
ASSESSMENT OF THE FINANCIAL VULNERABILITY OF RURAL AND REMOTE QUEENSLAND COUNCILS

AUGUST 2018

aecgroup.com.au

DOCUMENT CONTROL

Job ID: J000957
Job Name: Assessment of the Financial Vulnerability of Rural and Remote QLD Councils
Client: NWQROC, RAPAD, SWRED
Client Contact: Greg Hoffman
Project Manager: Gavin O'Donovan
Email: gavin.odonovan@aecgrouppltd.com
Telephone: 07 3831 0577
Document Name: Financial Vulnerability Final Report
Last Saved: 9/9/2018 4:49 PM

Version	Date	Reviewed	Approved
Draft V1.0	30/07/2018	GO	GO
Final Draft	15/08/2018	GO	GO
Final V1.0	23/08/2018	GO	GO
Final	09/09/2018	GO	GO

Disclaimer:

Whilst all care and diligence have been exercised in the preparation of this report, AEC Group Pty Ltd does not warrant the accuracy of the information contained within and accepts no liability for any loss or damage that may be suffered as a result of reliance on this information, whether or not there has been any error, omission or negligence on the part of AEC Group Pty Ltd or their employees. Any forecasts or projections used in the analysis can be affected by a number of unforeseen variables, and as such no warranty is given that a particular set of results will in fact be achieved.

FINANCIAL VULNERABILITY OF RURAL AND REMOTE QUEENSLAND COUNCILS

Rural and remote Councils in North West, Central West and South West Queensland are financially vulnerable to external shocks and generally have a very heavy reliance on external funding to finance their operations.

The following key issues exist that potentially threaten the ongoing financial sustainability of North West, Central West and South West Queensland Councils:

- Limited own source revenue and a rate base spread across large geographic areas.
- Substantial declines in their populations over the past five years, meaning less residents now exist to share the rate and cost burden.
- Considerably higher capital and operating costs given distances to markets for labour, goods and services.
- Very high level of capital investment required per head of population that must be financed, renewed and maintained.
- Ageing infrastructure requiring large renewal investments in the short to medium term.
- Volatility of operating grants and some historic grant funding decisions (e.g. freeze in Financial Assistance Grants) that significantly impacted the ability to provide infrastructure and services to local communities. The limited rate base of most Councils means that own source revenue cannot replace any loss in external funding and such funding is therefore essential.
- Adverse weather conditions, with the majority of North West, Central West and South West Councils having been drought-declared since mid to late 2013 (with some exceptions in the North West).

As a consequence of these challenges, rural and remote Queensland Councils in the North West, Central West and South West generally struggle to consistently balance their operating position. Of the 21 North West, Central West and South West Councils, 17 were in deficit in 2015-16 and 13 were in deficit in 2016-17. For some Councils, a 10% to 30% increase in total operating revenue – including rates and charges, operating grants and other revenue – is required to overcome sustained operating deficits.

In addition to growth in external funding support, greater certainty and predictability in the sources and levels of this funding are required to support Queensland Councils in the North West, Central West and South West. Strategic infrastructure investment and service provision can only be achieved if there is certainty in long-term funding levels essential to financial sustainability and community development.

TABLE OF CONTENTS

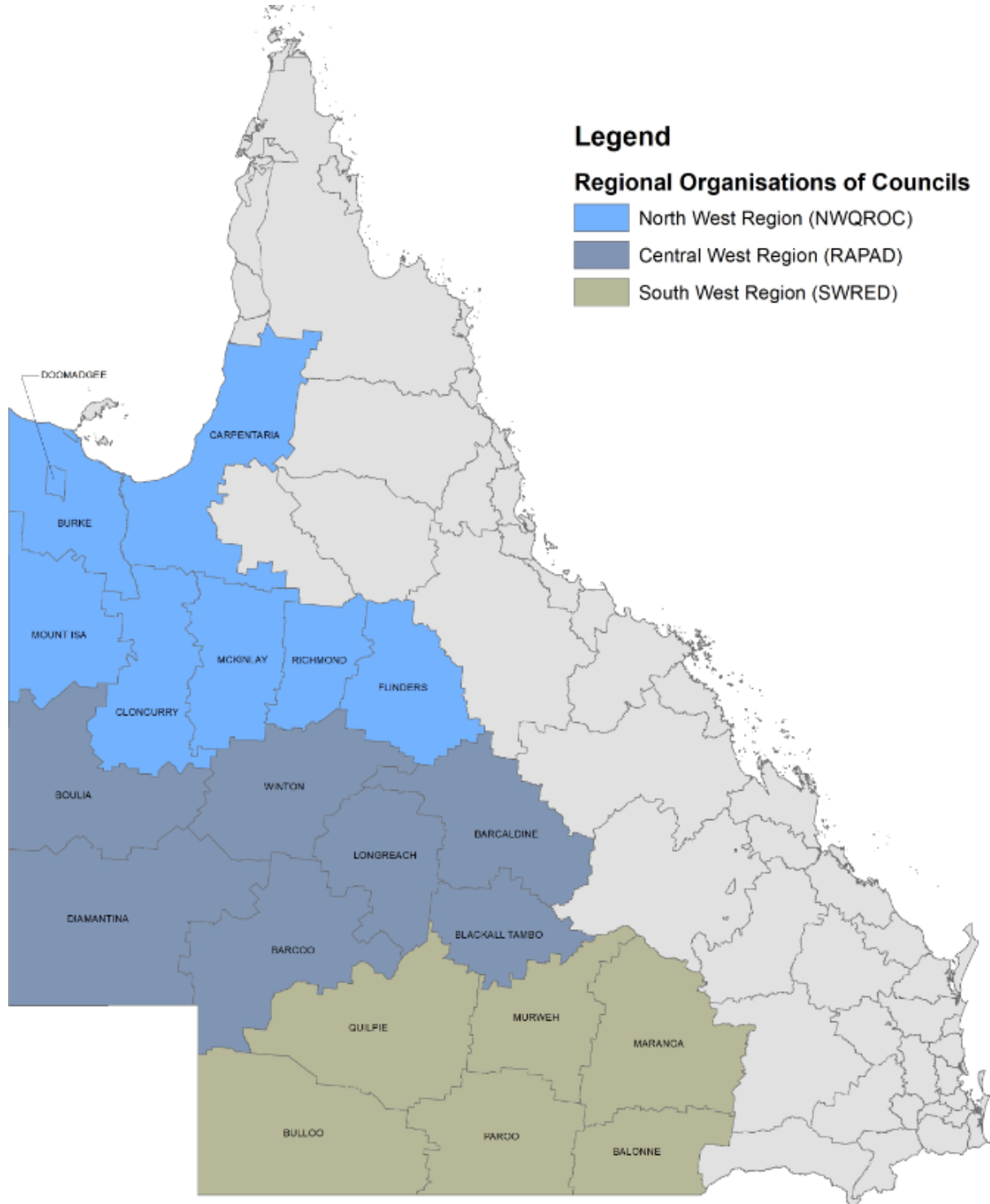
DOCUMENT CONTROL.....	I
FINANCIAL VULNERABILITY OF RURAL AND REMOTE QUEENSLAND COUNCILS	II
TABLE OF CONTENTS	III
1. INTRODUCTION.....	1
2. POPULATION DECLINE.....	2
3. TYRANNY OF DISTANCE	3
4. EXTENT OF INFRASTRUCTURE INVESTMENT AND RENEWAL PRESSURES	4
5. RELIANCE ON GRANT FUNDING	6
6. UNCERTAIN FINANCIAL ASSISTANCE GRANTS.....	8
7. ADVERSE WEATHER CONDITIONS	12
8. FINANCIAL SUSTAINABILITY	15
REFERENCES.....	17

1. INTRODUCTION

This briefing paper has been prepared to provide a high-level assessment of the financial vulnerability of 21 rural and remote Western Queensland Councils and their heavy reliance on external funding sources to ensure ongoing financial sustainability.

