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22 May 2017

Committee Secretary  
 Infrastructure Planning and Natural Resources Committee  
 Parliament House  
 George Street  
**BRISBANE QLD 4000**

Email: IPNRC@parliament.qld.gov.au

Dear Dr Dewar

**RE: Parliamentary Inquiry into long-term financial sustainability of local governments**

I refer to your letter dated 03 May 2017 requesting input in relation to the inquiry into the long-term financial sustainability of local governments. Council considered this matter at its Ordinary Meeting of Council held on Friday 12 May 2017. The following submission provides a summary of Council's views based on the inquiry's Terms of Reference and associated recommendations contained in the following reports:

- Forecasting long-term sustainability of local government (Report 2 16-17); and
- Local government entities: 2016-17 results of financial audits (Report 13 16-17).

**TOR 1 - FINANCIAL PLANNING AND LONG-TERM FORECASTING**

**Report 2 16-17**

***Recommendation 4 – Council develop financial plans to explain their financial forecasts and how they intend to financially manage the council and its long-life assets.***

Council does not support a mandated requirement to develop financial plans. Current financial forecasts, long term capital plans and long term asset management plans adequately address monitoring of financial forecasts.

**Report 13 16-17**

***Recommendation 4 – critically examine service levels and costs for service delivery and plan in the longer term to be able to earn enough operating revenue to meet operational expenditure***

Council acknowledges that it would not be able to financially sustain its operations without the Federal Assistance Grants package and must assume in its financial forecasting that this revenue stream will be maintained. As a small rural / remote Council, Quilpie Shire Council has a sparse population across a significant geographic area, resulting in a low rates base.

#### **TOR 2 - ASSET CONDITION DATA AND ASSET MANAGEMENT PLANS**

##### **Report 2 16-17**

**Recommendation 1 – Council maintain complete and accurate asset condition data and asset management plans**

QSC are developing asset management plans and more accurate asset condition data but acknowledge a lot of work is required for full compliance. Limited staff and specialist resources impact on this function. There is a risk that too much resourcing put into this function can cost more than actual benefits gained.

##### **Report 13 16-17**

**Recommendation 2 – Councils assess their processes for ensuring that their asset registers are complete and remain current over time. This should include:**

- **Performing physical stocktakes and updating asset registers;**
- **Implementing control improvements over the recognition of contributed assets**

QSC has developed processes for several asset condition assessments and capitalising of assets but acknowledge more work is required.

#### **TOR 3 - DECISION-MAKING FRAMEWORKS FOR MAJOR INFRASTRUCTURE ASSET INVESTMENTS**

##### **Report 2 16-17**

**Recommendation 2 – Council implement a scalable project decision making framework for all infrastructure asset investments**

QSC did review and partly utilise the Queensland Treasury Corporation decision making framework for several major projects.

Council does not support a decision making framework for **all** projects as intuitive or community based decision making is probably more relevant for small councils in most situations. Critical infrastructure requiring upgrade should not be subject to a mandated decision making framework.

#### **TOR 4 - COMMUNITY ENGAGEMENT ON FUTURE SERVICE LEVELS**

##### **Report 2 16-17**

**Recommendation 3 – Council engage directly with the communities on future service levels**

QSC do not have documented and defined service levels apart from water supply (mandatory). Anecdotal evidence and direct feedback from the community generally support current service levels. As such, Council does not believe additional mandatory engagement on future service levels is required, particularly in small rural and remote communities.

#### TO R 5 – FINANCIAL SUSTAINABILITY TARGETS

##### Report 2 16-17

***Recommendation 5 – DILGP allow councils to set their own financial sustainability targets where they can justify that a different target is more appropriate for their long-term sustainability***

Council supports this recommendation but would require assistance from an external agency such as QTC.

#### TO R 6 - ORGANISATIONAL GOVERNANCE

##### Report 2 16-17

***Recommendation 6 – DILGP strengthen their governance role, including analysing long-term planning documents, to allow the Minister to identify councils in, or becoming, financially stressed***

QSC believes there are sufficient controls in place. If more governance by the Department is required it should only be “as required” and not place further burdens on Council in terms of reporting and data collection.

##### Report 13 16-17

***Recommendation 5 – assess the maturity of risk management practices, develop an action plan for improvements and track progress towards agreed targets***

QSC has reasonable risk management practices in place considering the limited resources available. If further work is required in this area additional resources would be required which would impact negatively on other critical council activities.

***Recommendation 6 – assess business continuity and disaster recovery capabilities, identify areas for improvement, and establish or update plans***

QSC has a “fit-for-purpose” business continuity plan and statutory compliant disaster management plan. No further work is required in this area.

***Recommendation 7 – retain or re-establish audit committees to ensure there is effective oversight of their internal control frameworks, financial reporting and legislative compliance***

QSC has retained their audit committee however the benefits in small rural and remote Council are

questionable.

#### TOR 8 - BUDGET TRANSPARENCY

##### Report 13 16-17

**Recommendation 1 – make financial statements of any controlled entities publicly available**

QSC has no controlled entities.

#### TOR 10 - PROCUREMENT POLICY AND VALUE FOR MONEY

##### Report 13 16-17

Excerpt: “Manual controls contain a human element, which can provide an opportunity to assess the reasonableness and appropriateness of transactions. These controls may also be less reliable than automated elements because they can be more easily bypassed or overridden”.

Master file changes are monitored

Purchasing procedures are monitored. If anomalies are identified they are followed up.

General journals are always countersigned

Banks reconciliations are done regularly and are reviewed

#### TOR 11 - OTHER RELEVANT MATTERS

##### Report 13 16-17

**Recommendation 3 – identify related parties and related party transactions including terms and conditions, and prepare a draft note with data for inclusion in the pro forma financial statements to be presented to the audit committee or council.**

QSC has a Related Parties Disclosure Policy and is working towards the assessment of 2016/17 related party disclosures for inclusion in the next annual report.

On behalf of Quilpie Shire Council, I thank you for the opportunity to make a submission into this inquiry. Please do not hesitate to contact the undersigned on [REDACTED] should you wish to discuss this matter further.

Yours faithfully



Dave Burges  
CHIEF EXECUTIVE OFFICER