

LGFP Member Survey and Response to Discussion Papers on Proposed Amendments to Regulations – August 2019

Background

In August 2019 the LGFP sent out a survey to its membership base seeking feedback on the discussion papers circulated by the Department in relation to proposed changes to the Regulations. Fifteen responses were received from a range of local governments from large SEQ Councils to small rural Councils.

The LGFP response comprises two parts, a summary of the LGFP position on each of the discussion papers, and the data on the answers to the survey questions with comments made by the respondents.

The LGFP would welcome the opportunity to participate in further discussions around proposed amendments to the Regulation or any of the information provided in this response.

Summary

Transparency and Accountability of Local Government Rates and Charges – QAO Recommendations

The LGFP agrees in principle with changes to the Regulations that would make the budget consistent with the Revenue Policy, however a distinction needs to be drawn between a policy setting out principles, and an operational document that provides details on how those principles are to be enacted. The response to Question 6 below makes that clear with regards to the items to be included in each of the key documents.

There was no clear consensus in relation to the timeframe of the Revenue Policy and Revenue Statement with a number of options proposed, although a ten-year outlook similar to the long term financial plan was slightly more favoured than the other options. Flexibility is a key consideration to make sure that whatever approach is adopted, there is scope to change as circumstances dictate.

With regards to including a statutory obligation to certify that the budget complies with legislation, the LGFP agrees that such a requirement would address QAO's concerns, however the LGFP believes that the inclusion of a specific obligation amongst the responsibilities of local government employees would be a better option (noting however that in the absence of any particular penalty provisions – which would not be warranted as legitimate mistakes could occur, the cost benefit of additional compliance may not stack up).

Consultation on Local Government's Proposed Budgets

The LGFP position on legislation requiring Councils to consult with the community prior to adopting the budget is split with some Councils already undertaking consultation or actively looking to incorporate it into their process, while other Councils are strongly opposed to it. The LGFP believes that a level of consultation is good practice and is supported in principle, however there are many issues to consider before it is made mandatory. These include:

- Timing;
- Managing expectations of the community;
- The type of Council and its community relationship;
- Protections against “special interest groups” unduly influencing the process; and
- Level/type of consultation required to be undertaken.

Due to the nature and contents of the Revenue Policy, it would not provide sufficient information to the community on Council’s proposed budget, nor should it, being effectively a legal document.

The LGFP recommends further consultation with the sector is undertaken prior to any legislative position being formulated, including assessing the outcomes of the recent QAO financial sustainability series audit relating to the cost of local government services.

Sale of Land for Overdue Rates

The LGFP believes that the current provisions within the Regulation provide adequate protection for the land owner and Councils should not be required to take reasonable care to ensure that sales reach a “market value”. The sale of land process is very lengthy and provides owners and other interested parties with the opportunity to either pay the overdue rates and charges or look at sale options that will best protect their interests. The potential for the land to be sold at a lower value is a powerful incentive for owners, and particularly mortgage holders, to address the arrears prior to auction. This is reflected in the number of properties reaching the auction stage compared to the number of properties being put forward to Council for a resolution to sell.

With regards to a market value report, retaining the option to get a market valuation is useful to provide an independent viewpoint should Council require it when setting the reserve price. This independence will make a difference if “reasonable care” is imposed when selling land for rates arrears, however the requirement for Council to purchase properties at the reserve price if a sale cannot be negotiated will become a bigger problem in some Council areas and may contribute to ongoing financial sustainability risk. The concept of “reasonable care” will transfer risk to Council undertaking the sale process, rather than the property owner who has not complied with their obligations to pay their rates. Removal of the deemed sale provision would assist Councils in better managing the setting of the reserve price and the risks associated with an unsuccessful sale process.

The LGFP favours the current process of sale by public auction as it provides the best assurance for accountability and transparency within the sale process. The auction process also provides some protections where the land is effectively offered sight unseen and at the risk of the buyer.

Councils Reporting of Budget vs Actual Figures

The LGFP position on reporting budget vs actual figures is divided with concerns about cost of additional audit work, timing of reporting, and the effort involved in putting such variances into context, being balanced against transparency and accountability.

It is questionable as to whether this requirement would add value as most Councils provide a variance analysis in their monthly financial reports which are publicly available, and these provide a timelier commentary on the variances which either are being addressed or will need to be addressed in the future. Most Councils conduct several budget reviews during the year, and this is another way of disclosing performance against budget to the community.