The Councils covered in the assessment are outlined in the figure below.

Figure 1.1: Regional Organisations of Councils, Western Queensland



2. POPULATION DECLINE

Population decline has been substantial in most North West, Central West and South West Council areas over the past five years, with the only Council area to record an increase being Doomadgee.

A declining population means fewer rateable properties over which the rate burden can be distributed. North West, Central West and South West Queensland Councils are placed at a significant disadvantage to Councils in growth areas as their own source revenue base is often declining or stagnant rather than growing.

Unfortunately, the cost to Councils from maintaining infrastructure and service provision does not reduce in line with the reduction in the population.

Table 2.1: Estimated Resident Population

	Council	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	5-year change	
NORTH WEST	Burke	551	506	450	396	342	347	-204	-37.0%
	Carpentaria	2,170	2,146	2,112	2,092	2,051	2,004	-166	-7.6%
	Cloncurry	3,356	3,323	3,264	3,172	3,114	3,123	-233	-6.9%
	Doomadgee	1,368	1,399	1,423	1,455	1,474	1,492	+124	+9.1%
	Flinders	1,792	1,749	1,704	1,635	1,569	1,521	-271	-15.1%
	McKinlay	1,039	989	939	872	810	790	-249	-24.0%
	Mount Isa	21,906	21,713	21,109	20,384	19,332	18,899	-3,007	-13.7%
	Richmond	841	837	835	815	800	794	-47	-5.6%
	Total NW	33,023	32,662	31,836	30,821	29,492	28,970	-4,053	-12.3%
CENTRAL WEST	Barcaldine	3,249	3,232	3,166	3,083	2,909	2,853	-396	-12.2%
	Barcoo	348	333	317	297	272	272	-76	-21.8%
	Blackall-Tambo	2,236	2,214	2,154	2,037	1,924	1,889	-347	-15.5%
	Boulia	486	481	473	459	437	431	-55	-11.3%
	Diamantina	295	299	303	302	297	288	-7	-2.4%
	Longreach	4,217	4,104	4,029	3,815	3,727	3,598	-619	-14.7%
	Winton	1,346	1,314	1,279	1,225	1,156	1,144	-202	-15.0%
		Total CW	12,177	11,977	11,721	11,218	10,722	10,475	-1,702
SOUTH WEST	Balonne	4,791	4,784	4,740	4,629	4,480	4,391	-400	-8.3%
	Bulloo	410	398	390	375	360	350	-60	-14.6%
	Maranoa	13,426	13,515	13,443	13,305	12,928	12,843	-583	-4.3%
	Murweh	4,738	4,687	4,645	4,534	4,391	4,309	-429	-9.1%
	Paroo	1,907	1,856	1,819	1,749	1,686	1,665	-242	-12.7%
	Quilpie	985	947	921	876	833	821	-164	-16.6%
		Total SW	26,257	26,187	25,958	25,468	24,678	24,379	-1,878

Source: ABS (2018).

3. TYRANNY OF DISTANCE

The table below provides the number of persons per square kilometre for each Council. It is evident that each North West, Central West and South West Council covers considerable area on a per capita basis when compared with Coastal Provincial Queensland Councils (average outcome of 26.13 persons per square kilometre) and South-East Queensland Councils (average outcome of 315.56 persons per square kilometre).

The smaller the rate base relative to the size of the service area, the higher the cost per rateable assessment to provide essential infrastructure and services.

Table 3.1: Population Density (persons per square kilometre)

	Council	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
NORTH WEST	Burke	0.01	0.01	0.01	0.01	0.01	0.01
	Carpentaria	0.03	0.03	0.03	0.03	0.03	0.03
	Cloncurry	0.07	0.07	0.07	0.07	0.06	0.07
	Doomadgee	0.75	0.77	0.78	0.80	0.81	0.82
	Flinders	0.04	0.04	0.04	0.04	0.04	0.04
	McKinlay	0.03	0.02	0.02	0.02	0.02	0.02
	Mount Isa	0.50	0.50	0.48	0.47	0.44	0.43
	Richmond	0.03	0.03	0.03	0.03	0.03	0.03
	Total NW	0.11	0.11	0.10	0.10	0.10	0.09
CENTRAL WEST	Barcaldine	0.06	0.06	0.06	0.06	0.05	0.05
	Barcoo	0.01	0.01	0.01	0.00	0.00	0.00
	Blackall-Tambo	0.07	0.07	0.07	0.07	0.06	0.06
	Boulia	0.01	0.01	0.01	0.01	0.01	0.01
	Diamantina	0.00	0.00	0.00	0.00	0.00	0.00
	Longreach	0.10	0.10	0.10	0.09	0.09	0.09
	Winton	0.03	0.02	0.02	0.02	0.02	0.02
	Total CW	0.03	0.03	0.03	0.03	0.03	0.03
SOUTH WEST	Balonne	0.15	0.15	0.15	0.15	0.14	0.14
	Bulloo	0.01	0.01	0.01	0.01	0.00	0.00
	Maranoa	0.23	0.23	0.23	0.23	0.22	0.22
	Murweh	0.12	0.12	0.11	0.11	0.11	0.11
	Paroo	0.04	0.04	0.04	0.04	0.04	0.03
	Quilpie	0.01	0.01	0.01	0.01	0.01	0.01
	Total SW	0.08	0.08	0.08	0.08	0.08	0.08

Source: ABS (2018).

In addition to a lack of economies of scale in service provision, rural and remote Councils face considerably higher capital and operating costs given distances from markets for labour, goods and services. The Queensland Local Government Grants Commission (2017) produces a series of location-based cost adjustors to represent the additional costs incurred that are purely related to a Council's location. An index of 1.00 exists for major metropolitan areas such as Brisbane, Gold Coast, Moreton Bay, Sunshine Coast, Ipswich, Logan, Redland, Cairns, Townsville and Mackay. The indices applicable to the North West, Central West and South West are all considerably higher at between 1.63 in Maranoa and 1.99 in Barcoo, implying that the cost of service delivery can be up to twice that in major metropolitan areas.

Table 3.2: Location Cost Adjustor, 2016-17

North West	Index	Central West	Index	South West	Index
Burke	1.92	Barcaldine	1.84	Balonne	1.68
Carpentaria	1.94	Barcoo	1.99	Bulloo	1.95
Cloncurry	1.75	Blackall-Tambo	1.85	Maranoa	1.63
Doomadgee	1.86	Boulia	1.90	Murweh	1.81
Flinders	1.82	Diamantina	1.99	Paroo	1.85
McKinlay	1.90	Longreach	1.90	Quilpie	1.95
Mount Isa	1.76	Winton	1.93		
Richmond	1.94				

Source: Queensland Local Government Grants Commission (2017).

4. EXTENT OF INFRASTRUCTURE INVESTMENT AND RENEWAL PRESSURES

The table below provides the replacement cost of infrastructure and community assets per head of population for each North West, Central West and South West Council and highlights the very high capital investment that must be financed, renewed and maintained with a significant reliance on external funding sources.

For comparative purposes, the average replacement cost per capita is \$33,995 for Coastal Provincial Queensland Councils and \$22,074 for South-East Queensland Councils.

