services for which fees and charges are collected? What are the consequences? To what extent do councils cross subsidise the prices of goods and services? If services are subsidised, are the subsidies funded by higher rates or other fees and charges? Could full cost-recovery fees and charges be collected? What would be the consequences? Are any other revenue sources used to subsidise services?
General rate revenues do not subsidise services delivered on a fee for service basis as discussed previously.

To what extent do efficiency and equity considerations contribute to the attractiveness of council rates as a source of local government income?
While achieving an equitable distribution of the general rate burden is the aim of a rating strategy, different perceptions of the extent to which rates represent a tax or in part a user charge impact on such equity considerations. It is nevertheless a relatively efficient tax to administer.

Do councils use the return on their long-lived assets (profit and depreciation) to cross subsidise services? If so, what are the consequences for the sustainable provision of infrastructure services?
Profit from utility services may be used to support other general services as a component of the revenue base of a council. However, councils are also mindful of the need to achieve effective asset management and reinvest profits in the business.

What would be the principal implication for individuals, organisations and businesses of applying or removing cross subsidies?
It is not considered appropriate to limit the capacity of a council to use profits from sale of goods and services to support other general services. A counter balancing revenue source would be required.

To what extent do local governments employ developer contributions and charges to finance investments in new and upgraded assets?
The purpose of developer contributions is to fund infrastructure headworks in accordance with established infrastructure plans and the appropriate apportionment of costs to new development.

Are there legislated limits to contributions that can be required or charges that can be collected? Are there legislated constraints on the use of revenue raised from developer charges? What are the effects on individuals, organisations and businesses of the use of developer charges and contributions?
These limits are covered by the Integrated Planning Act. Developer contributions are to cover the cost of the specified infrastructure. They do not provide a source of general revenue. They are simply cost recovery relative to the costs imposed by each new development.

What is the most appropriate way to recover the costs of new and upgraded assets?
The costs should be spread across the various beneficiaries, including developers who place new demands on infrastructure. Recovering such costs from recurrent charges on the householder is not considered the most appropriate approach as this results in new development costs being subsidised by current residents and users. Asset upgrades are covered by recurrent service charges.

6.7. Fines and Pecuniary Penalties

What are the effects on individuals, businesses and organisations of fines and other pecuniary penalties and increases in them? What measures are there in place to protect against the possibility that local governments might view fines as a revenue raising instrument more than as an appropriate deterrent? If conflicts of interest arise between deterrence and revenue raising, is there any evidence of the effects on individuals, organisations and businesses?

LGAQ does not consider that fines are used by local government in Queensland as revenue raising measures. Imposition of fines and pecuniary penalties in small communities often causes significant disharmony.

6.8. Interest Income

To what extent are local government cash reserves the result of State government imposed borrowing limits? What are some of the implications of these limits and how do they affect capacity of local governments to raise revenues?
Reserves are not related to imposed borrowing limits. There are no imposed limits in Queensland other than review of capacity to service the debt.

What are some of the implications of cash reserves on both efficiency and intertemporal equity in the community?
The reluctance of many councils to borrow can result in the pressure to fund services being placed more heavily on present ratepayers than on future generations who may also gain long term benefits from infrastructure and other service investments. Unfortunately the myth about zero debt being good has been spread by Federal and State Governments. With State and Federal Governments having access to a wider and growing tax base, it may have been easier for these spheres of government to perpetuate the myth of “zero debt is good”. The tide may be turning as governments recognise that managed borrowing for economic infrastructure is appropriate and is consistent with intergenerational equity principles.

6.9. Operational Efficiency

To what extent is there scope for local governments to reduce the unit costs of their operations? If so, how might they most effectively reduce their costs?
LGAQ believes that individual councils are always seeking ways to efficiently provide services. LGAQ is pursuing opportunities for shared services to provide opportunities for efficiencies in back-office functions in particular.

