7 Intergovernmental financial relations

Features

- Queensland is the only state to receive less GST revenue in 2019-20 compared to 2018-19. Queensland's GST revenue will be lower in 2019-20 primarily because the Australian Government has significantly revised down the growth of the GST pool from 2018-19 and accepted the Commonwealth Grants Commission's assessment that Queensland should receive a smaller share. This reflects improved mining royalties, lower natural-disaster-related expenditure, and a greater share of payments for specific purposes.
- The integrity of horizontal fiscal equalisation (principle of GST distribution) is at risk due to actions of the Australian Government. The Australian Government has legislated changes that have weakened the principles underpinning horizontal fiscal equalisation. It has also interfered with the independence of the Commonwealth Grants Commission by instructing the Commission to cease reviewing its mining revenue assessment as part of its 2020 Methodology Review. Without the Commission's proposed changes (due to come into effect in 2020-21), Queensland will continue to unfairly lose most of its coal seam gas royalty revenue through GST distribution.
- Australian Government payments comprise approximately 44.5 per cent of Queensland's General Government revenue.
- The Australian Government estimates that it will provide the Queensland Government $26.902 billion in 2019-20 ($360 million less than in 2018-19), comprising:
  - $14.214 billion in payments for general revenue assistance (share of GST revenue) ($227 million less than 2018-19)
  - $12.688 billion in payments for specific purposes ($134 million less than in 2018-19).
- Payments for specific purposes in 2019-20 comprise:
  - $4.902 billion for National Health Reform
  - $4.771 billion for Quality Schools
  - $0.320 billion for National Housing and Homelessness
  - $2.388 billion for National Partnership payments (e.g. Infrastructure Investment Program and Disaster Recovery Funding Arrangement)
  - $0.308 billion for National Specific Purpose Payments (National Skills and Workforce Development).
- Payments to Queensland for specific purposes will be lower in 2019-20 primarily due to the redirection of funding to the National Disability Insurance Scheme (NDIS), an upfront payment in 2018-19 for disaster-affected primary producers in north Queensland, and seven non-infrastructure National Partnership Agreements expiring on 30 June 2019.
- Despite repeated requests, the Australian Government has not allocated funding for Queensland's Cross River Rail project or remote Indigenous housing.

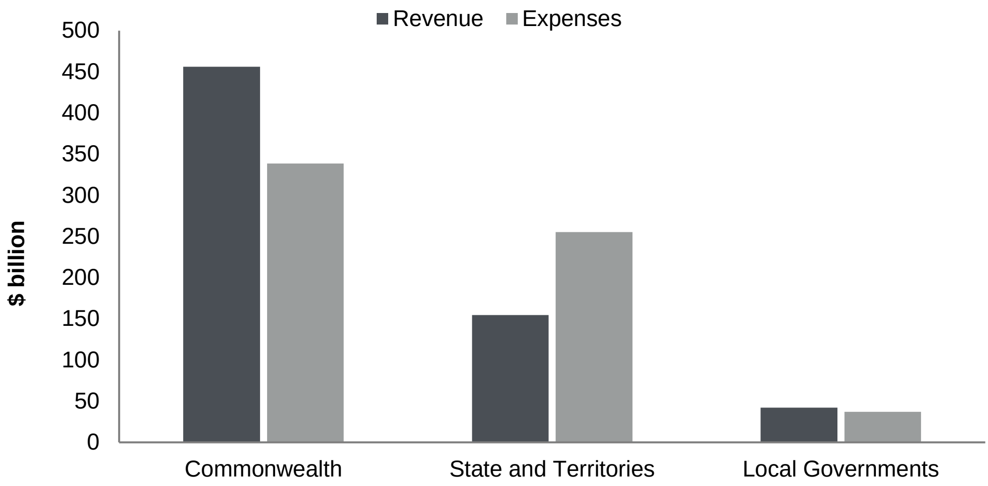
7.1 Federal financial arrangements

Vertical Fiscal Imbalance

Federal financial relations in Australia are characterised by different levels of government sharing responsibility for raising revenue and delivering services to communities. State and territory governments' ability to raise revenue is less than required to meet their service delivery responsibilities. Conversely, the Australian Government raises more revenue than is required to meet its service delivery responsibilities. This is called vertical fiscal imbalance (VFI), and requires the sharing of revenue between the Australian Government and states and territories.