Table 4.1: Current Replacement Cost of Assets per capita

	Council	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
NORTH WEST	Burke	\$210,296	\$231,907	\$291,349	\$450,111	\$544,611	\$569,784
	Carpentaria	\$172,746	\$178,711	\$186,235	\$230,446	\$239,617	\$246,060
	Cloncurry	\$87,388	\$95,784	\$114,553	\$118,743	\$129,246	\$135,359
	Doomadgee	\$111,523	\$99,056	\$88,388	\$93,599	\$85,135	n.a.
	Flinders	\$115,766	\$129,690	\$138,854	\$153,385	\$141,634	\$150,992
	McKinlay	\$179,615	\$212,753	\$232,769	\$254,196	\$284,516	\$319,270
	Mount Isa	\$32,863	\$33,498	\$35,558	\$33,444	\$34,609	\$36,124
	Richmond	\$214,176	\$216,983	\$232,723	\$252,656	\$270,879	\$287,557
CENTRAL WEST	Barcaldine	\$89,893	\$111,578	\$119,783	\$127,718	\$139,818	\$142,563
	Barcoo	\$382,523	\$609,024	\$646,656	\$821,919	\$916,544	\$959,761
	Blackall-Tambo	\$123,684	\$109,225	\$133,368	\$141,523	\$152,167	\$156,147
	Boulia	\$302,265	\$284,281	\$279,277	\$414,486	\$439,103	\$455,688
	Diamantina	\$552,590	\$527,866	\$557,515	\$563,675	\$585,067	\$653,139
	Longreach	\$63,361	\$68,064	\$76,260	\$81,941	\$98,807	\$106,284
	Winton	\$137,750	\$162,311	\$173,013	\$193,104	\$214,667	\$241,165
SOUTH WEST	Balonne	\$70,861	\$72,767	\$73,312	\$69,601	\$78,918	\$81,540
	Bulloo	\$485,368	\$544,837	\$710,282	\$662,859	\$712,594	\$722,657
	Maranoa	\$93,445	\$97,294	\$77,248	\$81,130	\$79,796	\$79,621
	Murweh	\$41,154	\$48,367	\$61,435	\$78,519	\$83,598	\$87,220
	Paroo	\$85,967	\$131,320	\$139,610	\$165,148	\$177,819	\$197,246
	Quilpie	\$134,142	\$185,138	\$194,719	\$235,734	\$276,940	\$287,904

Notes: Doomadgee 2016-17 audited financial statements not yet available.

Source: AEC, Council Annual Reports, ABS (2018).

The Asset Sustainability Ratio reported by Queensland Councils is calculated as the level of expenditure on asset renewal and replacement as a percentage of the depreciation (or consumption) of assets. It measures the extent to which the asset base is being maintained over time. A value of 100% means that the assets are being renewed at the rate at which they are being consumed.

There are mixed outcomes for North West, Central West and South West Councils as outlined in the table on the following page, with:

- Around half having a ratio well in excess of 100% and are spending more on capital renewal than is being consumed, likely to be at least in part due to required catch-up work on ageing infrastructure.
- Around half having a ratio well below 100%, indicating a deterioration in the capital base and at least in some instances reflecting the deferral of essential infrastructure renewal due to insufficient financial and/or resourcing capacity.

Table 4.2: Asset Sustainability Ratio, Average of 2014-15 to 2016-17

	Council	3-yr Average
NORTH WEST	Burke	43%
	Carpentaria	89%
	Cloncurry	156%
	Doomadgee	53%
	Flinders	127%
	McKinlay	236%
	Mount Isa	94%
	Richmond	153%
CENTRAL WEST	Barcaldine	122%
	Barcoo	134%
	Blackall-Tambo	88%
	Boulia	105%
	Diamantina	88%
	Longreach	146%
	Winton	197%
SOUTH WEST	Balonne	60%
	Bulloo	149%
	Maranoa	27%
	Murweh	79%
	Paroo	57%
	Quilpie	134%

Notes: Doomadgee 2016-17 audited financial statements not yet available, and as such the 2013-14 to 2015-16 period was used.
Source: AEC, Council Annual Reports.

5. RELIANCE ON GRANT FUNDING

The table and figure below indicate the contribution of operating grants provided to each North West, Central West and South West Council to total operating revenue. Outcomes for 2016-17 have been adjusted for the prepayment of the Financial Assistance Grants for 2017-18 in June 2017. Many Councils received flood damage and other special grants during the assessment period that may distort the numbers on a year to year basis. No adjustments for these operating grants have been made given inconsistencies in reporting different grants across Councils.

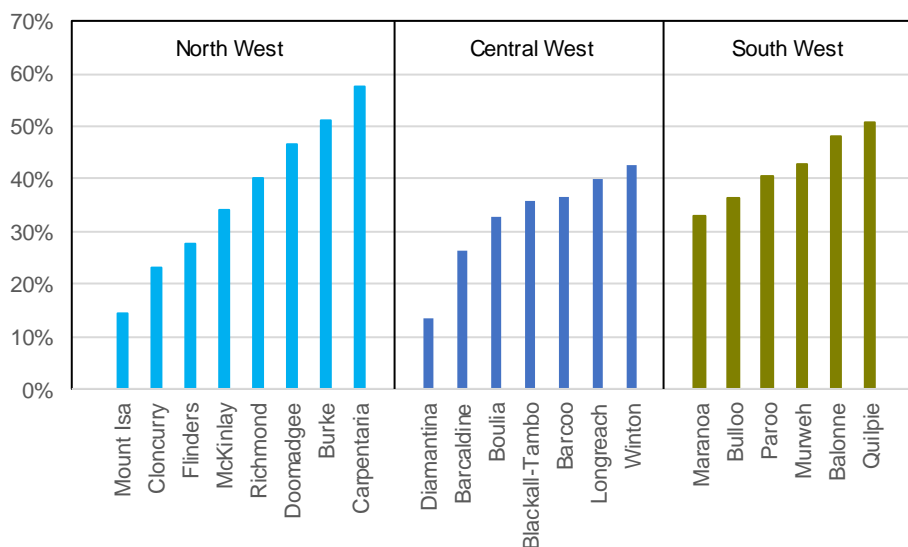
Even with the significant volatility in the numbers from year to year, it is evident that North West, Central West and South West Queensland Councils are extremely reliant on external grant funding.

Table 5.1: Operating Grants as % of Total Operating Revenue

	Council	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Adjusted	Average
NORTH WEST	Burke	63.7%	57.3%	19.8%	33.0%	56.1%	77.3%	51.2%
	Carpentaria	34.4%	63.3%	52.4%	54.6%	75.2%	65.2%	57.5%
	Cloncurry	27.3%	22.5%	15.0%	24.0%	24.2%	24.4%	22.9%
	Doomadgee	50.2%	58.1%	54.9%	43.6%	26.3%	n.a.	46.6%
	Flinders	30.5%	18.7%	16.8%	28.6%	41.0%	29.7%	27.6%
	McKinlay	20.2%	40.0%	18.4%	45.6%	46.8%	32.4%	33.9%
	Mount Isa	18.9%	11.4%	7.4%	12.4%	16.6%	19.2%	14.3%
	Richmond	45.7%	59.9%	20.2%	41.1%	45.6%	28.0%	40.1%
CENTRAL WEST	Barcaldine	25.8%	18.0%	15.3%	27.0%	35.6%	35.3%	26.2%
	Barcoo	26.0%	24.8%	21.0%	51.2%	41.5%	54.3%	36.5%
	Blackall-Tambo	62.8%	31.5%	30.2%	39.2%	26.8%	23.3%	35.6%
	Boulia	17.4%	14.1%	18.1%	31.3%	59.7%	54.9%	32.6%
	Diamantina	9.9%	8.3%	8.2%	19.7%	16.5%	17.1%	13.3%
	Longreach	47.7%	56.1%	16.0%	39.6%	37.2%	42.4%	39.8%
	Winton	51.7%	41.8%	28.9%	41.2%	45.3%	47.2%	42.7%
SOUTH WEST	Balonne	75.0%	75.9%	47.4%	34.7%	27.3%	28.8%	48.2%
	Bulloo	25.9%	38.4%	26.6%	41.2%	45.0%	40.0%	36.2%
	Maranoa	54.3%	36.9%	26.6%	27.6%	24.7%	27.6%	32.9%
	Murweh	61.3%	55.7%	19.7%	40.8%	39.1%	40.8%	42.9%
	Paroo	23.1%	43.6%	27.0%	46.9%	46.3%	56.4%	40.5%
	Quilpie	52.9%	18.7%	55.1%	67.2%	65.9%	44.1%	50.6%

Notes: 2016-17 outcomes have been adjusted by removing the 50% FAG prepayment made to Councils. No adjustments have been made to previous years for any FAG prepayments. Doomadgee 2016-17 audited financial statements not yet available.
Source: Council Annual Reports.