What effect would such cost reductions have upon their revenue raising requirements?
There is little evidence to suggest that efficiency improvements will achieve any significant cost reductions. Depending on the size of a council, efficiency improvements are unlikely to achieve more than a 5% reduction in expenditure needs. Typically councils use efficiencies to expand the range and quality of services in line with community needs and expectations. Efficiency improvements will not impact on revenue raising requirements to any significant degree.

How and to what extent have structural reforms, such as boundary changes of local governments and service sharing arrangements, affected operational efficiency?
As noted above, there may be opportunities for efficiencies up to 5% of operational expenditure from structural reform and shared services. There has been little quantification of costs and benefits of structural reform in Australia or elsewhere.

6.10. Service Levels and Pricing

What guidelines and requirements are available to assist local governments to determine the appropriate range and standard of services, to measure and allocate their costs, to determine their revenue requirements, and to set rates, and fees and *charges, accordingly? Do guidelines properly take into account the allocation of infrastructure costs over the life of long-lived assets such as local roads, libraries and other facilities?*

There are no specific guidelines or requirements to achieve best practice in service delivery. Consistent with legislation, councils develop Corporate and Operational plans in consultation with their communities. Councils are improving their asset management plans and developing longer term financial plans. At present, legislation in Queensland does not require long term financial and asset management plans as is the case in some other jurisdictions. Councils are required to prepare Strategic Asset Management Plans for water and sewerage assets under the Water Act 2000. Councils must have an up to date Total Management Plan before they are eligible for water and wastewater grants.

What effect might the lack of financial and asset management skills of managers and lack of appreciation of the relevant issues by councillors have on the revenue raising capacity and effort of local governments?
LGAQ has been working with councils in improving knowledge and understanding of asset management. Programs such as *Backroom to the Boardroom* address these issues. The skills required of staff compared to elected member roles are two distinct issues, and are addressed by this program.

To what extent do local governments find difficulty in attracting and retaining suitably qualified experts in financial and asset management? What types of local governments experience the greatest difficulties?
It is becoming increasingly difficult for councils to attract and retain all professional skills, including financial and asset management skills (eg engineering, building, health, planning, environmental, etc). This is a particular problem for rural and remote councils, and in areas associated with mining activity.

6.11. Incentive Effects of Grants & Subsidies

What grants and subsidies are provided to local government by State and Territory governments? What is the value for each category of grant? Are there any terms and conditions attached to these grants? Do these terms and conditions distort the incentives of local governments to raise their own revenue? If so, how and why?
Appendix A provides a list of grants and subsidies available to Queensland councils through the Department of Local Government, Planning Sport and Recreation. A total of $700 million dollars is available from July 2006 to June 2011 (approximately $140 million per annum).
The Transport Infrastructure Development Scheme (TIDS) provides around $60 million per annum to support local roads.
Other programs provide support for libraries ($14.6 million in 2005/06), arts, child care and aged services.
A pensioner rate rebate of up to $180 per ratepayer amounting to around $45 million annually is also provided through the State Government.
As noted earlier, indigenous councils receive recurrent funding support through State Government Financial Aid (around $23 million per annum).
In most cases, there is no distortion of the incentive to raise revenue. Some programs or initiatives funded by grants would not proceed without the program. The only

possible distortion is where capital grants are taken which then require significant recurrent revenue to maintain and operate the service or facility. In theory this could distort the expenditure priorities or put extra pressure on the rate base.

What grants and subsidies are provided by the Australian Government? What is the value of each category of grant? Are there any terms and conditions attached to these grants? Do these terms and conditions distort the incentives of local governments to raise their own revenue? If so, how and why?

Financial Assistance Grants and Roads to Recovery are the most significant federal funded support. Most other programs (eg National Water Initiative) are for one-off projects. Some of these programs provide capital support without consideration of ongoing recurrent costs. Other federal programs funded through councils (eg regional development) do not support normal council programs.

Where untied financial assistance grants are large relative to rate income, there is potential for grants to impact on revenue raising. Where these grants are increasing there may be less pressure to maximise local revenue. The reverse is also true as a small drop in untied grants may require a significant increase in rates to maintain current service levels.