In 2017-18, the Australian Government collected the majority of taxation revenues (80.7%), while states and territories (states)[1] collected 15.9% and local governments the remaining 3.4%[2]. Chart 7.1 illustrates the revenue and expense disparity between the different levels of government.

Chart 7.1 Own-source revenue and expenses by levels of government, 2017-18[1,2]



Notes:

1. Revenue calculated as total revenue minus grant revenue.
2. Expenses calculated as total expenses minus grant expenses.

Source: ABS 5512.0 2017-18.

[1] States refers to states and territories unless otherwise specified.

[2] ABS Government Finance Statistics Cat No. 5506.0

In Australia, VFI is addressed through a system of intergovernmental payments from the Australian Government to the states which allows them to meet their service delivery and infrastructure responsibilities. The Australian Government makes two types of payments:

- general revenue assistance payments (e.g. shares of GST revenue) which can be used by states for any purpose (untied funding)
- payments for specific purposes (tied funding) such as National Specific Purpose Payments (SPPs, contribution toward states' service delivery) and National Partnership payments (NPs; funding to support the delivery of specific outputs or projects and to facilitate and incentivise reforms).

Without the contribution by the Australian Government, states would not be able to provide essential services and infrastructure to their communities.

Horizontal Fiscal Imbalance and Horizontal Fiscal Equalisation

Another feature of Australian federalism is horizontal fiscal imbalance (HFI). HFI arises from disparities between the states' capacity to raise revenue and deliver services. Some states can raise higher revenue or deliver services at a lower cost compared to other states. Over time, this can distort capital and labour mobility towards states providing higher level of services.

To address HFI, GST revenue collected by the Australian Government is distributed to states in a way that ensures each state is provided with the fiscal capacity to deliver the same standard of service and infrastructure to their population no matter where they live. This is known as horizontal fiscal equalisation (HFE).

The Commonwealth Grants Commission (CGC) uses the principles of HFE in recommending to the Australian Government how GST revenue should be distributed to the states. The amount each state receives is a function of the amount of GST revenue collected (the GST pool) and the share of revenue recommended by the CGC.

7.2 Australian Government funding to the states

The Australian Government estimates that it will provide states $127.358 billion in 2019-20, $646 million (0.5%) less than in 2018-19, comprising:

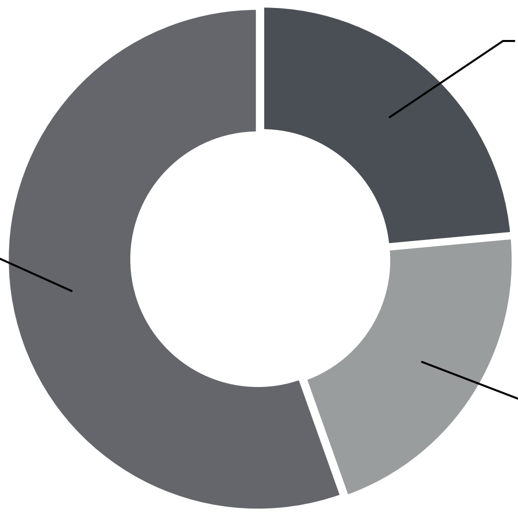
- $67.2 billion in payments as shares of GST revenue, $1.57 billion more than 2018-19
- $58.305 billion in payments for specific purposes, $2.565 billion (4.2%) less than in 2018-19, including:
  - $22.535 billion in National Health Reform funding
  - $20.944 billion in Quality Schools funding
  - $1.565 billion in National Housing and Homelessness funding.
  - $11.55 billion in National Partnership payments (e.g. Infrastructure Investment Program and Disaster Recovery Funding Arrangement (DRFA), and DisabilityCare Australia Fund)
  - $1.712 billion in National Specific Purpose Payments
- $1.853 billion in other payments (e.g. GST top-up and royalty payments).

7.3 Australian Government funding to Queensland

The Australian Government estimates that it will provide Queensland $26.902 billion[1] in 2019-20, $360 million (1.3%) less than in 2018-19.

Australian Government funding is estimated to account for 44.5% of Queensland's total General Government Sector revenue sources in 2019-20 (shown in Chart 7.2).

Chart 7.2 General Government Sector revenue sources, Queensland, 2019-20[1,2]



Notes:

1. Percentage may not add to 100% due to rounding.
2. Queensland own-source revenue figure includes direct Australian Government payments to Queensland departments for Commonwealth own purpose expenditure.

Source: 2019-20 Commonwealth Budget Paper No. 3 and Queensland Treasury estimates.