Figure 5.1: Operating Grants as % of Total Operating Revenue, 2011-12 to 2016-17 Average



Source: Council Annual Reports.

The significant volatility in grant funding makes it difficult for North West, Central West and South West Councils to effectively budget from year to year, particularly when combined with their relatively high reliance on contract works and other revenue versus own source rates and charges revenue (outlined in the table and figure below) and limited capacity to raise additional own source revenue.

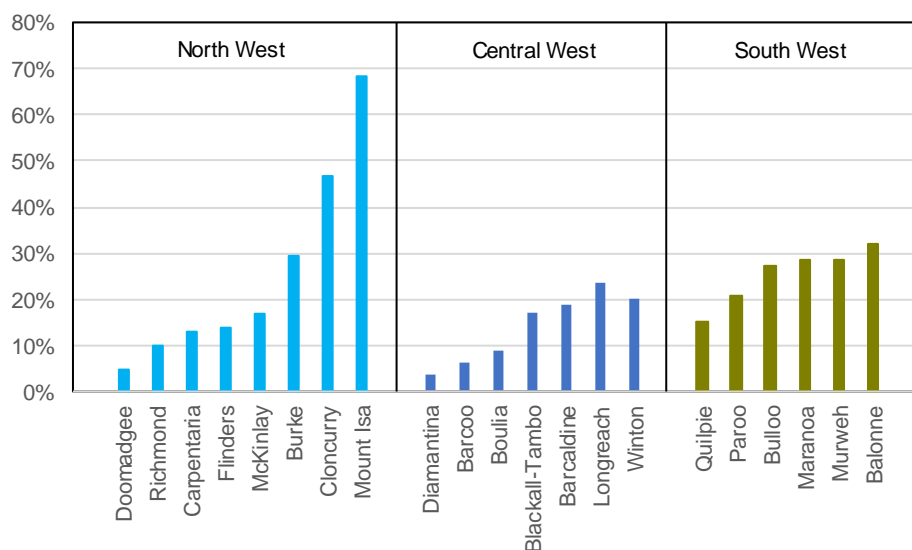
Any decisions made by other levels of government regarding the operating grants provided to each Council therefore has an amplified effect on their ability to effectively and sustainably ensure ongoing infrastructure and service provision to their local communities.

Table 5.2: Council Rates and Charges as % of Total Operating Revenue

	Council	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Adjusted	Average
NORTH WEST	Burke	21.1%	22.7%	54.7%	36.1%	28.4%	13.7%	29.5%
	Carpentaria	11.7%	13.3%	11.7%	11.1%	14.8%	14.6%	12.8%
	Cloncurry	42.5%	44.3%	49.5%	47.8%	51.0%	45.1%	46.7%
	Doomadgee	3.0%	6.4%	3.8%	5.9%	4.1%	n.a.	4.6%
	Flinders	13.3%	9.1%	14.1%	13.8%	20.0%	13.6%	14.0%
	McKinlay	8.4%	20.0%	14.7%	20.4%	21.5%	14.8%	16.6%
	Mount Isa	64.5%	61.3%	71.1%	77.0%	70.3%	66.2%	68.4%
	Richmond	8.3%	6.0%	9.1%	12.6%	13.8%	9.6%	9.9%
CENTRAL WEST	Barcaldine	13.1%	12.4%	18.2%	19.1%	25.6%	25.6%	19.0%
	Barcoo	4.8%	5.6%	5.7%	9.4%	7.1%	5.3%	6.3%
	Blackall-Tambo	14.7%	15.5%	8.4%	15.0%	24.5%	23.6%	17.0%
	Boulia	5.2%	5.3%	12.8%	12.8%	8.4%	7.5%	8.7%
	Diamantina	1.6%	1.4%	2.7%	5.2%	4.7%	5.3%	3.5%
	Longreach	22.3%	21.4%	24.5%	23.8%	26.9%	23.5%	23.7%
	Winton	21.5%	18.1%	20.0%	19.0%	20.6%	22.5%	20.3%
SOUTH WEST	Balonne	14.9%	15.1%	31.5%	39.8%	45.7%	45.2%	32.0%
	Bulloo	16.4%	28.0%	31.3%	28.9%	31.3%	28.3%	27.4%
	Maranoa	19.3%	24.6%	21.2%	28.9%	37.1%	41.1%	28.7%
	Murweh	20.2%	20.9%	31.6%	35.8%	34.3%	27.7%	28.4%
	Paroo	8.1%	22.5%	20.5%	27.7%	25.1%	21.3%	20.9%
	Quilpie	11.9%	6.7%	10.5%	15.3%	20.8%	26.5%	15.3%

Notes: 2016-17 outcomes have been adjusted by removing the 50% FAG prepayment made to Councils. No adjustments have been made to previous years for any FAG prepayments. Doomadgee 2016-17 audited financial statements not yet available.
Source: Council Annual Reports.

Figure 5.2: Council Rates and Charges as % of Total Operating Revenue, 2011-12 to 2016-17 Average



Source: Council Annual Reports.

6. UNCERTAIN FINANCIAL ASSISTANCE GRANTS

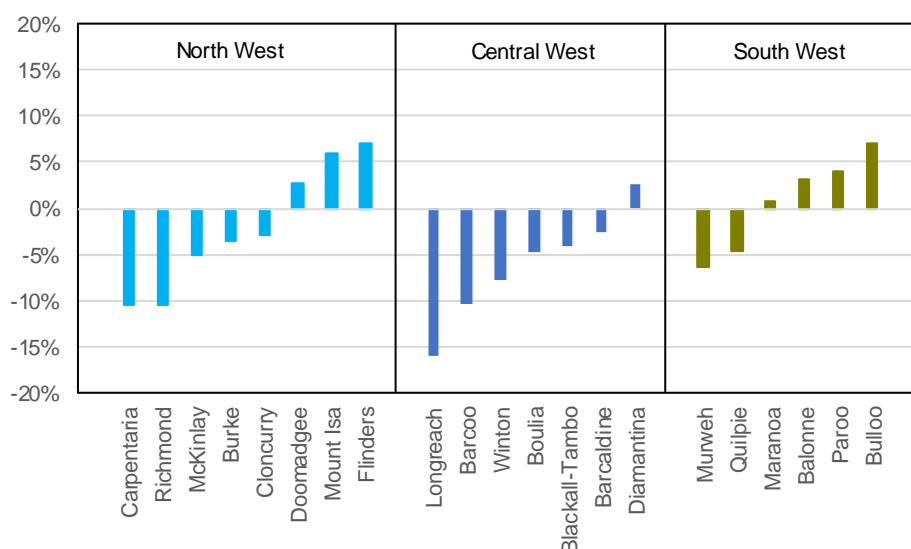
With a heavy reliance on grant funding to balance their operating positions, rural and remote Councils in North West, Central West and South West Queensland require a high level of certainty on the level of funding provided on a year to year basis. The table and figure below outline the real change in Financial Assistance Grants received by each Council from 2013-14 to 2017-18. It is evident that the freeze in the level of Financial Assistance Grants paid between 2014-15 and 2016-17 had a significant impact on the real funding provided by the Federal Government to the majority of Western Queensland Councils. The most significant impacts have been felt by Longreach, Carpentaria, Richmond and Barcoo.

