

The Role and Expectations of Rural-Remote and Indigenous Local Government

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ABSTRACT

This paper presents key findings from a research project undertaken for the Rural-Remote and Indigenous Local Government Program of the Australian Centre of Excellence for Local Government (ACELG). The project is part of an overall strategy to identify key steps in building the capacity of small rural-remote and Indigenous councils across Australia – and especially in the north – to deliver adequate and appropriate local government services to their communities.

Because of the relatively low proportion of own source revenue, rural-remote and Indigenous councils are more heavily impacted by government policy changes, including withdrawal of services and cost shifting. At the same time they must deal with community expectations which often see the council stepping in as ‘provider of last resort’. These issues do not, however, preclude these councils from taking on additional responsibilities provided long-term funding commitments are made.

The paper reviews the revenue and expenditure patterns of 70 remote-rural and indigenous councils across Western Australia, the Northern Territory and Queensland. The diversity in roles, functions and capacity across the group of councils is examined, along with differences in functional priorities of individual councils which reflect geography, demography and economic circumstances.

Local government legislation in the three jurisdictions requires councils to plan for the future of the community through preparation of strategic, community and/or corporate plans accompanied by longer term financial plans that seek to meet community needs in a sustainable manner. This research explores how these small rural-remote and Indigenous councils identify and prioritise their services to reflect particular circumstances and the needs of their community. It is argued that sound community plans backed by robust long term financial plans are a key tool in managing community and external agency expectations and achieving sustainable outcomes.

Summary

- A common perception is that rural-remote and indigenous councils provide a greater range of services than their regional and urban counterparts, acting as a 'provider of last resort'.
- A key concern is that, when councils step in to fill the gap, it takes their focus away from 'core business' and stretches their capacity to deliver municipal services.
- However, the functional priorities of remote councils vary significantly depending on factors such as their demographic structure (particularly in relation to the indigenous population), their geography and economic base.
- Seeking to define a specific range of 'core' services would be contrary to the long held view of local government on the importance of having a general competency power, which puts each council in the driver's seat in determining priorities for their community.
- Integrated planning which provides sound community, corporate or strategic plans linked to long term financial plans is the key tool for these remote councils in managing community and external agency expectations and achieving sustainable outcomes.

Background

This paper presents key findings from a research project undertaken for the Australian Centre of Excellence for Local Government (ACELG). The project is part of an overall strategy to identify key steps in building the capacity of small rural-remote and Indigenous councils across Australia to deliver adequate and appropriate local government services to their communities.

The generally accepted view is that rural-remote councils are expected to provide a greater range of services than their regional and urban counterparts. This occurs because these remote councils have assumed a 'provider of last resort' role in order to ensure the sustainability of small communities. Indigenous councils, in particular, often carry the burden of administering social programs and operating services and enterprises that would otherwise be the responsibility of government agencies, non-government organisations or the private sector.

A key concern is that, when councils step in to fill the gap, it takes their focus away from 'core business' and stretches their capacity to deliver municipal services.

The paper profiles the revenue and expenditure patterns of remote-rural and indigenous councils across Western Australia, the Northern Territory and Queensland. The diversity in roles, functions and capacity across the group of councils is examined, along with differences in functional priorities of individual councils which reflect geography, demography and economic circumstances.

Finally, it is argued that, through a proactive planning approach, these remote councils do have the opportunity to take the driver's seat in best meeting the needs of their community.

Overview of Rural-Remote and Indigenous Councils

There are some 70 remote-rural and indigenous councils across Western Australia, the Northern Territory and Queensland classified as remote under the Australian Classification of Local Governments (ACLG) or which are primarily indigenous local governments.

These 70 councils accounted for a population of just over 200,000 or 3% of the combined population of 6.4 million across these three jurisdictions in 2009. However, the relative share of each State/Territory population varies significantly from a low 1.4% of Queensland's population to over 21% of the NT population.

Profile of Remote-Rural and Indigenous Councils

Jurisdiction	No. of Councils	Resident Population 2009	Share State/Territory Population
Western Australia	24	96,102	5.8%
Northern Territory	9	48,935	21.3%
Queensland	37	61,202	1.4%

Source: Department of Regional Australia, Regional Development and Local Government

In total, these remote-rural and indigenous councils have 46% of their population as indigenous (based on 2006 ABS Census data).