7.4 GST revenue

GST revenue accounts for all general revenue assistance payments Queensland receives. In 2019-20, Queensland expects to receive $14.214 billion of GST revenue, $227 million (1.6%) less than in 2018-19 (see Chart 7.3).

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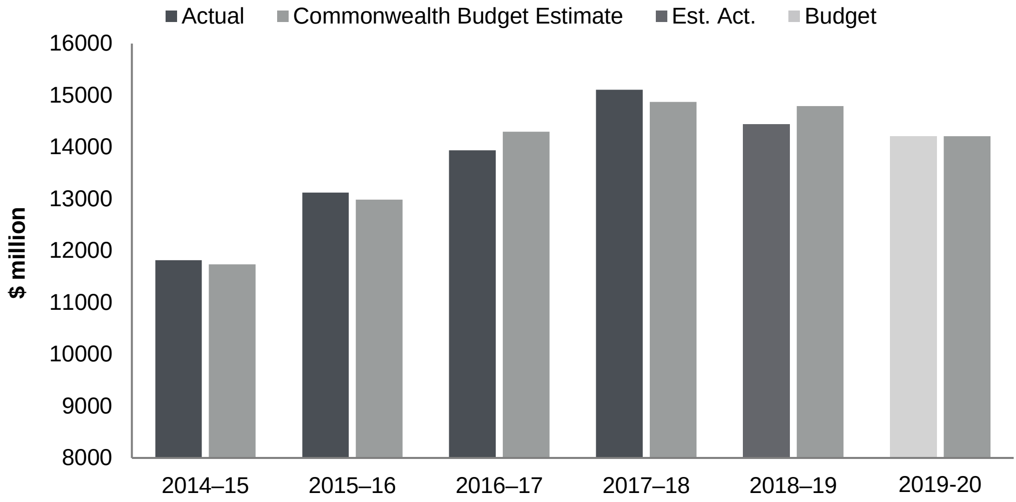
[1] This figure differs to Chapter 4 Australian Government payments estimates, owing to the exclusion of direct Australian Government payments to Queensland departments for Commonwealth own purpose expenditure.

Chart 7.3 Estimated GST payments to Queensland, 2014-15 to 2019-20[1]



Note:

1. Figures include the balancing adjustments which account for differences between the GST paid to states and the final GST pool size and population outcomes in the prior year.

Sources: 2019-20 Commonwealth Budget Paper No. 3 and Queensland Treasury estimates.

The anticipated decrease in GST revenue in 2019-20 is primarily because the Australian Government revised down the growth of the GST pool from 2018-19 by approximately $11 billion over the forward estimates compared to the 2018-19 Commonwealth Budget.

They have also determined that Queensland has improved its fiscal capacity to deliver services relative to other states, and therefore requires a lesser share of GST. Fiscal strength is assessed and recommended by the Commonwealth Grants Commission and expressed numerically as a 'relativity'. In 2019-20, the Australian Government accepted the Commission's recommended relativity for Queensland of 1.05370, down from 1.09584 in 2018-19. As a result, despite the GST pool continuing to grow, albeit slower, Queensland is the only state to receive less GST revenue in 2019-20 than in 2018-19.

Specifically, the Commonwealth Grants Commission recommended a decreased share of GST revenue primarily due to:

- Queensland's value of mining production, particularly coal, has increased substantially, increasing the State's revenue raising capacity
- Queensland required less GST funding to cover natural disaster expenses. In addition, the Commission made a one-off correction to remove local government expenditure from its assessment of Queensland's natural disaster expenses. Queensland has raised concerns with this change as it assumes that local governments do not require the assistance of state governments to recover and it is not a true reflection of the support that the Queensland Government provides

- Queensland's share of payments for specific purposes has increased mainly due to higher shares of payments for health and infrastructure.

Marginal positive influences on Queensland's GST revenue were:

- slower than average growth in the value of property sales in Queensland for the assessment years reduced revenue raising capacity
- Queensland's below average growth in taxable land values reduced the State's revenue raising capacity.

Queensland's GST revenue is also adversely affected by the Australian Government excluding some payments from the GST distribution calculations. These have favoured other states in recent years, for example, funding for hospital infrastructure paid to Western Australia and funding for remote Indigenous housing paid to the Northern Territory. The adverse effect of such payments on Queensland's GST revenue lasts several years. For 2019-20 alone, Queensland's GST revenue is reduced by $282 million compared to 2018-19 because of the exclusions.