Table 6.1: Total Real Change in Financial Assistance Grants, 2013-14 to 2017-18

	Council	Change
NORTH WEST	Burke	-3.6%
	Carpentaria	-10.5%
	Cloncurry	-2.9%
	Doomadgee	+2.7%
	Flinders	+7.0%
	McKinlay	-5.1%
	Mount Isa	+5.9%
	Richmond	-10.5%
	Total NW	-2.1%
CENTRAL WEST	Barcaldine	-2.6%
	Barcoo	-10.4%
	Blackall-Tambo	-4.1%
	Boulia	-4.7%
	Diamantina	+2.6%
	Longreach	-16.0%
	Winton	-7.7%
	Total CW	-7.4%
SOUTH WEST	Balonne	+3.0%
	Bulloo	+7.0%
	Maranoa	+0.7%
	Murweh	-6.5%
	Paroo	+4.0%
	Quilpie	-4.7%
	Total SW	+0.4%

Source: AEC, DLGRMA (2018).

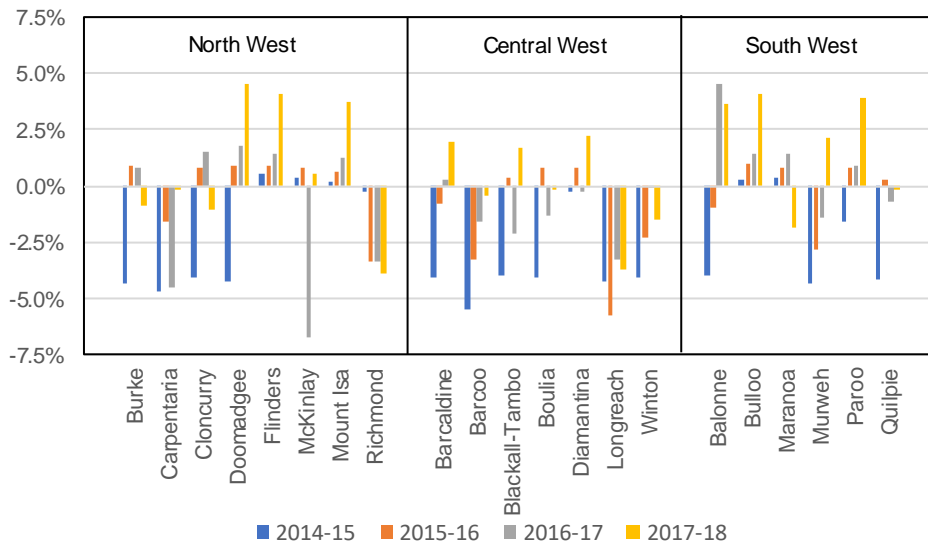
Figure 6.1: Total Real Change in Financial Assistance Grants, 2013-14 to 2017-18



Source: AEC, DLGRMA (2018).

The following figure provides an indication of the percentage changes in real Financial Assistance Grant payments to each Council between 2013-14 and 2017-18. It is evident that the distribution methodology provides no level of certainty over the level of funding received in any given year.

Figure 6.2: Annual Real Change in Financial Assistance Grants, 2013-14 to 2017-18



Source: AEC, DLGRMA (2018).

The tables on the following pages outline the Financial Assistance Grants paid to each Council and region between 2013-14 and 2017-18 in nominal terms and real 2013-14 terms.

Table 6.2: Financial Assistance Grants (nominal)

	Council	2013-14	2014-15	2015-16	2016-17	2017-18
NORTH WEST	Burke	\$2,885,518	\$2,842,777 -1.5%	\$2,910,907 +2.4%	\$2,964,309 +1.8%	\$2,996,245 +1.1%
	Carpentaria	\$4,844,329	\$4,757,702 -1.8%	\$4,753,791 -0.1%	\$4,586,796 -3.5%	\$4,667,108 +1.8%
	Cloncurry	\$5,225,170	\$5,164,084 -1.2%	\$5,285,556 +2.4%	\$5,419,258 +2.5%	\$5,465,628 +0.9%
	Doomadgee	\$1,224,205	\$1,207,122 -1.4%	\$1,236,390 +2.4%	\$1,270,953 +2.8%	\$1,354,209 +6.6%
	Flinders	\$5,537,982	\$5,734,075 +3.5%	\$5,870,421 +2.4%	\$6,016,704 +2.5%	\$6,383,076 +6.1%
	McKinlay	\$5,198,451	\$5,375,523 +3.4%	\$5,503,210 +2.4%	\$5,183,497 -5.8%	\$5,310,862 +2.5%
	Mount Isa	\$5,211,451	\$5,377,728 +3.2%	\$5,494,330 +2.2%	\$5,618,219 +2.3%	\$5,941,747 +5.8%
	Richmond	\$3,829,517	\$3,934,988 +2.8%	\$3,858,766 -1.9%	\$3,767,340 -2.4%	\$3,692,100 -2.0%
	Total NW	\$33,956,624	\$34,393,999 +1.3%	\$34,913,371 +1.5%	\$34,827,076 -0.2%	\$35,810,975 +2.8%
CENTRAL WEST	Barcardine	\$6,781,502	\$6,701,659 -1.2%	\$6,749,804 +0.7%	\$6,838,679 +1.3%	\$7,110,907 +4.0%
	Barcoo	\$3,859,672	\$3,758,180 -2.6%	\$3,690,232 -1.8%	\$3,668,104 -0.6%	\$3,723,263 +1.5%
	Blackall-Tambo	\$3,851,053	\$3,808,560 -1.1%	\$3,879,646 +1.9%	\$3,835,928 -1.1%	\$3,976,092 +3.7%
	Boulia	\$2,929,265	\$2,893,816 -1.2%	\$2,960,878 +2.3%	\$2,952,341 -0.3%	\$3,005,592 +1.8%
	Diamantina	\$2,801,658	\$2,878,002 +2.7%	\$2,946,084 +2.4%	\$2,969,486 +0.8%	\$3,094,221 +4.2%
	Longreach	\$7,909,127	\$7,803,530 -1.3%	\$7,463,165 -4.4%	\$7,290,437 -2.3%	\$7,155,036 -1.9%
	Winton	\$5,502,396	\$5,436,090 -1.2%	\$5,391,387 -0.8%	\$5,446,132 +1.0%	\$5,467,676 +0.4%
	Total CW	\$33,634,673	\$33,279,837 -1.1%	\$33,081,196 -0.6%	\$33,001,107 -0.2%	\$33,532,787 +1.6%
SOUTH WEST	Balonne	\$4,756,547	\$4,702,665 -1.1%	\$4,729,400 +0.6%	\$4,995,009 +5.6%	\$5,277,802 +5.7%
	Bulloo	\$5,542,706	\$5,725,398 +3.3%	\$5,869,416 +2.5%	\$6,016,508 +2.5%	\$6,383,741 +6.1%
	Maranoa	\$15,515,880	\$16,044,238 +3.4%	\$16,416,223 +2.3%	\$16,816,867 +2.4%	\$16,827,171 +0.1%
	Murweh	\$6,694,873	\$6,597,316 -1.5%	\$6,506,506 -1.4%	\$6,477,608 -0.4%	\$6,742,121 +4.1%
	Paroo	\$4,651,830	\$4,714,103 +1.3%	\$4,822,871 +2.3%	\$4,915,126 +1.9%	\$5,207,394 +5.9%
	Quilpie	\$4,791,816	\$4,731,225 -1.3%	\$4,815,936 +1.8%	\$4,830,436 +0.3%	\$4,915,251 +1.8%
	Total SW	\$41,953,653	\$42,514,945 +1.3%	\$43,160,352 +1.5%	\$44,051,554 +2.1%	\$45,353,480 +3.0%

Source: DLGRMA (2018).