The following table provides a summary of the major grants and subsidy programs, sorted by overall value, available to councils in Queensland.

Grant/Subsidy	**2006/07 estimated value**
Federal General Revenue Grant	$229 million
State DLGPSR Programs (total)	$140 million
Federal Identified Road Grant	$97 million
Federal Roads to Recovery	$63 million
State TIDS	$60 million
State Pensioner Rebate	$45 million
State Government Financial Aid (indigenous councils only)	$23 million
State Public Libraries Subsidy	$15 million
Total above Programs	$672 million

There are other funding programs which pass through local government but which should not be regarded as financial support for local government services. For example, indigenous councils have in the past received grants for Aboriginal housing programs. Natural disaster relief funding is also provided to local government and can be a considerable amount in a particular year depending on weather conditions.

APPENDIX A

The Department of Local Government, Planning, Sport and Recreation (DLGPSR) administers the following funding programs for Queensland councils. A total of $700 million dollars is available from July 2006 to June 2011.

- Club Development Program - funding for sporting and recreation clubs to undertake education and training initiatives, participation initiatives, organisational planning and to recognise volunteer support.

- Environmental Infrastructure Program (EIP) *(full program to commence 1 July 2008)* – new program providing funds of $60 million over three years to support a broad range of environmental management needs including stormwater, solid waste, landfill rehabilitation, erosion control, and flood mitigation.

- Environmental Infrastructure Research Program (EIRP) - encourages the introduction of new and/or innovative technologies and environmental infrastructure solutions, to provide greater financial value for cost efficiencies and improved environmental and social impacts (replaces the Advanced Wastewater Treatment Technologies Scheme (AWTT).

- Indigenous Community Development Program - funding to Aboriginal and Torres Strait Islander community councils and organisations to provide more opportunities in sport and active recreation for their communities.

- Indigenous Infrastructure - specific infrastructure funding to address environmental health needs in Aboriginal and Torres Strait Islander communities.

- Landfill Remediation Assessment Program (LRAP) - assistance to assess the risks (health and environmental harm) posed by closed landfill sites and identifying the costs of remediation.

- Local Governing Bodies' Capital Works Subsidy Scheme (LGBCWSS) *(discontinued 30 June 2006)* - water, sewerage and effluent re-use subsidies under this scheme now replaced by the **Water and Sewerage Program**.

- Local Sport and Recreation Program *(previously known as the Local Government Development Program)* - funding to local governments and Indigenous Councils to grow and strengthen the sport and recreation industry.

- Major Facilities Program - provides funding to develop and enhance sport and active recreation infrastructure to meet community participation needs; support local, regional and state levels of competition; and enable Queensland to attract and host key events.

- Minor Facilities Program - funding to undertake minor construction, extension or upgrade works to sport and recreation facilities for local sporting competitions and for community participation in active recreation.

- Natural Disaster Relief Arrangements (NDRA) - joint State/Australian Government program providing financial assistance following natural disaster events.

- Queensland Fluoridation Assistance Program (QFAP) – funding designed to encourage councils to introduce fluoridation into the water supply systems.

- Queensland's 150th Legacy Infrastructure Program (Q150) – The Queensland's 150th Legacy Infrastructure Program (Q150 LIP) is a $100 million capital works funding program for communities throughout the State. The aim of this funding program is to create legacies to celebrate Queensland's 150th anniversary since separation as a colony from New South Wales.

- Regional Centres Program (RCP) - provides funds for infrastructure and community facilities including revitalisation of central business areas, tourism infrastructure, foreshore development, social/community facilities and streetscaping.

- Regional Collaboration and Capacity Building Program (RCCBP) - new program designed to improve the capacity and efficiency of council services in Queensland.

- Regional Flood Mitigation Program (RFMP) - funding to assist in the implementation of priority, cost effective flood mitigation works and measures in rural, regional and outer metropolitan areas.