The Commission's report on GST Sharing Relativities (2019 Update Report) provides details on the factors that determine Queensland's GST share. It also provides information on Queensland's GST share compared to other states and the reasons underpinning any differences.

The Commission is currently undertaking a comprehensive review of its methodology of assessing states' fiscal strength and recommending shares of GST revenue. This 2020 Methodology Review is due to be completed in 2019-20, with a final report to be provided to the Australian Government and the states by 28 February 2020. Through this review, Queensland aims to ensure the assessment accurately reflects the challenges of delivering services to a large and decentralised state and that the State receives its fair share of GST revenue.

Box 7.1 Changes to HFE

2018 was a disruptive year for horizontal fiscal equalisation, with the Australian Government introducing a series of reforms and undertaking unprecedented actions to selectively interfere with the independence of the Commonwealth Grants Commission; and, at other times, choosing to not intervene when it did not suit the Australian Government's interests.

Australian Government changes to Horizontal Fiscal Equalisation

On 5 July 2018, the Productivity Commission (PC) released its Final Report into Horizontal Fiscal Equalisation that recommended changes to GST distribution.

The Australian Government accepted many of the recommendations and passed the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Bill* on 14 November 2018. Among other things, the Bill legislated:

- 'Top up' payments to Western Australia and the Northern Territory from 2019-20 to 2021-22
- from 2021-22, all states will transition over six years to equalising to the stronger of New South Wales or Victoria, and not to the strongest state
- a GST relativity floor of 0.7 in 2022-23, raised to 0.75 from 2024-25
- a permanent boost to the GST pool. The Australian Government will inject $600 million per annum from 2021-22 and an additional $250 million per year from 2024-25. This funding will continue in perpetuity and grow at the same rate as the GST pool.

In response to states' concerns regarding the changes, the Australian Government legislated a 'no worse off' guarantee and another review by the Productivity Commission. The guarantee ensures that all states will receive GST revenue that is the better of the current distribution system or the new system over the transition period (2021-22 to 2026-27); and the Productivity Commission must conduct an inquiry by December 2026 to assess whether the updated distribution system is operating efficiently, effectively and as intended.

Australian Government interference in the 2020 Methodology Review

Every five years, the Commission undertakes a comprehensive review of its methodology for assessing states' fiscal strength and recommending shares of GST revenue. It is a rare opportunity to improve a 20-year-old system that accounts for approximately one quarter of Queensland's revenue.

Through the normal course of the review, the Commission proposed changes to the mining revenue assessment that improved its fairness and ensured that individual state policies do not have an undue influence on shares of GST. However, the Australian Government has taken an unprecedented step to instruct the Commission to not make any changes to the assessment. Without changes to the assessment (due to come into effect in 2020-21), Queensland will continue to lose most of the royalties collected from the State's growing coal seam gas industry through GST distribution because other states have chosen not to invest in this sector.

Disaster Recovery

The Commission unilaterally decided to adjust its method for assessing natural disaster expenditure, and no longer considers state government expenditure on disaster-affected local government assets to be necessary.

Queensland is the most disaster impacted state in Australia, and this change is not reflective of the support the Palaszczuk Government provides local governments.

The Australian Treasurer declined to intervene and prevent the Commission's methodology changes when requested by the Queensland Government, despite having the authority to do so. Queensland will lose out on its fair share of GST revenue from 2019-20 as a result. This change places additional strain on Queensland's budget and increases the fiscal burden when helping local governments recover from natural disasters.

7.5 Payments to Queensland for specific purposes

In 2019-20, Queensland expects to receive $12.688 billion in payments for specific purposes, $134 million (1.0%) less than in 2018-19.

Table 7.1 Estimated Payments to Queensland for Specific Purposes[1]

	2017-18 Actual $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million
National Specific Purpose Payments[2,3]	925	673	308
National Health Reform funding	4,289	4,709	4,902
Quality Schools funding	4,163	4,474	4,771
National Housing and Homelessness funding[3]	..	314	320
National Partnership Payments (incl. DRFA[4])	2,202	2,652	2,388
Total payments for specific purposes	11,579	12,822	12,688

Notes:

1. Numbers may not add due to rounding.
2. From 2019-20, the National Disability SPP will be redirected to the National Disability Insurance Agency to support implementation of the NDIS in Queensland.
3. From 2018-19, funding under the National Affordable Housing SPP and the National Partnership Agreement on Homelessness is combined under the National Housing and Homelessness Agreement.
4. The new Australian Government Disaster Recovery Funding Arrangements (DRFA) will apply from 1 November 2018 for eligible events that occur on or after that date. All eligible events occurring up to and including 31 October 2018 will be governed by the Natural Disaster Relief and Recovery Arrangements.