However, this ranges from less than 3% in Etheridge and Blackall/Tambo in Queensland and Exmouth in WA to over 80% in what can be termed indigenous councils in Queensland and the Northern Territory. In Halls Creek, WA, which is regarded as a mainstream council, over 84% of the population are indigenous.

These extremes in the demographic characteristics impact significantly on the role performed by each council.

Western Australian remote councils have the lowest total revenue per capita at \$3,697. However, these WA councils have the greatest self-sufficiency with 50% of revenue from own source rates and charges. However, councils such as Murchison, Upper Gascoyne and Ngaanyatjaraku have less than 10% of their revenue from rates and charges.

Queensland councils have the most revenue per capita at \$11,490, but only 14% is own source rates and charges. Councils such as Barcoo, Croydon and Diamantina have less than 5% of revenue from rates and charges.

Only 3.4% of revenue of the NT remote councils comes from rates and charges and there is little significant variation across the 9 remote shires.

Overview of Revenue Characteristics – Remote Councils 2009/10

State/Territory	% revenue from rates/charges	% revenue from untied FAG	Total Revenue/ capita
Western Australia	50.0%	16.0%	\$3,697
Northern Territory	3.4%	5.7%	\$5,387
Queensland	14.0%	17.0%	\$11,490

Source: State/Territory Local Government Grants Commissions and ABS population estimates

At the aggregate level, there is a significant difference in the General Purpose Grant (GPG) of Federal Financial Assistance Grants (FAG) going to the group of councils in each jurisdiction.

General Purpose Grant per capita by State/Territory 2008/09

State/Territory	Population 2009	General Purpose Grant 08/09	GPG/capita
QLD	61202	\$73,404,726	\$1,199
WA	96102	\$41,163,278	\$428

NT	48935	\$9,251,662	\$189
Total	206239	\$123,819,666	\$600

Source: State/Territory Local Government Grants Commissions

The remote-rural and indigenous councils in Queensland obtained the greatest GPG per capita at \$1,199 in 2008/09 while the NT group obtained the least support at only \$189 per capita. For individual councils, the GPG ranges from under \$200 per capita to over \$6,000 per capita while the road grant ranges from under \$300 per kilometre to over \$1,000 per kilometre. Even councils with similar populations and road lengths receive substantially different levels of funding from FAG.

The current outcome suggests that it is the equal per capita distribution of the GPG component between states that is the main reason for the apparent inequity in outcomes between jurisdictions rather than simply the methodology adopted by each LGGC. Even if all the GPG funding provided to the NT was distributed to the remote shires, the maximum amount per capita available would only be around \$250. In Queensland, because these remote councils are only 1.4% of the state population, it is far easier to distribute larger grants to these councils without impacting on grants to other councils.

In both Western Australia and Queensland roads dominate the overall outlays of non-indigenous rural-remote councils. In WA, Mt Magnet, Cue, Upper Gascoyne and Murchison have more than 70% of all expenditure on roads. In Queensland, Barcoo, Burke, Cook, Diamantina Etheridge, Flinders, McKinlay and Richmond also have more than 70% of outlays on roads. Many of these remote councils can therefore be described primarily as road authorities.

In the NT, where the remote councils are primarily indigenous, the expenditure per capita on Education, Health & Welfare functions is almost five times that of Western Australia councils.

Overview of Expenditure Characteristics, Remote-Rural Councils 2009/10

State/Territory	% on roads/other economic affairs	% on Education, Health & Welfare	Expenditure/ capita on Education, Health & Welfare	Total Expenditure/ capita
Western Australia	50.0%	4.3%	\$119	\$2,759
Northern Territory	18.7%	10.9%	\$567	\$5,225
Queensland	60.0%	3.3%	\$353	\$10,677

Source: State/Territory Local Government Grants Commissions and ABS population estimates

The analysis undertaken of expenditure characteristics challenges the proposition that non-indigenous remote councils commonly provide a wider range of services than other local governments. Some 40% of the non-indigenous remote councils in WA and Queensland have less than 2% of outlays on Education, Health and Welfare functions.

While there are many examples of services provided by remote councils that are not common to local government generally (eg television retransmission, health and education facilities, employee housing) it would appear that these services are not necessarily large in a budget sense for most remote councils.

However, those councils that are primarily indigenous do have a different functional spread, and this extends well beyond what might be considered as core local government services. For example, in the NT some remote councils have over 60% of outlays on functions classified as Agency or Commercial Services rather than the defined set of core services identified in Regional Management Plans.

