



Our Ref:

19 July 2017

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

Email: ipnrc@parliament.qld.gov.au

Dear Hon, Jim Pearce, MP

Re: Balonne Shire Council – Submission to Inquiry into Long-Term Sustainability of Local Government

Thank you for the opportunity for Balonne Shire Council to make a late submission on the long term financial sustainability of local government.

Our Shire

The Balonne Shire services a population of just under 5,000 residents and is located approximately 500km from the east coast of Australia and has an area of 31,119 km. Agriculture is the mainstay of the regional economy with cotton, wheat, sheep, cattle and horticultural crops providing the base for the region's diverse rural industries. The town of St George provides the main business and service centre for the Shire and has the potential to further develop as a regional centre.

External Influences

Council has recently experienced the effects of water buybacks with the Murray Darling Basin Authority (MDBA) Northern Basin Review in October 2016 confirming the enormous and devastating effects of water buybacks on the agricultural industry, associated rural industries and employment in our Shire. This in turn is having negative impacts on community confidence and the long term viability of our communities. Dirranbandi has lost an estimated 27% of its irrigation area and more than 15% of agriculture and non-agriculture private sector jobs since water buybacks commenced. School enrolments in Dirranbandi have dropped by 50% in the last five years and businesses operating in the area are under significant stress. In St George, jobs in agriculture have dropped by more than 15% and non-

agriculture private sector jobs are down more than 20%. In this volatile economic environment and reduction in the recent DNRM land valuations council's revenue base from rates is at risk. Council is therefore making significant effort to source its alternative revenue through contract works and grant funding. A review of the FAGS methodology in relation to population and road length should be considered, so that Rural and Remote Councils that do not have a growing population or a growing road network are not disadvantaged.

Terms of Reference

As set out in your correspondence, Council's submission will include the following:

- Financial Planning and long term forecasting
- Asset condition data and asset management plans
- Decision making frameworks for major infrastructure asset investments
- Community engagement on future service levels
- Financial sustainability targets
- Financial sustainability ratios
- Procurement policy and value for money

Financial Planning and long term forecasting

Councils across Queensland continue to develop in this area and for Rural and Remote Councils it can be difficult to attract, retain and sustain the number of qualified staff required to meet the increased compliance and reporting requirements. There are challenges with the long term forecasting particularly around the uncertainty of funding programs and contract works together with Council elections every four years, transient senior leadership and subsequent change of priorities at all levels of Government.

Asset condition data and asset management plans

During the 2014/2015 financial year, Council undertook a full review of its' road, water and waste water infrastructure. The timing of this review was in line with the completion of all the NDRRA works on Council's infrastructure. This review ensured that the asset condition for all of these infrastructure assets was fully captured. A majority of Rural and Remote Councils have a register of their assets however it is the interpretation and utilisation of that information for long term planning where support and training would be of assistance.

Rural and remote Councils have very limited funds and resources to sustain ongoing asset management systems and again Councils can often not attract, retain and sustain the persons required to undertake this work.

Decision making frameworks for major infrastructure asset investments

Council is appreciative of the work that Queensland Treasury Corporation has done to develop the Project Decision Making Framework and Whole of Life Costing Tools. This greatly assists management and elected members in

making informed decisions. This tool provides Councils with the information required for long term financial planning to ensure ongoing financial sustainability and to avoid short term poor decision making.

Community engagement on future service levels

Council supports community engagement and consultation to develop its strategic plans, budgets and long term financial plans.

Financial sustainability targets

Currently Councils indicators are affected by the depreciation expense, rather than renewal requirements as the indicator of replacement needs. Balonne Shire was adversely affected by flooding in 2010, 2011 and 2012 and received funding to restore a large percentage of its road network. As a result, Council has been budgeting for upgrades on these assets, rather than renewals, which is misleading.

Financial sustainability ratios

Council supports having a say in determining its own additional financial sustainability ratios to monitor its performance.

Procurement policy and value for money

Council is comfortable with the current thresholds that are legislated. Balonne Shire Council regularly reviews its Procurement/Purchasing Policy. Council has recently started utilising Vendor Panel for its Wet and Dry Plant Hire, to ensure full compliance.

Other matters the committee determines are relevant to the inquiry

It is imperative that the Committee look at the way the FAGs are distributed and see if they are meeting the principles of horizontal fiscal equalisation given that many of the Rural and Remote Councils have a diminishing or very limited population growth, and limited own source revenue, have very large geographic areas to provide works and services to, and rely on grant funding to sustain their operations.

Balonne Shire Council considers the Queensland Local Government Grants Commission has a role in addressing financial sustainability of local governments particularly because their main charter is to deliver the grants as far as practical on a horizontal fiscal equalisation basis. The Commission should be doing a lot more work in identifying service level standards and ascertaining if the current distribution of grants is achieving its objectives.

Cost shifting from State Government to Local Government has also been difficult. For example, Rural Lands is now the responsibility of the local Councils, and payment to the State Government for Rural Lands Precepts are continuing to rise.

Rural and remote Councils are continually struggling for skilled resources to meet the demands that are placed on them.

Remote/Rural Councils do not have access to Public/Private partnerships and other models to fund essential infrastructure as they are not financially sustainable. Funding programs are increasingly including cost v benefit analysis and other financial criteria that most projects in Rural/Remote Councils will never be able to satisfy positively. Funding and State Government contracts are increasingly sporadic and offered in peaks and troughs that councils are not able to plan with any great certainty.

Balonne Shire Council would like to thank the committee for the opportunity to provide a submission into the long term financial sustainability of local governments.

Yours faithfully

Matthew Magin

CHIEF EXECUTIVE OFFICER