

Infrastructure, Planning and Natural  
Resources Committee



Submission to the  
**Inquiry into the long-term  
financial sustainability of  
local government**

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## 1.1. Introduction

The Central Western Queensland Remote Area Planning and Development Board (RAPAD) is a regional development organisation and regional organisation of councils which aims to foster, facilitate and promote the sustainable growth and development of our Central Western Queensland region. RAPAD has been in existence since 1992 and since then it has proven to be a cohesive and collaborative organisation, proactively working in partnership with government and non-government stakeholders at the local, state and federal level.

Structurally, RAPAD is an ASIC listed, not-for-profit company owned by, and representing the seven local governments of Central Western Queensland. Governance is via a board of directors, representing those member local governments vis-a-vis Barcaldine Regional Council, Barcoo Shire Council, Blackall-Tambo Regional Council, Boulia Shire Council, Diamantina Shire Council, Longreach Regional Council and Winton Shire Council.

In line with its charter, RAPAD management has prepared this submission to the Infrastructure, Planning and Natural Resources Committee for its consideration in its inquiry into the long-term financial sustainability of local government.

We understand that the Committee has received information and submissions from a range of sources that address industry wide factors impacting on sustainability. Therefore, this submission addresses the areas of the inquiry terms of reference that have been identified as having the most significant impact on the Councils in our region being able to demonstrate and deliver financial sustainability.

We would be happy to provide further information or clarification of points made to the Committee if required.

## **1.2. Financial planning and long-term forecasting**

### **Proactive analysis of current planning practices**

As a demonstration of their commitment to managing financial sustainability, the RAPAD member Councils have recently engaged the Queensland Treasury Corporation to undertake a regional Strategic Financial Review.

The aim of the review is to identify key issues and risks and provide strategic recommendations to assist the councils to both manage their financial sustainability and inform strategic planning.

The review will focus on external and internal challenges faced by the participating councils in the following key areas:

- economic, geographic, demographic and community issues
- council business and strategy
- governance and planning practices
- financial management, and
- infrastructure management.

The outcomes of the review have yet to be formalised however, I have highlighted below, several matters that are relevant to your inquiry and are generally consistent across the RAPAD Councils.

### **Council funding driven by external priorities.**

The RAPAD Councils are generally reliant on external funding for operations and capital works. Councils have a responsibility to their communities to maximise grant and subsidy income. A significant issue for Councils in planning is that grant and subsidy programs are often driven by State or Federal Government policy aims and accessing and delivering the programs may not fit with Councils identified priorities. Therefore, access to grants programs can significantly alter Councils planned development program and often, capital grants will commit Council to ongoing operational and owning costs that haven't been fully explored, understood or planned for.

An example is the Queensland Government's "Works for Queensland" program, which has provided a welcome injection of resources into the region but has inevitably interrupted Council budgets and work programs to allow for projects to be carried out within the guidelines.

### **Impact of natural disasters**

Another significant factor impacting on the ability of Councils to maintain long term financial planning in this region is the significant impact that natural disaster events can

have on Council operations. A significant event will require a Council to divert its resources from programmed works into damage restoration. These events tend to occur reasonably often and can be so major that all of Council resources are used to respond. Obviously, the impact of this is that budgets and work programs cannot be adhered to and this often means that grant programs cannot be delivered in accordance with program guidelines.

### **Timing of grant and subsidy approvals.**

The timing of the approval of subsidy and grant programs can significantly impact on Council budgeting. As an example, the Department of Infrastructure, planning and Local Government's, Local Government Grants and Subsidies Program (LGGSP) has applications closing in September, with approvals granted from October. The program requires the funds to be spent within 12 months of the approval. This timing makes budgeting and works programming extremely difficult and is another issue that impacts the delivery of outcomes in line with the adopted budget.

### **Programming of external works contracts**

The RAPAD Councils all carry out works on State roads through maintenance and capital works contracts for the Department of Transport and Main Roads (DTMR). The lack of forecasting of contracts to be awarded to Councils impacts on their ability to plan their workforce, fleet and Shire roads works programs. The lack of certainty around future works has in recent years prompted Councils to be conservative in developing their workforce and upgrading plant. This conservative approach, while prudent, can be to the detriment of their capacity and productivity. As DTMR works are a significant source of external revenue and operational activity, not having access to the information previously provided in the former Roads Implementation Program (RIP) has a significant impact on the accuracy of long-term financial plans.

External bodies such as the QAO and QTC rightly see the regular departure from budgets as a weakness in financial planning however the points raised above demonstrate the difficulties that Councils in our region face in achieving quality long term financial planning.

### **1.3. Asset condition data and asset management plans**

The provision, maintenance and replacement of vital infrastructure in the RAPAD region is an ongoing challenge to Councils in providing reasonable services to their community as well as meeting the needs of the relatively large number of tourists to their communities which offers the region a significant economic boost.

### **Economy of scale**

For most towns in the region, the small populations mean that infrastructure assets such as water supply and sewerage schemes do not achieve what would be normally considered “economy of scale”. In short this means that they cannot operate on a cost recovery basis as would be expected in larger communities. This shortfall in revenue becomes a community service obligation contribution by Council from its consolidated funds. With competing funding needs it is very difficult for Councils to fund works in line with their asset management plans.

Historically, these schemes have been constructed and replaced with up to 100% grant funding. In light of this, it may be reasonable for RAPAD Councils to consider the development of its asset management plans based on assumptions that provide for subsidised upgrade and replacement and therefore would be more realistic and practical in terms of planning and asset management.

### **External demands on infrastructure**

In addition to the issues mentioned above, due to relatively high visitor numbers, often facilities and infrastructure must be designed and maintained to support a much larger population than would otherwise be required. For example, Birdsville has approximately 150 residents however water supply, sewerage and waste infrastructure must be able to cater for up to 1,500 users on a regular basis and even more in peak periods. The nature of the tourism industry in the region, (particularly in the smaller communities) does not give Councils a significant capacity to generate revenue from these visitors that would allow for cost recovery.

As mentioned above, generally much of the capital cost of this infrastructure has been funded externally however Councils are required to fund the ongoing operational costs as well as depreciation on these assets. Being able to include subsidised upgrade and replacement into asset management plans would allow Councils to deliver compliance.

## **1.4. Decision-making frameworks for major infrastructure asset investments**

As mentioned earlier, RAPAD Councils often have their asset investment decisions driven by external factors. State and Federal funding programs significantly impact on Council capacity to plan and fully investigate investment decisions. There is no doubt that this has led at times to less than optimal decision making. However, unless the funding bodies are prepared to deliver untied funding to Councils the current issues will remain.

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