Sources: 2019-20 Commonwealth Budget Paper No. 3 and Queensland Treasury estimates.

Payments for specific purposes comprise funding for National Health Reform, Quality Schools, National Housing and Homelessness, National Specific Purpose Payments (SPPs) and National Partnership (NP) payments.

In 2019-20, National Health Reform funding accounts for 38.6% of the total payments for specific purposes. National Health Reform funding is estimated to increase by $193 million (or 4.1%) from 2018-19. Queensland projections of National Health Reform funding differ from the projections contained in the 2019-20 Commonwealth Budget. Australian Government projections assume higher activity growth than projected in service agreements between the Queensland Department of Health and Hospitals and Health Services. Actual National Health Reform payments vary from estimates provided in budget papers as they are based on actual public hospital activity delivered each year.

Quality Schools funding, which accounts for 37.6% of the total payments for specific purposes, is expected to increase by 6.7% to $4.771 billion in 2019-20 compared to 2018-19.

The growth embedded in these agreements with the Australian Government is one of the primary drivers of the growth in health and education expenditure and employee numbers, the effects of which can be seen in Chart 5.3.

National Housing and Homelessness funding commenced on 1 July 2018 and is expected to increase by $6 million (or 1.9%) in 2019-20 compared to the previous year.

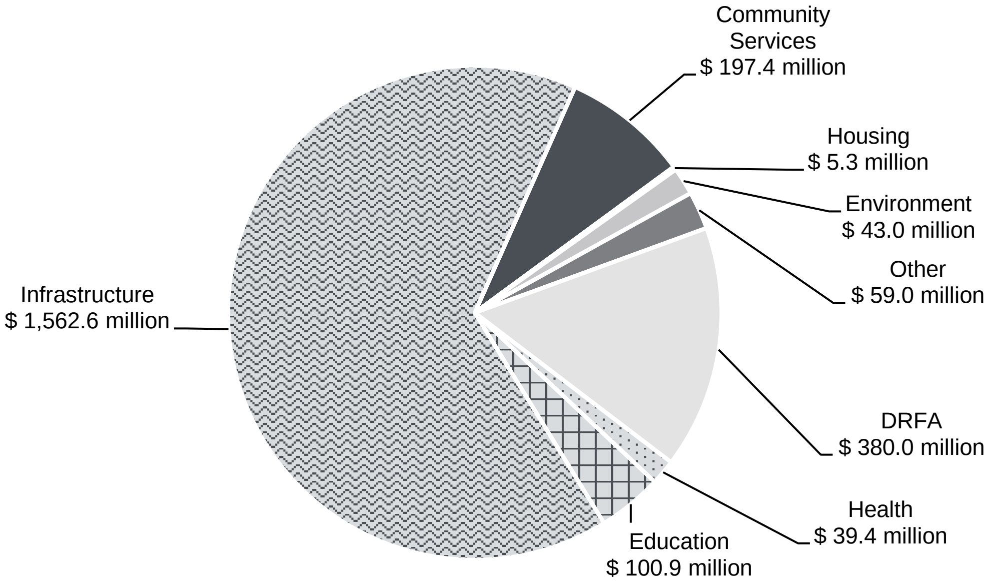
National Specific Purpose Payments (SPPs), which encompass 2.4% of the total payments for specific purposes, are expected to decrease by 54.2% to $308 million in 2019-20 compared to 2018-19. The reduction is due to funding under the National Disability SPP being redirected to support implementation of the NDIS in Queensland from 2019-20.

National Partnership payments (including Disaster Recovery Financial Assistance (DRFA)), which account for 18.8% of the total payments for specific purposes, is expected to decrease by 10% to $2.388 billion in 2019-20 compared to 2018-19. A significant proportion of National Partnership payments is allocated to infrastructure, DRFA, community services and education (refer to Chart 7.4).

The reduction in payments for specific purposes between 2018-19 and 2019-20 is mainly due to:

- funding for the National Disability SPP will be redirected, from 2019, to support the implementation of the NDIS
- the Australian Government made an upfront payment in 2018-19 for a three-year agreement to assist disaster-affected primary producers in North and Far North Queensland
- seven non-infrastructure National Partnership Agreements will expire on 30 June 2019.