A further alternative option would be to include a budget commentary in the Community Financial Report, and this could encompass major variations during the year, what budget reviews were

undertaken and how the variations impacted on the result. A further option is to mandate end of June interim financial reporting against budget as some councils move directly into preparing their financial statements and do not prepare an interim report for council consideration.

If reporting is mandated, the LGFP support in principle the setting a percentage threshold for variance reporting, and this could be set by Council size or segment. Setting a threshold in this way would be appropriate if dollar value and percentage thresholds were set as it can cater for the relative differences in Councils. Another option is to use the materiality threshold set through the external audit process.

Due to the diversity of Council size and methods of reporting, further consultation on these proposed changes should be undertaken prior to finalising any legislative position.

Transparency and Accountability of Local Government Controlled Entities

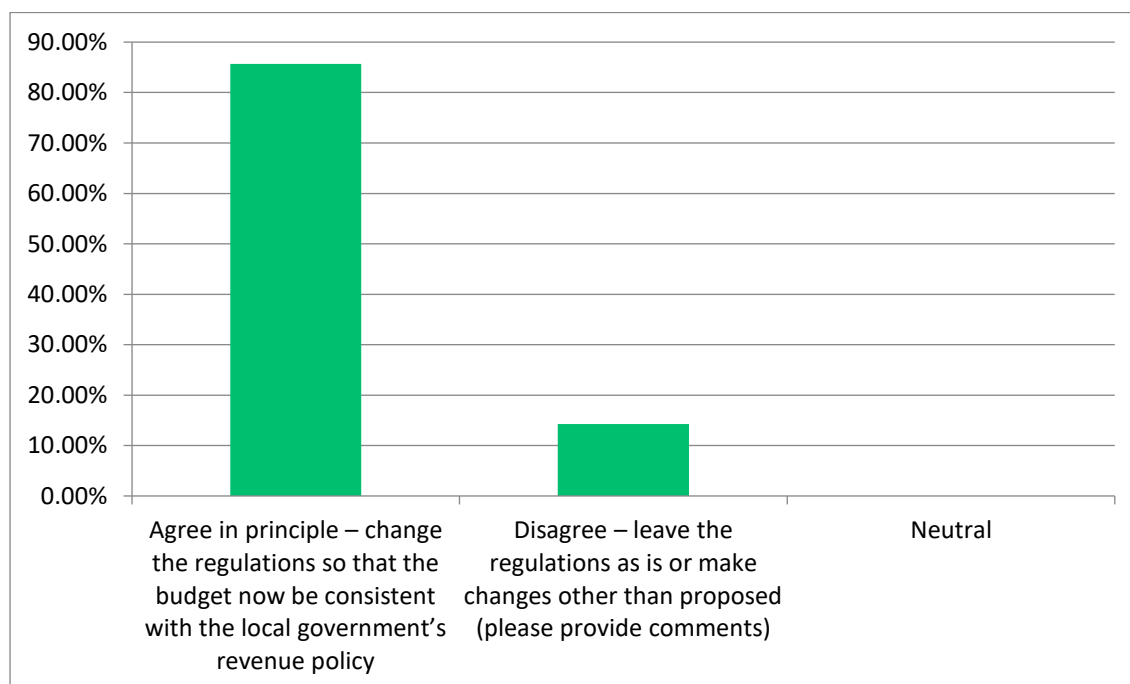
The LGFP supports the proposed measures to improve the transparency and accountability of controlled entities. Notifying the minister for Local Government would reflect effective corporate governance. Additionally, the changes proposed would create a supplementary check that governance documents are in line with appropriate legislation and good governance, ensuring the financial statements are reported in accordance with Australian Accounting Standards and are audited in line with other government entity requirements.

Responses to Survey Questions

Questions 1 to 3

Responses to questions 1 to 3 relate to the details of the respondents to the survey. All of the respondents held senior positions within their council at an Executive, CFO, and Manager level.

