

# Consultation Paper

## 2023 Review of Local Government Council Categorisation

Queensland Local Government Remuneration  
Commission

July 2023

# Contents

- 1. Introduction and current approach ..... 1
  - Purpose of the paper ..... 1
  - Have your say..... 1
  - About the Commission ..... 1
  - Current approach..... 2
  - Case for change ..... 2
  - Review objective..... 3
- 2. Developing a new approach ..... 4
- 3. Proposed framework ..... 8
- 4. Next steps ..... 11
- 5. Appendix ..... 1

## Section 1

# Introduction and current approach

### Purpose of the paper

The Local Government Remuneration Commission (the Commission) is responsible for establishing and reviewing the categorisation of councils for the purpose of setting maximum remuneration levels for councillors and mayors.

During 2023 the commission is undertaking a remuneration category review.

This paper presents the Commission's review of the existing categories and seeks input from councillors and mayors on the proposed approach for future categorisation.

**Note:** The determination of the maximum remuneration amounts of councillors and mayors is out of scope for this review, given this can only occur once the councils are allocated to a category. The annual review of maximum remuneration will occur after the category review.

### Have your say

The Commission is seeking written input about the proposed framework for future categorisation of councils.

To guide submissions the Commission has included focus questions throughout the Consultation Paper.

You can email submissions to [lgrcenquiries@dsdilgp.qld.gov.au](mailto:lgrcenquiries@dsdilgp.qld.gov.au) with the subject line '2023 Category Review' by COB Friday 28 July 2023.

Submissions received will be considered by the Commission as part of completing the category review.

### About the Commission

The Commission, established under the *Local Government Act 2009* (the Act), has the following functions:

- to establish the remuneration categories of local governments;
- to decide the category to which each local government belongs;
- to decide the maximum amount of remuneration payable to the councillors in each of the categories;
- to consider and make recommendations to the Minister about matters relating to councillor advisors; and
- another function related to the remuneration of councillors directed, in writing, by the Minister.

Decisions of the Commission apply to all councillors, deputy mayors and mayors, except for Brisbane City Council.

The Commission has a statutory obligation to complete a review of the remuneration categories once during each local government term.

## Current approach

There are currently eight council remuneration categories. Generally, the councils with the smallest populations are in category 1 and the council with the highest population is in category 8. A list of the local governments assigned to the current categories can be found in the [Local Government Remuneration Commission Annual Report 2021-22](#).

Historically the method to allocate councils into categories has varied. Between 2007 and 2014, the Commission assigned councils to one of ten categories, however, in 2015 the Commission determined it would discontinue the use of the previously named “special category” and categories 1 and 2. The Commission introduced a new category (category 2) positioned between the previous category 3 and 4 levels and re-numbered the categories as 1 to 8. Neither the 2007 nor 2015 determinations detailed specific category criteria or metrics for the framework.

## Case for change

The members were appointed to the Commission on 1 October 2019. The Commission recognised that the existing categorisation framework has not had any significant updates since 2015. Furthermore, the Commission has recognised that the framework (including the criteria, thresholds and metrics) is not published. Considering this, the Commission wants to ensure that there is a fit for purpose framework to guide Commission decision making in the future.

Shortly after their appointment the Commission maintained the existing categorisation model and ranking system. However, the Commission also recognised that the thresholds and metrics attached to the model are due for modernisation. The existing methodology potentially creates a lack of transparency in decision making and may not provide councils, or the Commission, with a set of well-defined criteria against which council categorisation is considered. This limits the ability for the Commission to be adaptive to change to maintain fit for purpose classification outcomes.

A well-defined framework will improve clarity and equity in categorisation of councils.

Challenges faced by the Commission using the current approach include:

- The existing methodology may not sufficiently achieve objectivity, consistency and transparency against the legislative criteria by which councils are allocated to categories.
- Difficulty in maintaining a consistent classification approach without a clear classification framework.
- Difficulty in assessing ad hoc council submissions seeking classification change on a fair and equitable basis.
- Accounting for the nuances of individual councils in the most equitable manner from a whole of sector perspective.

Given these and other challenges faced by the Commission in maintaining the current approach, there is a need to develop a framework that identifies a contemporary and clearer set of measurable criteria against which councils can be assessed.

**QUESTION – Case for change**

- Do you support the case for change from the existing categorisation framework?

**Review objective**

The Commission is seeking to achieve a documented methodology and categories for determining mayor, deputy mayor and councillor remuneration that:

- is fair, equitable, measurable and transparent;
- balances the requirement to differentiate between local governments with the need for simplicity; and
- supports the attraction and retention of high-quality mayors and councillors and an effective local government sector, while also supporting financially sustainable councils.