Chart 7.4 National Partnership Payments by sector, 2019-20[1]



Note:

1. Excludes Australian Government direct funding to local government.

Sources: 2019-20 Commonwealth Budget Paper No. 3 and Queensland Treasury estimates.

Box 7.2 Key impacts of 2019-20 Commonwealth Budget

Infrastructure

In the 2019-20 Commonwealth Budget, the Australian Government announced funding of $4 billion over the next decade for new land transport infrastructure projects in Queensland. However, most of the funding is not provided until beyond the forward estimates.

Projects include:

- $800 million for the Gateway Motorway extension from Bracken Ridge to Pine River
- $320 million for Warrego Highway upgrades between Ipswich and Toowoomba
- $287 million for the Cairns Ring Road
- $1 billion under the Roads of Strategic Importance initiative, including $200 million for the Tennant Creek to Townsville corridor and $50 million for the Toowoomba (Gore Highway) to Seymour corridor
- $379 million for projects under the Urban Congestion Fund, including $50 million for the M1 intersection upgrades.

The Commonwealth Budget also allocated $172.9 million under the proposed Regional Deal for Bundaberg and Hervey Bay to support local community and transport infrastructure projects.

There is no funding allocated in the Commonwealth Budget for the Cross -River Rail project.

North Queensland flood recovery

The Australian Government has provided $232 million in 2018-19 under Disaster Recovery Funding Arrangements to support North Queensland communities recover from the impacts of the 2019 floods.

In addition, the 2019-20 Commonwealth Budget provided $300 million in 2018-19 to assist Queensland primary producers impacted by the North and Far North Queensland monsoon trough (25 January to 14 February 2019). Funding will be provided through grants to purchase on-farm infrastructure, replace livestock and replant crops.

Health

The Australian Government is providing $1.3 billion Australia-wide over seven years from 2018-19 through the Community Health and Hospitals Program to boost health services (state allocations yet to be finalised). The Program includes $60 million to support the James Cook University Tropical Enterprise Centre in Queensland and $24 million to improve health outcomes for individuals living with brain and spinal cord injuries in Queensland.

Environment

The Australian Government is providing $9.2 million towards controlling yellow crazy ants in the Wet Tropics World Heritage Area in Queensland, $18.3 million has been brought forward across three years from 2018-19 to help eradicate red imported fire ants in Queensland.

7.5.1 Projections of payments for specific purposes to Queensland

Across the forward estimates, total payments for specific purposes are expected to steadily increase, with average growth of approximately 5% between 2019-20 and 2022-23.

National Health Reform funding for Queensland is expected to increase by an average of 5.8% per annum from 2019-20. Under the Addendum to the National Health Reform Agreement, the Australian Government will fund 45% of efficient growth in hospital activity subject to a national growth cap of 6.5% per annum. Current estimates are based on this methodology; however, funding is subject to Queensland agreeing to the Addendum to the National Health Reform Agreement, including an agreed mechanism for finalising future National Health Reform funding determinations in a timely manner.

Growth in Quality Schools funding for Queensland is expected to average 6.1% per annum between 2019-20 and 2022-23 as a result of enrolment growth and increased per student funding. In December 2018, the Queensland Government signed the National Schools Reform Agreement and associated bilateral agreement with the Australian Government, securing Australian Government funding for Queensland schools for five calendar years, 2019 to 2023. Under the agreement, Queensland is expecting to receive $8.381 billion for state schools and $12.665 billion (including GST) for non-government schools from 2019-20 to 2022-23.

7.5.2 Expiring agreements

The original intent of the Intergovernmental Agreement on Federal Financial Relations was to limit the number of NPs, allowing for funding to flow to states for efficient service delivery and reduce the reporting burden. However, over time, the number of time-limited and low value NPs has increased, raising community expectations for ongoing services and reducing budget certainty.

When agreements expire, states are left with limited opportunities to deal with the expiring NP as the final decision on continued funding is made through the Australian Government's budget process. The expiry of many large NPs over the last few years, such as the National Partnership on Remote Housing and the National Partnership on Skills Reform, has brought the risks posed by fixed-term funding arrangements into sharp focus. Unilateral termination by the Australian Government of funding for essential programs, with little or no advice, impacts on the ability of the states to plan ahead and continue delivering essential services to communities. Early indication as to the continuation, lapse or other treatment of funding under expiring agreements is necessary to enable states to undertake effective service delivery and budgetary planning.