Table 6.3: Financial Assistance Grants (real 2013-14 \$)

	Council	2013-14	2014-15	2015-16	2016-17	2017-18
NORTH WEST	Burke	\$2,885,518	\$2,759,561 -4.4%	\$2,783,639 +0.9%	\$2,805,994 +0.8%	\$2,782,421 -0.8%
	Carpentaria	\$4,844,329	\$4,618,430 -4.7%	\$4,545,951 -1.6%	\$4,341,829 -4.5%	\$4,334,044 -0.2%
	Cloncurry	\$5,225,170	\$5,012,916 -4.1%	\$5,054,467 +0.8%	\$5,129,832 +1.5%	\$5,075,579 -1.1%
	Doomadgee	\$1,224,205	\$1,171,786 -4.3%	\$1,182,334 +0.9%	\$1,203,075 +1.8%	\$1,257,567 +4.5%
	Flinders	\$5,537,982	\$5,566,222 +0.5%	\$5,613,761 +0.9%	\$5,695,370 +1.5%	\$5,927,554 +4.1%
	McKinlay	\$5,198,451	\$5,218,166 +0.4%	\$5,262,605 +0.9%	\$4,906,662 -6.8%	\$4,931,857 +0.5%
	Mount Isa	\$5,211,451	\$5,220,306 +0.2%	\$5,254,113 +0.6%	\$5,318,167 +1.2%	\$5,517,720 +3.8%
	Richmond	\$3,829,517	\$3,819,799 -0.3%	\$3,690,057 -3.4%	\$3,566,138 -3.4%	\$3,428,617 -3.9%
	Total NW	\$33,956,623	\$33,387,187 -1.7%	\$33,386,926 -0.0%	\$32,967,066 -1.3%	\$33,255,359 +0.9%
CENTRAL WEST	Barcardine	\$6,781,502	\$6,505,482 -4.1%	\$6,454,696 -0.8%	\$6,473,446 +0.3%	\$6,603,444 +2.0%
	Barcoo	\$3,859,672	\$3,648,167 -5.5%	\$3,528,892 -3.3%	\$3,472,202 -1.6%	\$3,457,556 -0.4%
	Blackall-Tambo	\$3,851,053	\$3,697,072 -4.0%	\$3,710,024 +0.4%	\$3,631,063 -2.1%	\$3,692,342 +1.7%
	Boulia	\$2,929,265	\$2,809,106 -4.1%	\$2,831,426 +0.8%	\$2,794,665 -1.3%	\$2,791,101 -0.1%
	Diamantina	\$2,801,658	\$2,793,755 -0.3%	\$2,817,278 +0.8%	\$2,810,895 -0.2%	\$2,873,405 +2.2%
	Longreach	\$7,909,127	\$7,575,098 -4.2%	\$7,136,868 -5.8%	\$6,901,077 -3.3%	\$6,644,424 -3.7%
	Winton	\$5,502,396	\$5,276,960 -4.1%	\$5,155,671 -2.3%	\$5,155,270 -0.0%	\$5,077,481 -1.5%
	Total CW	\$33,634,673	\$32,305,639 -4.0%	\$31,634,855 -2.1%	\$31,238,617 -1.3%	\$31,139,752 -0.3%
SOUTH WEST	Balonne	\$4,756,547	\$4,565,004 -4.0%	\$4,522,626 -0.9%	\$4,728,241 +4.5%	\$4,901,157 +3.7%
	Bulloo	\$5,542,706	\$5,557,799 +0.3%	\$5,612,800 +1.0%	\$5,695,184 +1.5%	\$5,928,171 +4.1%
	Maranoa	\$15,515,880	\$15,574,577 +0.4%	\$15,698,490 +0.8%	\$15,918,729 +1.4%	\$15,626,316 -1.8%
	Murweh	\$6,694,873	\$6,404,193 -4.3%	\$6,222,036 -2.8%	\$6,131,658 -1.5%	\$6,260,976 +2.1%
	Paroo	\$4,651,830	\$4,576,108 -1.6%	\$4,612,011 +0.8%	\$4,652,624 +0.9%	\$4,835,773 +3.9%
	Quilpie	\$4,791,816	\$4,592,728 -4.2%	\$4,605,379 +0.3%	\$4,572,457 -0.7%	\$4,564,479 -0.2%
	Total SW	\$41,953,652	\$41,270,409 -1.6%	\$41,273,341 +0.0%	\$41,698,893 +1.0%	\$42,116,872 +1.0%

Source: AEC, DLGRMA (2018).

7. ADVERSE WEATHER CONDITIONS

The majority of North West, Central West and South West Councils have been drought-declared since mid to late 2013, with some exceptions in the North West. These adverse weather and growing conditions have placed pressure on local communities, impacting their capacity to pay Council rates and charges and invest and spend in local areas.

Unfortunately, the timing of the drought coincided with the Federal Government decision to freeze Financial Assistance Grants (from 2013-14 to 2016-17), exacerbating the devastation of drought and limiting the ability of North West, Central West and South West Councils to increase rates to offset the financial impost placed on them from the freeze.

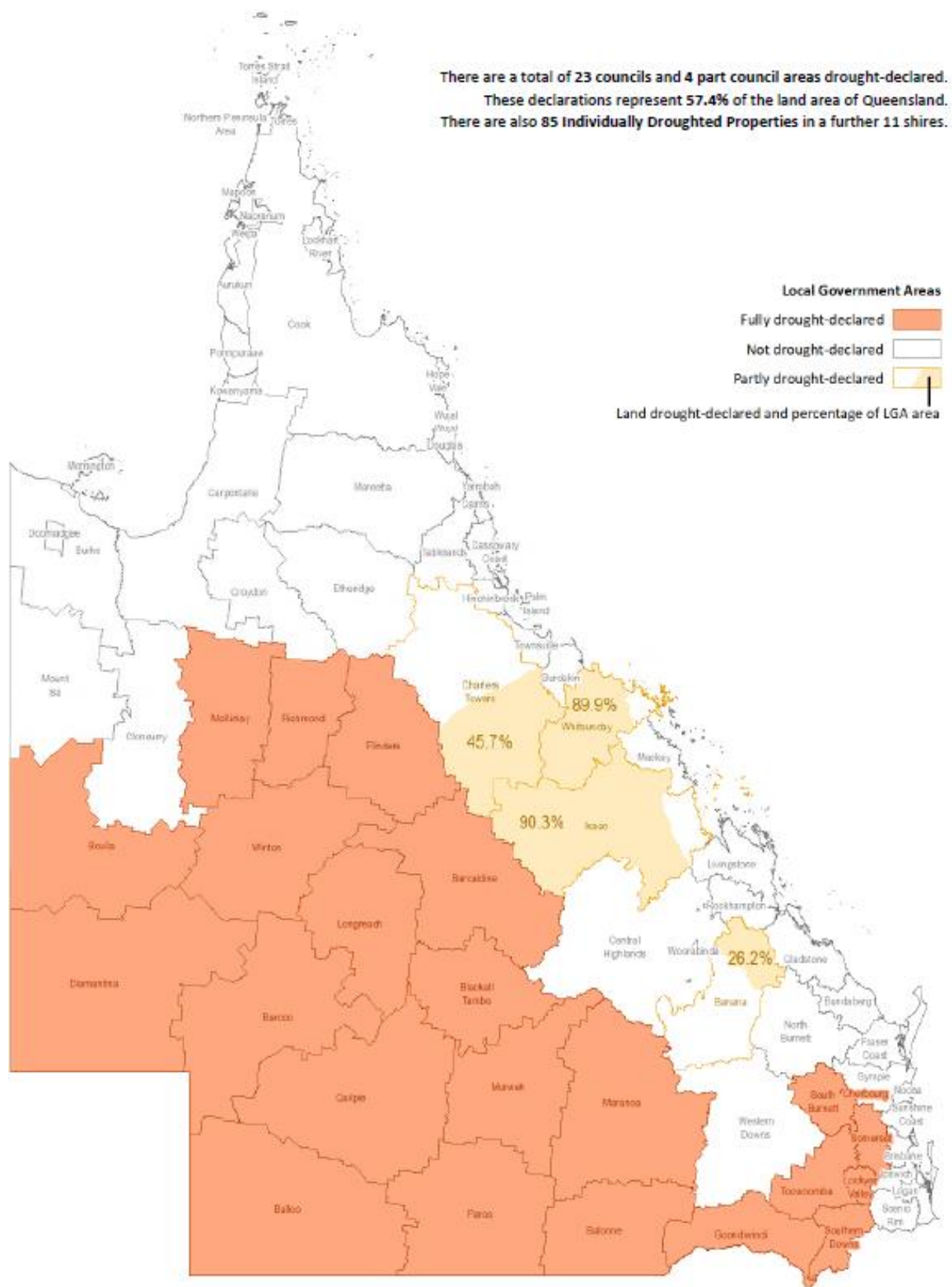
The table below provides information on official drought declarations since 2011-12 and the figure on the following page outlines current drought-declared areas across the state.