- Road and Drainage Grants (RDG) – funding to encourage capital works expenditure on road and urban storm water drainage infrastructure.

- Rural Living Infrastructure Program (RLIP) – funding to provide social development, economic and tourism infrastructure in small councils or communities.

- Security Improvement Program (SIP) - funding to assist with security measures in existing public places, such as surveillance equipment, lighting, emergency phones and modifications to public facilities.
- Show Societies Grant (SSG) *(replaces the Showground Capital Works Subsidy Scheme)* - funding to recognised show societies in Queensland to conduct annual shows.

- Smaller Communities Assistance Program (SCAP) – funding to help small communities (usually less than 5,000 population) to develop essential water and sewerage infrastructure and to ensure these services are of an acceptable standard.

- Urban Drought Water Program (UDWP) *(replaces the Drought Stricken Local Governments Urban Water Supply Assistance Scheme)* - funding towards the cost of purchase and/or conveyance of water to supplement domestic urban water supply systems severely depleted by extreme drought conditions.

- Water and Sewerage Program (WASP) - funding for certain works and activities associated with water source and treatment, sewage treatment and disposal, effluent re-use and reduction of potable water consumption and loss.

- Young Athlete Assistance Program (YAAP) - this Program provides financial assistance for travel and accommodation for young Queensland athletes who have competed at a State sporting championship or State school championship.

APPENDIX B
Rates vs Unimproved Valuation and Aggregate Real Taxable Income (ARTI)