The scope of the Commission's category review is focused on the legislative requirements to establish the categories of local government and decide the category that the council belongs. The review is also focused on deriving a contemporary framework that is fit for purpose and can be adjusted over time to respond to significant sectoral challenges.

The determination of the maximum remuneration amounts of councillors and mayors is out of scope for this review, given this can only occur once the councils are allocated to a category. The annual review of maximum remuneration will occur after the category review.

## Section 2

# Developing a new approach

The review has followed a staged approach to the development of the draft framework. The key components of this approach are outlined in this section.

### Component 1: Categorisation criteria considerations

To develop a robust and fit for purpose framework the Commission has considered:

- legislative requirements
  - Section 177 of the *Local Government Act 2009* (the Act) and section 242 of the *Local Government Regulation 2012* (the Regulation);
- council feedback and submissions; and
- review of inter-jurisdictional approaches.

#### Legislative requirements

Section 177 of the Act requires the Commission to create a set of categories of local government for the purpose of councillor and mayoral remuneration. When establishing categories of local governments, section 242 of the Regulation states that the Commission must have regard to—

- the size, and geographical and environmental terrain, of local government areas;
- the population of local government areas, including the areas' demographics, the spread of population serviced by the local governments and the extent of the services the local governments provide; and
- may have regard to other matters the Commission considers relevant to the effectiveness, efficiency, and sustainability of local governments.

#### Recent council submissions to the Commission

Council submissions were consistent in their request for the Commission to develop a framework that is based on a model using a clear, repeatable and documented process supported by clear metrics.

#### Inter-jurisdictional approaches

A review of council categorisation and remuneration practices across all Australian local government jurisdictions showed that there is no consistency in frameworks.

Generally, population and operating expenditure are the two most common factors used in determining council categorisation. However, there is a broad mix of other criteria used ranging from area (geographical size) and the nature and volume of business / industry, to sphere of economic influence.

Refer to appendix 1 for detailed identification of each jurisdictions factors to determine categorisation of councils.

## Component 2: Development of guiding principles

The Commission has established a set of proposed guiding principles to support the new categorisation approach.

The principles and summary descriptors are summarised in Table 1 below:

**Table 1: Guiding principles**

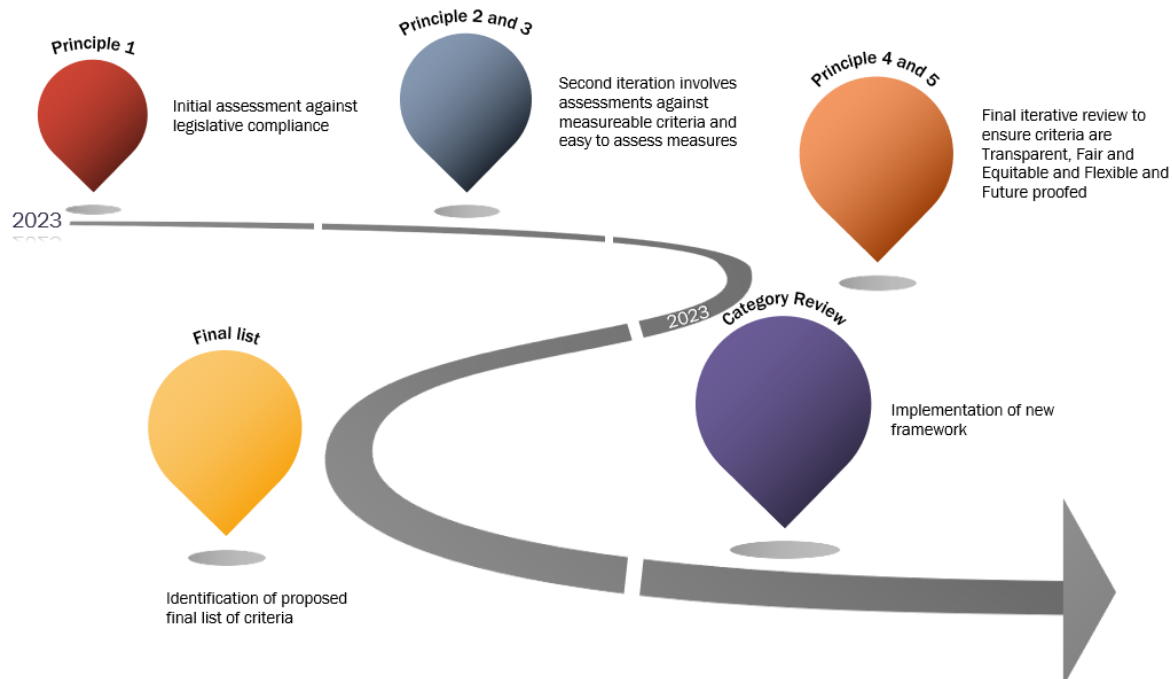
Principle	Descriptor
1. Legislative Compliance	The categorisation framework must include criteria that comply with legislation (Act and Regulation)
2. Measurable Criteria	The criteria must be clearly defined, easy to measure, assess, and explain. The use of qualitative measures should be limited to reduce subjectivity.
3. Easy to Assess Measures	Evidence-based data from authoritative sources must be available and easily accessible to enable assessment against each criterion.
4. Transparent, Fair and Equitable	The framework must be constructed in a way that is easy to understand/explain, enables the criteria to be applied to all councils in a consistent, fair and equitable manner, and result in a defensible categorisation outcome.
5. Flexible and Future Proofed	The framework should provide sufficient flexibility for the Commission to consider and implement variations to the framework to cater for changed circumstances.