Table 7.1: Drought Declarations

	Council	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
NORTH WEST	Burke					Full: 1 May 2015 - 1 May 2017		
	Carpentaria					Full: 1 May 2015 - 1 May 2017		
	Cloncurry			Full: 1 Apr 2013 - 1 May 2016				
	Doomadgee					Full: 1 May 2015 - 1 May 2017		
	Flinders					Full: Since 1 Apr 2013		
	McKinlay					Full: Since 1 Apr 2013		
	Mount Isa			Full: 15 May 2013 - 2 May 2017				
	Richmond					Full: Since 1 Apr 2013		
CENTRAL WEST	Barcaldine			Part		Full: Since 1 Jan 2014		
	Barcoo					Full: Since 1 Jun 2013		
	Blackall-Tambo			Part		Full: Since 1 Sep 2013		
	Boulia					Full: Since 1 Apr 2013		
	Diamantina					Full: Since 1 Apr 2013		
	Longreach			Part		Full: Since 1 Jan 2014		
	Winton					Full: Since 1 Jun 2013		
SOUTH WEST	Balonne			Part		Full: Since 1 Oct 2013		
	Bulloo					Full: Since 1 Jan 2014		
	Maranoa			Part		Full: Since 1 Oct 2013		
	Murweh					Full: Since 1 Apr 2013		
	Paroo					Full: Since 1 Apr 2013		
	Quilpie					Full: Since 1 Jul 2013		

Source: Queensland Government (2018).

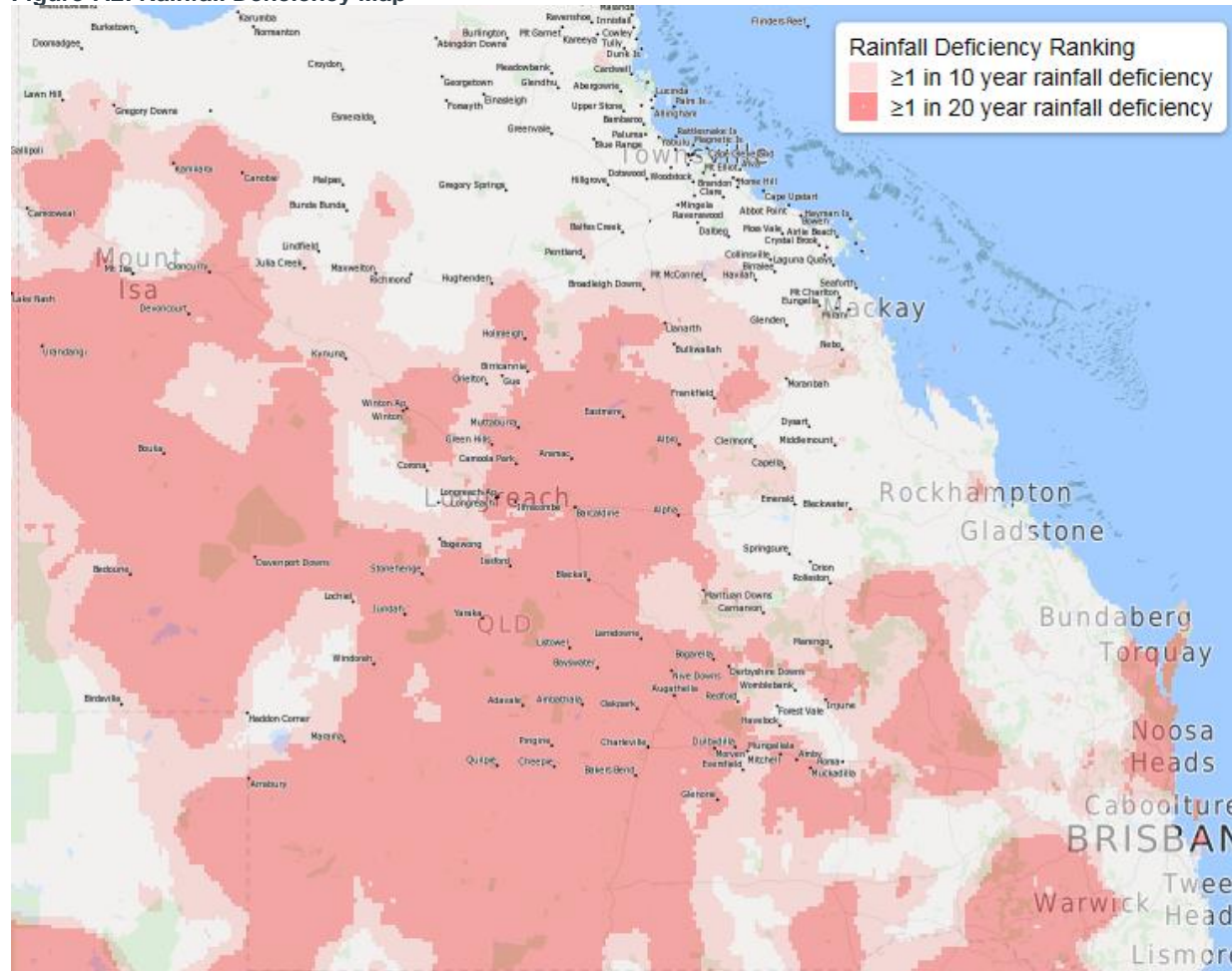
Figure 7.1: Current Drought Declaration Status, 1 August 2018



Source: Queensland Government (2018).

The figure below provides information on areas within Queensland with extreme rainfall deficiency rankings, and highlights that despite some North West, Central West and South West Council areas not being officially drought declared (e.g. areas of Mount Isa), they remain in significant rainfall deficiency.

Figure 7.2: Rainfall Deficiency Map



Notes: Rainfall deficiency is used to describe the situation where there has been less rainfall over a given period (in this case any period between 12 and 24 months in the latest two-year period), when compared with similar periods over the whole historical record (since 1900). A **1 in 20** rainfall event is an indication of how many times such low rainfall would be likely to occur at a location in a 20 year period: so for every 20 years you could expect to get low rainfall like this just once. This is also, more accurately, known as being at or below the **5th percentile** (or within the lowest 5% of rainfall records). Similarly, a **1 in 10** rainfall event is used to show where rainfall is at or below the **10th percentile** (or within the lowest 10% of rainfall records).
 Source: BoM (2018).

8. FINANCIAL SUSTAINABILITY

Given their heavy limited population (and ratepayer) base, vast service areas, high infrastructure investments relative to the rate base, heavy reliance on external grant funding, volatility in grant funding, the Federal Government freeze in Financial Assistance Grants, and challenging economic conditions, rural and remote Queensland Councils in the North West, Central West and South West generally struggle to consistently balance their operating position.

The limited rate base of most Councils means that own source revenue cannot replace any loss in funding, and as such essential infrastructure and service provision to local communities is placed at risk as is their ongoing financial sustainability.

The total value of all operating deficits across the three regions in 2015-16 was \$53.778 million, followed by \$31.130 million in 2016-17 when adjusting operating positions for the prepayment of the Financial Assistance Grants for 2017-18 made in June 2017.

Of the 21 North West, Central West and South West Councils, 17 were in deficit in 2015-16 and 13 were in deficit in 2016-17.