	General Rates 05/06	UV 2005/06	% UV	ARTI 2003/04	% ARTI
Rosalie Shire Council	$2,605,269	$358,856,030	0.7%	$128,808,798	2.0%
Redland Shire Council	$51,526,285	$11,468,195,994	0.4%	$2,410,934,537	2.1%
Logan City Council	$63,600,287	$5,740,000,000	1.1%	$2,805,501,009	2.3%
Roma Town Council	$2,793,433	$128,084,500	2.2%	$121,727,187	2.3%
Calliope Shire Council	$8,405,000	$605,536,640	1.4%	$354,626,838	2.4%
Brisbane City Council	$501,778,000	$71,307,398,360	0.7%	$20,859,656,977	2.4%
Thuringowa City Council	$24,584,000	$1,650,186,000	1.5%	$1,017,575,130	2.4%
Toowoomba City Council	$38,131,000	$3,850,000,000	1.0%	$1,574,898,615	2.4%
Carpentaria Shire Council	$1,029,195	$39,164,648	2.6%	$38,892,160	2.6%
Redcliffe City Council	$20,994,731	$4,523,859,600	0.5%	$790,870,437	2.7%
Duaringa Shire Council	$5,036,129	$572,503,730	0.9%	$188,402,599	2.7%
Gayndah Shire Council	$1,134,000	$85,401,460	1.3%	$41,881,728	2.7%
Cambooya Shire Council	$1,961,000	$222,500,000	0.9%	$72,157,391	2.7%
Goondiwindi Town Council	$2,534,000	$91,420,000	2.8%	$93,091,561	2.7%
Belyando Shire Council	$7,802,643	$514,015,658	1.5%	$286,179,884	2.7%
Crow's Nest Shire Council	$4,981,930	$636,043,000	0.8%	$182,185,087	2.7%
Bundaberg City Council	$16,627,023	$1,427,708,193	1.2%	$606,804,528	2.7%
Rockhampton City Council	$24,488,000	$999,289,900	2.5%	$881,499,062	2.8%
Townsville City Council	$52,276,085	$3,115,166,019	1.7%	$1,863,069,830	2.8%
Cairns City Council	$66,139,626	$6,270,000,000	1.1%	$2,347,046,447	2.8%
Ipswich City Council	$60,231,000	$7,512,647,000	0.8%	$2,128,100,091	2.8%
Mundubbera Shire Council	$1,005,000	$73,846,500	1.4%	$34,860,877	2.9%
Maroochy Shire Council	$66,455,000	$12,275,836,842	0.5%	$2,303,351,638	2.9%
Mackay City Council	$46,011,760	$2,617,500,000	1.8%	$1,581,568,059	2.9%
Kingaroy Shire Council	$5,216,000	$293,916,000	1.8%	$177,497,944	2.9%
Chinchilla Shire Council	$2,244,427	$249,593,580	0.9%	$75,908,157	3.0%
Gold Coast City Council	$250,838,176	$29,489,130,000	0.9%	$8,187,819,234	3.1%
Sarina Shire Council	$6,268,870	$510,000,000	1.2%	$201,086,628	3.1%
Jondaryan Shire Council	$6,663,000	$754,877,571	0.9%	$212,514,097	3.1%
Warwick Shire Council	$8,975,412	$472,228,060	1.9%	$284,057,184	3.2%
Beaudesert Shire Council	$29,751,154	$2,393,000,000	1.2%	$937,977,188	3.2%
Woocoo Shire Council	$1,382,430	$131,402,680	1.1%	$42,799,786	3.2%
Barcaldine Shire Council	$878,612	$40,404,000	2.2%	$27,110,854	3.2%
Gatton Shire Council	$7,420,528	$597,969,835	1.2%	$221,922,410	3.3%
Nanango Shire Council	$3,802,000	$95,055,000	4.0%	$111,155,885	3.4%
Stanthorpe Shire Council	$4,421,876	$124,062,630	3.6%	$127,530,417	3.5%
Esk Shire Council	$7,257,000	$794,680,140	0.9%	$204,866,148	3.5%
Livingstone Shire Council	$17,694,464	$1,706,065,060	1.0%	$494,958,860	3.6%
Mareeba Shire Council	$8,295,900	$422,000,000	2.0%	$231,986,314	3.6%
Murilla Shire Council	$1,365,000	$59,519,700	2.3%	$37,958,434	3.6%
Murweh Shire Council	$2,404,000	$62,492,000	3.8%	$66,546,971	3.6%
Caloundra City Council	$48,406,000	$10,019,292,881	0.5%	$1,331,794,244	3.6%
Dalby Town Council	$5,445,000	$189,300,000	2.9%	$148,376,322	3.7%
Broadsound Shire Council	$6,304,756	$506,425,630	1.2%	$171,662,849	3.7%
Inglewood Shire Council	$1,219,717	$40,024,480	3.0%	$32,918,468	3.7%
Atherton Shire Council	$5,724,900	$295,699,000	1.9%	$152,754,464	3.7%
Cooloola Shire Council	$16,748,202	$1,784,000,000	0.9%	$446,663,619	3.7%
Wondai Shire Council	$1,719,036	$98,464,829	1.7%	$45,644,814	3.8%