### QUESTIONS – Guiding principles

- Do you agree with the guiding principles used to develop the category framework?
- If no, what would you propose for inclusion and does this meet the legislative requirements?

### Component 3: Criteria identification and selection

An iterative approach was undertaken where some potential criteria were removed at the completion of each iteration. This approach resulted in the proposed framework criteria.



The criteria and reasons for inclusion are provided in Table 2 below:

**Table 2: Proposed criteria**

Criteria	Rationale
Revenue	Revenue is considered a key criterion as it is a useful proxy measure for councils' accountability for effectively and efficiently managing controllable resources in achieving defined business, service, developmental or operational objectives of council and includes consideration of the complexity and range of services provided; as such it captures the scale and complexity of council operations.
Population/ Geography	Population including the spread of the population is considered a key criterion given the legislative requirements.
Population Growth	Population growth is considered a key criterion given the direct impact on Council in terms of the planning and infrastructure development required to accommodate population growth.
Socio-economic status	Socio-economic status of the local government area is considered a key criterion as it accounts for the differences in complexities of councils with different levels of socio-economic advantage / disadvantage.
Industry impacts	Industry impacts is considered a key criterion as it directly impacts the complexity and demands of Council resulting from the nature of industry, stakeholders involved, political/community sensitivity/controversy, negotiation/contractual requirements, scale and size of industry development. Council submissions also indicate that new and emerging industries impact on the complexity of the councillor role.



The Commission considered other possible criteria including Interjurisdictional alignment, operating and capital expenditure, range of services and council innovation.

Council submissions have previously requested that innovation and range of services be included for consideration to highlight variations within industry. However, the Commission determined that they were excluded from further consideration due to the limitations for a consistent measurement and assessment across all councils. Furthermore, some services could be captured through their inclusion in revenue criteria.

## **Component 4: Develop primary and adjusting criteria**

### **Primary and Adjusting Criteria**

Revenue best aligns to the legislative requirements as it addresses all the primary requirements. In general, revenue raising capacity is influenced by the size of land, population demographics and the extent of service delivery required to be met.

Therefore, the Commission is proposing that revenue is the primary criterion.

The other four criteria are designed to recognise elements that are not captured by revenue, but which do have an impact on the complexity and demands placed on a council. Their inclusion modifies the assessment of a council over another with similar revenue.

## Section 3

# Proposed framework

Following the completion of the building block approach, the draft framework has been developed. The below table shows the draft criteria, the measurement and proposed rating scale applied to each criterion.

There will be six main categories driven by the primary revenue criterion. Each category will contain three bands – low, medium, and high.

The Commission considers the use of revenue as the key indicator to place a council into one of the six categories. Therefore, revenue is proposed as the primary driver for council category placement. To recognise differences in Council's operating environment the approach applies four proposed adjustment criteria. This allows council categorisation of up to 18 bands.

CRITERIA		KEY MEASURE (SOURCE)	RATING SCALE
<b>PRIMARY CRITERION</b>	Revenue	Total operating revenue (Source: Council's Financial Statements)	6 revenue categories (refer further detail under "Primary criterion thresholds" heading below)
<b>ADJUSTING CRITERIA</b>	Population/ Geography	Population dispersion based on total average distance from primary centre (calculated as average km of small centres from primary centre multiplied by number of small places based on scaled count score (Source: QGSO)	Application of adjusting criteria is used to differentiate councils based on these four elements, within the primary criteria band.
	Projected population growth	Annualised population growth based on the previous 5 years and projected 5 years (Source: QGSO)	
	Socio-Economic Status	SEIFA index of relative socio-economic disadvantage decile (Source: ABS)	
	Industry Impacts (if included)	Qualitative measure: level of complexity and involvement required of Council in managing negotiations and stakeholder / community interests, and impacts on Council infrastructure planning and development, because of key industries and developments. Source: Proposed that councils would need to demonstrate how they meet the criterion. This would also require a qualitative assessment by the Commission.	