Issues for Remote Councils

The issues facing these remote councils do have some common features but there are also those that are unique to one jurisdiction and often only to a small group of councils in that jurisdiction.

A strong common theme across this group of remote councils is the expectation that they will provide local employment opportunities. Small communities want their council to purchase locally and use local people to provide services. To some extent, this impacts on the way these councils do business. Many are not inclined to use external contractors or engage in joint arrangements with other councils where this might impact on locally based jobs.

In Western Australia, the current key concern for most councils in this remote group relates to expectations about their delivery of local government services in Aboriginal communities. This is primarily a funding concern, although there are also administrative capacity and human resourcing issues to be addressed. Councils are concerned that the necessary long term funding will not eventuate but having taken on the role, community expectations would make it difficult for them to withdraw in the future.

In the NT, six of the nine remote shire councils are still the Community Development Employment Program (CDEP) provider. Department of Families, Housing, Community Services and Indigenous Affairs (FAHCSIA) discussion papers suggest that there will be further changes to CDEP and this is a concern to some of the current shire councils with large CDEP workforces undertaking in part some core local government functions.

While CDEP was not meant to be used for core local government functions, the reality is otherwise, as CDEP provides a workforce suited to many council services. Councils are concerned that they will not have the financial resources to fund the required jobs from other revenues and to maintain service levels. Indigenous councils in Queensland have already faced this loss of CDEP. In the Torres Strait, special funding has been made available to transition the council workforce to a post-CDEP state with far less employment opportunities.

In the NT, Government rate capping and setting of rates for conditionally rateable land, has meant that the shire councils have not been able to access an appropriate level of rate income from pastoral and other rateable properties such as major mines. A submission by Local Government Association Northern Territory (LGANT) to the Productivity Commission¹ estimated that over \$10 million was the amount of rates foregone as a result of capping at no more than CPI along with the amount of rates on pastoral and mining land being restricted.

Some remote indigenous councils have complained that agencies such as Centrelink and Australia Post do not provide adequate funding for the cost of the services these councils undertake for these agencies, particularly since the CDEP wage component has been taken away. However, there are councils such as Torres Strait Island Regional Council that have simply cut back service hours to match the funding and told these agencies to either provide additional funding or accept the reduced service level. In other words, remote councils can be in the driver's seat when determining the range and extent of agency services they provide.

Nevertheless, the manner in which State and Federal agencies operate in some remote indigenous councils is a concern to a number of these councils. As the CEO of Hopevale Aboriginal Shire told the

¹ Subsequent submission to Productivity Commission on funding for local government, LGANT, March 2008

Parliamentary Inquiry² “... the biggest obstacle and challenge that we face as Indigenous councils in remote areas is getting State and Commonwealth government recognition in showing respect for the Indigenous elected representatives and trust. There is a huge divide between bureaucracy from both State and Commonwealth governments and where we sit as a local government ... the majority of funds do not get to those remote communities. They go from department to department. There are dozens of regional organisations that are funded to the tune of tens of millions of dollars annually.”

In Queensland, WA and the NT, the role of FAHCSIA in progressing Commonwealth policies in relation to ‘closing the gap’ in service levels for indigenous communities is an issue for most of these remote indigenous councils. There is a perception in some councils that these initiatives are imposed from outside, and do not always adequately involve the relevant local government. Local Implementation Plans are being developed by FAHCSIA at a community level but do not always appear to adequately engage the relevant local government.

Comments to the Queensland Parliamentary Inquiry identified duplication and overlap between agencies operating in remote communities including in Cape York and the Torres Strait. In the Torres Strait for example, the current rationale for the Commonwealth Torres Strait Regional Authority (TSRA) is difficult to understand now that there is a Torres Strait Island Regional Council established under the Local Government Act rather than 15 separate councils prior to the reform. Similarly, the number of separate agencies funded in Cape York cuts across the role of councils in planning for the needs of their community.

The issue of cost shifting remains as a concern to rural-remote and indigenous councils given their relatively low and constrained own-source revenue base. This does not preclude these councils from taking on additional responsibilities provided long-term funding commitments are made to complement service devolution.