Table 8.1: Operating Surplus/(Deficit), \$'000

	Council	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Adjusted	Deficit Years
NORTH WEST	Burke	-\$6,709	\$7,113	-\$5,037	-\$1,187	-\$5,425	\$676	4
	Carpentaria	\$469	-\$459	\$2,907	\$5,519	-\$6,213	-\$1,322	3
	Cloncurry	\$336	\$2,234	\$1,428	\$138	-\$1,216	-\$1,964	2
	Doomadgee	-\$993	-\$2,139	\$4,258	-\$752	-\$1,812	n.a.	4
	Flinders	\$4,544	\$4,511	-\$1,100	\$1,407	\$961	\$3,767	1
	McKinlay	\$3,042	-\$990	-\$1,643	-\$803	-\$1,634	\$1,242	4
	Mount Isa	\$478	\$2,606	-\$1,803	\$439	\$1,725	\$4,942	1
	Richmond	\$251	\$5,260	-\$1,634	-\$3,737	-\$3,498	-\$3,800	4
	Total NW	\$1,420	\$18,136	-\$2,624	\$1,024	-\$17,112	\$3,541	
# of Deficits	2	3	5	4	6	3	23	
CENTRAL WEST	Barcardine	\$2,648	-\$1,606	-\$3,633	-\$1,994	-\$2,263	-\$5,932	5
	Barcoo	-\$563	\$1,978	-\$1,257	-\$695	-\$2,591	-\$4,546	5
	Blackall-Tambo	-\$683	-\$18,427	\$6,566	\$3,651	-\$1,358	-\$1,521	4
	Boulia	\$3,979	\$2,366	-\$2,659	-\$364	-\$1,837	-\$1,010	4
	Diamantina	-\$3,324	\$16,153	\$2,834	-\$4,860	-\$2,263	-\$5,751	4
	Longreach	\$3,720	\$1,382	\$162	\$4,374	-\$4,743	\$4,269	1
	Winton	-\$2,318	\$2,408	\$154	\$3,028	\$1,365	-\$839	2
	Total CW	\$3,459	\$4,254	\$2,167	\$3,140	-\$13,690	-\$15,329	
# of Deficits	4	2	3	4	6	6	25	
SOUTH WEST	Balonne	\$14,842	-\$15,624	-\$233	-\$511	-\$2,732	-\$2,838	5
	Bulloo	\$4,254	\$409	-\$3,411	-\$3,764	\$409	\$260	2
	Maranoa	\$5,637	-\$9,782	-\$7,729	-\$4,899	-\$13,854	-\$11,351	5
	Murweh	-\$267	\$372	-\$1,756	-\$2,954	-\$2,510	-\$1,349	5
	Paroo	\$1,217	-\$2,321	-\$3,522	-\$2,092	-\$4,044	-\$4,233	5
	Quilpie	\$1,210	-\$829	-\$3,267	\$6,729	-\$244	\$171	3
	Total SW	\$26,892	-\$27,775	-\$19,918	-\$7,491	-\$22,975	-\$19,341	
# of Deficits	1	4	6	5	5	4	25	

Notes: 2016-17 outcomes have been adjusted by removing the 50% prepayment made to Councils. No adjustments have been made to previous years for any prepayments. Doomadgee 2016-17 audited financial statements not yet available.

Source: Council Annual Reports.

The table below indicates the Operating Surplus Ratio for each North West, Central West and South West Council, as measured by the operating surplus/(deficit) divided by operating revenue. For some Councils, a 10% to 30% increase in total operating revenue – including rates and charges, operating grants and other revenue – is required to overcome sustained operating deficits.

Table 8.2: Operating Surplus/(Deficit) Ratio

	Council	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Adjusted
NORTH WEST	Burke	-40.2%	44.0%	-72.4%	-12.3%	-42.5%	3.7%
	Carpentaria	1.0%	-1.0%	5.0%	8.2%	-13.1%	-2.6%
	Cloncurry	1.5%	9.0%	6.5%	0.6%	-4.9%	-6.7%
	Doomadgee	-14.7%	-28.0%	34.1%	-8.4%	-13.6%	n.a.
	Flinders	19.6%	13.0%	-4.5%	5.5%	5.4%	14.2%
	McKinlay	10.8%	-8.0%	-9.3%	-6.1%	-12.7%	6.5%
	Mount Isa	1.1%	6.0%	-3.9%	0.9%	3.3%	8.5%
	Richmond	1.6%	21.0%	-12.0%	-32.1%	-32.8%	-23.2%
CENTRAL WEST	Barcaldine	6.4%	-3.6%	-11.1%	-6.3%	-9.5%	-24.4%
	Barcoo	-3.1%	12.0%	-7.3%	-6.4%	-16.0%	-20.4%
	Blackall-Tambo	-2.8%	-71.0%	12.7%	12.3%	-7.3%	-7.4%
	Boulia	19.8%	12.0%	-29.4%	-3.6%	-12.8%	-6.1%
	Diamantina	-8.2%	30.2%	9.9%	-29.4%	-11.5%	-31.6%
	Longreach	11.0%	3.9%	0.5%	11.6%	-14.2%	11.1%
	Winton	-15.2%	13.0%	0.9%	16.2%	7.9%	-5.1%
SOUTH WEST	Balonne	28.3%	-27.7%	-0.8%	-2.3%	-13.4%	-13.5%
	Bulloo	18.8%	3.0%	-26.6%	-25.9%	3.0%	1.7%
	Maranoa	5.2%	-7.2%	-6.7%	-5.2%	-18.3%	-15.4%
	Murweh	-1.0%	1.3%	-9.4%	-16.6%	-14.2%	-6.0%
	Paroo	3.6%	-16.6%	-21.4%	-16.1%	-28.2%	-25.0%
	Quilpie	5.5%	-2.0%	-10.2%	25.8%	-1.1%	1.0%

Notes: 2016-17 outcomes have been adjusted by removing the 50% prepayment made to Councils. No adjustments have been made to previous years for any prepayments. Doomadgee 2016-17 audited financial statements not yet available.
Source: Council Annual Reports.

It should be noted here that many North West, Central West and South West Councils received flood damage and other special grants during the assessment period that can distort the numbers on a year to year basis, given that some funding amounts may include prepayments.

REFERENCES

ABS (2018). *Regional Population Growth, Australia, 2016-17*, Cat no. 3218.0, Australian Bureau of Statistics, Canberra.

Australian Government Bureau of Meteorology (BoM) (2018). *Rainfall Deficiencies*, <http://www.bom.gov.au/climate/>.

Queensland Government (2018). *Queensland Drought Situation August 2018*, <https://www.longpaddock.qld.gov.au/drought/drought-declarations>.

Queensland Government Department of Local Government, Racing and Multicultural Affairs (DLGRMA) (2018). *Financial Assistance Grant*, <https://www.dilgp.qld.gov.au/local-government/governance/financial-assistance-grant.html>.

Queensland Local Government Grants Commission (2017). *Annual Report 2016*, State of Queensland, July 2017, Brisbane.

Council Annual Reports 2011-12 to 2016-17.

BRISBANE

Level 5, 131 Leichhardt Street
Spring Hill QLD 4000
Australia
T: +61 (0)7 3831 0577

MELBOURNE

Level 13, 200 Queen Street
Melbourne VIC 3000
Australia
T: +61 (0)3 8648 6586

SYDNEY

Level 14, 25 Bligh Street,
Sydney NSW 2000
Australia
T: +61 (0) 2 9283 8400

BANGKOK

2024/129-130 Sukhumvit 50
Prakanong Klongtoey,
Bangkok, Thailand 10260
T: +66 2 107 0189

DARWIN

Level 1, 48-50 Smith Street
Darwin NT 0800
Australia
T: 1300 799 343

PERTH

Level 2, 580 Hay Street
Perth WA 6000
Australia
T: +61 (0) 8 6555 4940

TOWNSVILLE

233 Flinders Street East
Townsville QLD 4810
Australia
T: +61 (0)7 4771 5550

SHANGHAI

46F Hongkong New World Tower
300 Huahai Road Central
200021 China
T: +8621 6135 2310

aecgrouppltd.com

OUTCOME DRIVEN