## Thresholds applying to the criteria

### Primary criterion thresholds

Total operating revenue (rates, service fees, grants, other sources) provides an accurate measure of regular and sustained revenue to reflect the scale and complexity of operations on an ongoing basis and is not subject to fluctuations. Proposed revenue threshold limits have been created by applying a revenue impact approach commonly used in assessing organisation size in traditional remuneration work value determination methodologies. The proposed framework uses the following threshold limits across six categories.

Category	Revenue
A	Up to \$50m
B	\$50.1m to \$125m
C	\$125.1m to \$250m
D	\$250.1m to \$500m
E	\$500.1m to \$1b
F	> \$1b

#### QUESTIONS - Primary revenue criteria thresholds?

- Do you support the proposed revenue thresholds?
- If No; What thresholds do you propose (including rationale)?

### Adjusting criteria thresholds

It is proposed that a rating scale be introduced for the following two population criteria, based on thresholds informed by the actual spread of the measures across all Councils.

#### Population dispersion

The population dispersion considers both population and demography. The proposed model shows that councils with smaller towns within close proximity to the primary centre have shorter average distances to the primary centre. This is relative to councils with fewer small centres which require longer average travel distances to the primary centre. It reflects travel demands placed on council/councillors as measured by the total average distance from the primary centre.

## Population growth

A historical and projected view over a 10-year period smooths out and reduces any potential projection errors.

Population growth can create additional requirements for infrastructure planning and development. A lower percentage (percentile data) relating to population growth reflects councils with low growth, where it is expected that there is little additional infrastructure planning and development. This approach acknowledges the complexities of future planning and infrastructure development not reflected in total operating revenue or other adjusting criteria.

## Socio-Economic Indexes for Areas (SEIFA)

SEIFA thresholds are aligned with thresholds used by the Queensland Local Government Grants Commission and are used to ensure consistency of interpretation.

The Commission believes the thresholds noted above in this section allow for a controlled and accountable way for the categorisation of a council into a primary revenue category and point scoring under the adjusting criteria.

### QUESTIONS

#### Adjusting criteria

- Do you support the adjusting criteria identified in this paper?

#### Adjusting criteria - Industry Impacts

- Council feedback has previously included a request for potential inclusion of industry impacts to be considered as part of a category framework - how would you review and assess industry impacts to develop an equitable, clear and repeatable criterion that can be included in a state-wide framework?

#### Other considerations

- Are there other accessible factors / metrics that are not included in the proposed model?

**Note:** any suggestions for consideration of additional / alternative factors / metrics must be supported by details of accessible quantifiable and reliable data sources. The proposed factor must be able to be applied across all councils in line with the guiding principles.

# Next steps

The Commission is seeking feedback on the category framework through the questions identified throughout the consultation paper.

## Timeline

You can email any submissions, questions, or concerns to [lgrcenquiries@dsdilgp.qld.gov.au](mailto:lgrcenquiries@dsdilgp.qld.gov.au) with the subject line '2023 Category Review'.

Feedback on this preliminary paper will close on Friday 28 July 2023.





















## What happens next?

The Commission will continue to engage with stakeholders and collate and consider feedback in the coming months.

- In October 2023, the Commission will report back to councils and stakeholders on this engagement with a final framework for implementation.
- The Commission use the final framework to allocate councils to a category
- Prior to 1 December 2023 the Commission will determine the maximum remuneration for each category. The maximum remuneration levels will be implemented from 1 July 2024.
- The Commission will take the opportunity to provide clarity through the report and remuneration schedule regarding any other remuneration as required.

# Appendix

## Appendix 1

State / Factor	New South Wales	Victoria	Tasmania	South Australia	Western Australia	Northern Territory	Queensland
 Terrain of Council							
 Operating Expenditure							
 Services / Demand to Service							
 Area (size)							
 Population							
 Industry / Economy							
 Revenue							
 Voter Mix							
 SEIFA							
 Meetings							
 Community Involvement							
 Growth and Development							
 Social/ Economic/ Environment Issues							
 Strategic Planning							
 State or National Negotiations							
 Infrastructure Development							
 Other (e.g. Capacity to Pay, FTE, sustainability)							
 Nature and Volume of Business							
 Diversity of Community							
 Significance of Council							