Where particular services are currently delivered by other spheres of government, each local government should have the right to determine whether it wishes to take greater control, and the terms, conditions and funding support required for any hand over of responsibility. Unfortunately, there still appear to be government agencies that offer capital grants for community facilities without adequate consideration of how the recurrent costs will be funded.

Responding to Needs and Expectations

Expectations in relation to the appropriate functional priorities of remote councils vary significantly depending on factors such as their demographic structure (particularly in relation to the indigenous population), their geography and economic base. How each council responds to such expectations should be determined through an integrated planning approach, rather than through any externally imposed limitations on the primary role of the council.

Councils generally seek to have the flexibility to provide services and facilities that best meet the needs of their particular community.

While some councils might prefer to focus only on a specified range of services, it is considered that seeking to define a specific range of services that are of a “core” nature would be contrary to the long held view of local government on the importance of having a general competency power, which puts each council in the driver’s seat in determining priorities for their community.

² Queensland Parliamentary Committee of Inquiry into the Financial Sustainability of Remote Councils, Transcript of Proceedings, Cairns, September 2011

Diversity is a key component of local government structure and function. Councils, through their corporate and community planning processes, seek to identify and prioritise their services based on the needs of their community. In WA, NT and Queensland (and elsewhere) local government legislation requires councils to plan for the future and prepare strategic and corporate plans accompanied by longer term financial plans which best meet the needs of their community in a sustainable manner.

While it is recognised that the available resources are never sufficient to meet all community expectations, evaluating competing needs is an element of community engagement and prioritisation that is a feature of sound local governance. Sound community plans backed by robust long term financial plans are an important tool in managing community expectations.

Such integrated planning applies to all councils in each jurisdiction. For remote-rural and indigenous councils, the low proportion of own-source revenue makes long term financial planning difficult because revenue streams are subject to decisions of other spheres of government. Some remote-rural councils have questioned the validity of such long term plans to their situation and needs.

However, a number of small remote councils have also expressed support for such integrated planning and its importance in shaping a sustainable community. For example, Lockhart Aboriginal Shire Council told a hearing of a Queensland Parliamentary Committee looking into the sustainability of remote councils that *"... with the completion of ... the Lockhart community plan, we will have a document that should inform both the internal and external clients about what we need to move forward... I am hoping that the government will respect the document because that document is home grown. It will at least help the challenges and the expectations and make Lockhart a better place..."*³

Conclusions

The focus of this research has been on how to develop capacity to provide sustainable local governance for these remote and indigenous councils.

First, it is important to recognise the diversity in roles, functions and capacity across the group of councils. This means there is a need for a cautious approach to capacity building so that a "one-size-fits-all" approach is not imposed.

The different functional priorities of individual councils in the group reflects their geography, demography and economic circumstances. This results in some councils being primarily road authorities while others, particularly indigenous councils, are heavily involved in delivery of human services including social welfare.

Provided councils have choice in taking on agency programs, along with secure long term funding commitments, there is no reason to suggest that this agency role is not appropriate based on specific needs of each community. Working to ensure more robust funding arrangements, including recurrent costs involved, would assist these councils in their dealings with government agencies.

Next, there needs to be appropriate recognition of the importance of integrated planning which provides sound community, corporate or strategic plans linked to long term financial plans.

³ Ibid

Greater consistency in such integrated planning within and between jurisdictions could assist these councils in engaging with their communities and external agencies on priorities in relation to services, and financial implications. Such plans are a key tool in managing community and external agency expectations and achieving sustainable outcomes.

Given that the Commonwealth is conducting a review into the equity and efficiency of the current funding provided through the FAGs program, it would be appropriate that some attention is focused on the differences in grant outcomes for similar councils between jurisdictions due to methodology differences between Local Government Grants Commissions. While this is an issue beyond rural-remote and indigenous councils, greater consistency and best practice approaches to FAG distribution might result in an overall increase in resources to this group of councils.

However, the current per capita distribution of general purpose funding between States/Territories inevitably means that there can never be equity in funding outcomes for this group of councils across jurisdictions. Changing the interstate relativities has always stayed in the 'too hard' basket.

The remote-rural and indigenous councils primarily serve Northern Australia. Consequently, there may be a role for the recently established Northern Australia Ministerial Forum to consider issues impacting on these councils in a more holistic way across jurisdictions. With opportunities to improve service delivery being a key theme for the Forum, such a role could facilitate the delivery of a more coordinated response to the issues and concerns of these communities.