There are seven non-infrastructure NPs due to expire on 30 June 2019:

- Public Dental Services for Adults
- National Quality Agenda for Early Childhood Education and Care
- Family Advocacy and Support Services
- Pay Equity for the Social and Community Services Sector
- Managing Established Pest Animals and Weeds
- Pest Animals and Weed Management in Drought Affected Areas
- National Water Infrastructure Development (feasibility component)

A further 11 expire on 30 June 2020:

- Hummingbird House
- OzFoodNet program
- Addressing blood-borne viruses and sexually transmissible infections in the Torres Strait
- Mosquito control and cross border liaison in the Torres Strait protected zone
- Managing Torres Strait/Papua New Guinea cross border health issues
- Vaccine preventable diseases surveillance program
- Universal access to early childhood education – 2018 and 2019
- Implementing water reform in the Murray-Darling Basin
- Women's safety package – technology trials
- Legal assistance services
- Prepared communities (preparedness and resilience to disasters).

The 2019-20 Commonwealth Budget commits funding for some of these but, at the time of preparing this Budget, formal arrangements are not in place that guarantee their continuation. Queensland's priority agreements for extension include the NPs on Universal Access to Early Childhood Education, Public Dental Services for Adults and Legal Assistance Services. Also, Queensland is seeking renewal of the NP on Remote Housing which expired on 30 June 2018; no funding was allocated for remote Indigenous housing to Queensland in the 2019-20 Commonwealth Budget.

Queensland will continue to engage with the Australian Government to progress these agreements, noting the 2019-20 Commonwealth Budget committed to extending funding for:

- Universal Access to Early Childhood Education is proposed to be extended to the 2020 school year. This will be the sixth short-term extension for this agreement since 2008. $86.6 million will be available to Queensland for 2019-20 under the NP
- Public Dental Services for Adults is proposed to be extended until 30 June 2020. Queensland is expecting $21.7 million under the extension

- Legal Assistance Services is proposed to be extended and will receive funding of $1.2 billion nationally (state allocations yet to be finalised) over three years from 2020-21, including services delivered by Legal Aid Commissions, Community Legal Centres and Aboriginal and Torres Strait Islander Legal Services. The funding is intended to be delivered through a new, single national mechanism for Commonwealth legal assistance from 1 July 2020.

There is no funding allocated to Queensland for remote Indigenous housing in the 2019-20 Commonwealth Budget.

When the Australian Government decides to cease funding for expiring agreements, it presents a significant ongoing fiscal risk for states, with impacts on the quality and continuity of much needed services delivered to some of the most vulnerable members of the community.

7.6 State-local government financial relations

In 2019-20, the Queensland Government will provide a total of $1.468 billion in grants to local governments, compared to $2.067 billion in 2018-19. The lower level of grants to local governments in 2019-20 is mainly due to early payment of Financial Assistance grants by the Australian Government, a bring forward of grants under the Works for Queensland program, and the early payment of grants as part of the Waste Levy scheme.

Table 7.2 Estimated Payments to Queensland for Specific Purposes[1,2]

	2018-19 Budget $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million
Aboriginal and Torres Strait Islander Partnerships	7	5	8
Child Safety, Youth and Women	2	..	..
Communities, Disability Services and Seniors	60	58	59
Education	2	2	2
Environment and Science[3]	61	152	8
Employment, Small Business and Training	..	6	6
Housing and Public Works	81	76	83
Innovation, Tourism Industry Development and the Commonwealth Games	2	3	3
Local Government, Racing and Multicultural Affairs[4]	559	814	437
Natural Resources, Mines and Energy[5]	..	160	55
Premier and Cabinet	1	1	..
Queensland Fire and Emergency Services	2	2	2
Queensland Treasury	2	7	7
State Development, Manufacturing, Infrastructure and Planning[6]	544	491	391
Transport and Main Roads[7]	213	265	187
Other[8]	132	25	220
Total Queensland Government grants	**1,667**	**2,067**	**1,468**

Notes:

1. Includes current, capital and asset grants to local government authorities and Aboriginal and Islander councils. Includes Australian Government grants paid through the state to local governments.
2. Numbers may not add due to rounding.
3. The increase in 2018-19 is primarily related to new funding for payments to local councils for commencement of the Queensland Waste Levy on 1 July 2019. The reduction in 2019-20 is primarily due to Local Government payments relating to the Waste Levy not being reflected in the 2019-20 budget as the payment in 2018-19 was for 2019-20 operations. Other planned programs in 2019-20 include a capital grant for the Rockhampton Art Gallery.
4. Increase in 2018-19 Estimated Actual is principally due to the advance payment for the Financial Assistance Grants in June 2019 that applies to 2019-20. Decrease is due to the advance payment of the 2019-21 Works for Queensland program in May 2019 and the advance payment for the Financial Assistance Grants in June 2019 that applies to 2019-20.
5. The reduction in 2019-20 is due to the grant funding for the Haughton Water Pipeline Duplication (HWPD) Project being realigned more closely with the Townsville City Council's expenditure.
6. Reduction from 2018-19 Budget to Estimated Actual is due to lower than expected payments under the Royalties for the Regions (R4R) and Building our Regions (BoR) grant programs. Additionally, the decrease from the 2018-19 budget to 2019-20 is primarily due to movements in expected payments under Disaster Recovery Funding Arrangements, with 2018-19 including progress payments for a suite of recovery projects funded by the Queensland Government following Severe Tropical Cyclone (STC) Debbie.
7. Increase in 2018-29 Estimated Actual primarily due to increased expenditure on local roads under the Commonwealth funded Cape York Region package and Improving Cattle Supply Chains. Decrease in 2019-20 Budget primarily due to reduction in capital projects on local roads, completion of payments under the Commonwealth funded Cape York Region Package and reduction in payments under the Commonwealth Funded Bridges Renewal Program.
8. Grants not yet allocated to government agencies, largely in relation to natural disaster relief.

The Queensland Government allocates considerable funding in the State Budget to support local governments across the State. The Queensland Government acknowledges the shared responsibilities in serving the people of Queensland and the important role local governments play. A summary of the major grant programs available to local governments are listed below.

Table 7.3 Grant programs exclusively available to local government

Program Name (Responsible Agency)	Description	Total Funding (from 2015-16 to 2022-23)
Works for Queensland	Support local governments in regional areas to undertake job-creating maintenance and minor infrastructure works.	$600 million
Transport Infrastructure Development Scheme[1]	Provide targeted investment in regional local government transport infrastructure.	$560 million
Building our Regions[1]	Provide funding for critical infrastructure in regional areas to support economic development, including generating jobs.	$365 million
Local Government Grants and Subsidies Program	Provide funding for priority infrastructure projects that will enhance sustainable and liveable communities.	$29 million per annum
Coastal Hazard Adaptation Program - QCoast_{2100}	Assist coastal local governments to prepare plans and strategies for addressing climate change.	$12 million
Queensland Water Regional Alliances Program	Assist regional councils to collaborate and improve efficiencies and administration around water infrastructure.	$6 million

Note:

1. The $560 million includes $150 million which falls under the Building Our Regions Program.

In addition to the above grant programs, the Government has provided additional funding of $38 million over four years from 2018-19 to establish the Disaster Resilience Fund. This fund administered by the Queensland Reconstruction Authority, will be available to a range of organisations including local governments, to deliver mitigation and resilience projects.

The Queensland Reconstruction Authority also administers the Disaster Recovery Funding Arrangements which is a joint funding initiative of the State and Australian Governments to provide disaster relief and recovery payments to help communities recover following the effects of natural disasters. Under these arrangements the State contributes significant funding (approximately $700 million) to provide disaster relief and to assist with reconstruction of local government infrastructure damaged during natural disasters. The actual amount will be dependent on the final number of claims submitted.

The Government also understands there are added challenges faced by Indigenous local governments, which are often located in very remote areas of the State, to ensure their communities have access to essential services and critical infrastructure. In response, the Government has allocated substantial additional funding to specifically support Indigenous councils and their communities. A summary of grant programs available to Indigenous councils and their communities are listed below.

Table 7.4 Grant programs to support Indigenous councils and their communities

Program Name	Description	Total Funding (from 2015-16 to 2022-23)
Indigenous Councils Critical Infrastructure Program	Contribute water, wastewater and solid waste infrastructure in Indigenous communities.	$120 million
Major Infrastructure Program	Deliver environmental health and other infrastructure upgrades within the Torres Strait Island Regional Council, Torres Shire Council and Northern Peninsula Area Regional Council areas.	$15 million
State Government Financial Aid	A financial contribution (in lieu of rates) to meet the costs incurred by Indigenous councils in the provision of local government services.	$34.5 million per annum
Indigenous Local Government Sustainability Program (2016-18)	Assist Indigenous councils to increase their capacity, capability and sustainability.	$8.2 million