	General Rates 05/06	UV 2005/06	% UV	ARTI 2003/04	% ARTI
Eacham Shire Council	$3,367,000	$245,364,000	1.4%	$88,810,751	3.8%
Herberton Shire Council	$2,507,247	$176,134,200	1.4%	$64,802,654	3.9%
Whitsunday Shire Council	$11,734,000	$1,447,862,259	0.8%	$296,126,564	4.0%
Clifton Shire Council	$1,274,631	$121,144,020	1.1%	$32,052,224	4.0%
Monto Shire Council	$1,198,000	$83,674,890	1.4%	$29,928,035	4.0%
Noosa Shire Council	$31,014,677	$6,909,747,700	0.4%	$774,687,592	4.0%
Bowen Shire Council	$7,820,000	$634,683,810	1.2%	$194,454,509	4.0%
Hervey Bay City Council	$24,382,000	$3,663,905,000	0.7%	$605,410,049	4.0%
Richmond Shire Council	$676,109	$41,767,233	1.6%	$16,565,183	4.1%
Pittsworth Shire Council	$3,024,000	$180,626,000	1.7%	$72,376,754	4.2%
Biggenden Shire Council	$615,591	$50,434,200	1.2%	$14,667,589	4.2%
Bendemere Shire Council	$538,000	$113,952,400	0.5%	$12,309,202	4.4%
Boulia Shire Council	$550,258	$59,701,080	0.9%	$12,223,107	4.5%
Isis Shire Council	$3,313,000	$439,648,890	0.8%	$73,592,819	4.5%
Boonah Shire Council	$5,711,800	$671,411,800	0.9%	$118,660,237	4.8%
Flinders Shire Council	$1,416,326	$62,355,890	2.3%	$29,287,784	4.8%
Tara Shire Council	$2,358,407	$263,391,400	0.9%	$48,174,694	4.9%
Douglas Shire Council	$9,064,720	$1,344,699,569	0.7%	$179,507,402	5.0%
Wambo Shire Council	$3,763,087	$493,763,710	0.8%	$74,315,620	5.1%
Mirani Shire Council	$4,076,775	$160,723,090	2.5%	$79,506,280	5.1%
Millmerran Shire Council	$2,414,560	$415,482,490	0.6%	$46,843,230	5.2%
Johnstone Shire Council	$13,266,278	$712,120,000	1.9%	$257,311,838	5.2%
Balonne Shire Council	$3,905,500	$171,600,000	2.3%	$74,764,965	5.2%
Eidsvold Shire Council	$548,649	$31,457,600	1.7%	$10,343,854	5.3%
Kilkivan Shire Council	$2,146,000	$135,076,310	1.6%	$40,306,041	5.3%
Burdekin Shire Council	$16,165,470	$616,950,031	2.6%	$291,628,800	5.5%
Kolan Shire Council	$2,466,249	$87,749,800	2.8%	$43,621,706	5.7%
Jericho Shire Council	$1,037,420	$141,181,140	0.7%	$18,203,873	5.7%
Tiaro Shire Council	$3,694,000	$231,500,000	1.6%	$64,050,819	5.8%
Dalrymple Shire Council	$3,132,252	$428,745,146	0.7%	$48,410,363	6.5%
Blackall Shire Council	$1,432,600	$70,970,110	2.0%	$21,829,654	6.6%
Taroom Shire Council	$2,758,700	$429,882,200	0.6%	$40,451,240	6.8%
Peak Downs Shire Council	$6,046,820	$201,000,000	3.0%	$82,562,089	7.3%
Bauhinia Shire Council	$2,998,000	$489,957,950	0.6%	$40,082,024	7.5%
Barcoo Shire Council	$480,035	$15,080,125	3.2%	$6,234,224	7.7%
Bungil Shire Council	$2,781,983	$385,375,500	0.7%	$35,911,021	7.7%
McKinlay Shire Council	$1,500,342	$52,791,680	2.8%	$18,141,310	8.3%
Warroo Shire Council	$1,390,000	$70,905,000	2.0%	$16,705,738	8.3%
Ilfracombe Shire Council	$422,000	$27,837,000	1.5%	$4,755,857	8.9%
Booringa Shire Council	$1,738,700	$138,744,370	1.3%	$18,387,888	9.5%
Burke Shire Council	$933,000	$7,295,380	12.8%	$9,846,088	9.5%
Tambo Shire Council	$745,000	$93,272,000	0.8%	$7,856,604	9.5%
Croydon Shire Council	$216,865	$24,926,450	0.9%	$2,254,019	9.6%
Winton Shire Council	$1,983,000	$52,075,000	3.8%	$20,307,905	9.8%
Waggamba Shire Council	$4,010,000	$151,547,273	2.6%	$40,353,162	9.9%
Cloncurry Shire Council	$7,866,000	$48,447,000	16.2%	$78,965,517	10.0%
Miriam Vale Shire Council	$6,811,000	$731,227,100	0.9%	$62,094,662	11.0%
Total	**$1,733,872,908**	**$210,342,950,945**	**0.8%**	**$60,906,885,299**	**2.8%**