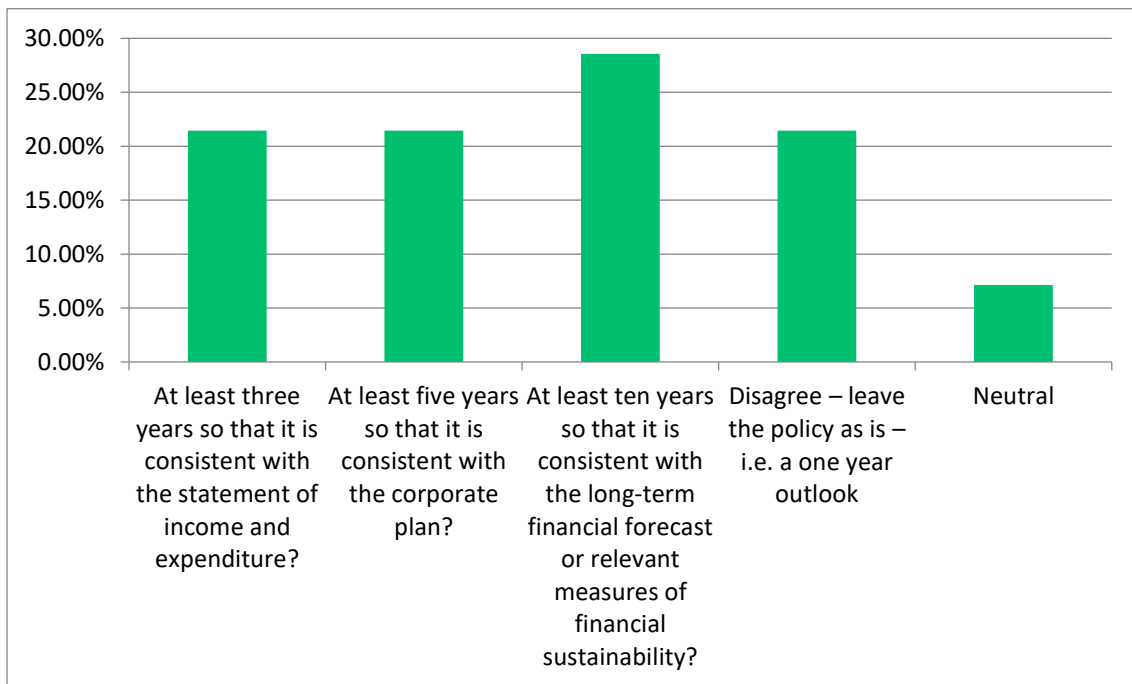
Question 4 - Should the revenue policy have the same status/ relationship with the budget as the corporate plan and the annual operational plan, in that the budget must be consistent with the revenue policy rather than the revenue policy being included in the budget?



Comments:

- “The Revenue Policy provides the assumptions which the budget is based on. By adopting the revenue policy prior to the budget there is a clearer understanding of the objectives which need to be achieved through the budgeting process.”
- “Revenue policy should not have the same relationship with the budget as the Corporate and operational plans. This is a policy document therefore all Council revenue decisions and reporting should fully consider the policy throughout the development of the documents.”
- “This is already covered by S193 of the Local Government Regulation. If further amendments are required to the Act to make this clearer then no objection is offered.”

Question 5 - Should the revenue policy have a long-term outlook – longer than one year? How long should this outlook be?



Comments:

- “It is a Policy and therefore it should have a long-term outlook. It does not mean that the revenue policy will not change over time, however it is unlikely that there will ever be significant changes to the revenue policy.”
- “The Council’s Revenue Policy is adopted at a high level based on legal advice to avoid potential challenges and identifies the principles to be applied. It doesn’t address individual budget matters relevant to a particular financial year. If the intent is for the Revenue Policy to state specific principles and time frames then it will still need to be reviewed annually so any changes can be appropriately reflected. The policy needs to be able to change as Council priorities and focus change from year to year. It is suggested the focus in relating rating decision to long term financial sustainability should be through the long term financial forecast rather than the revenue policy.”
- “Realistic for 3 years - after that time Council direction may mean unrealistic views post this time frame. However, Council needs flexibility to adjust rates on an annual basis for significant change in circumstances.”
- “Ten years is far too long as there are too many variables that make later figures meaningless. It is reasonable however for a local government to have to adopt a revenue policy that essentially funds what is stating as its objectives in its Corporate plan. This ties its revenue raising to what Council says it aims to do.”
- “Three years would be good, however not aligning with an election term may lead to amendments being required if the elected members require it.”

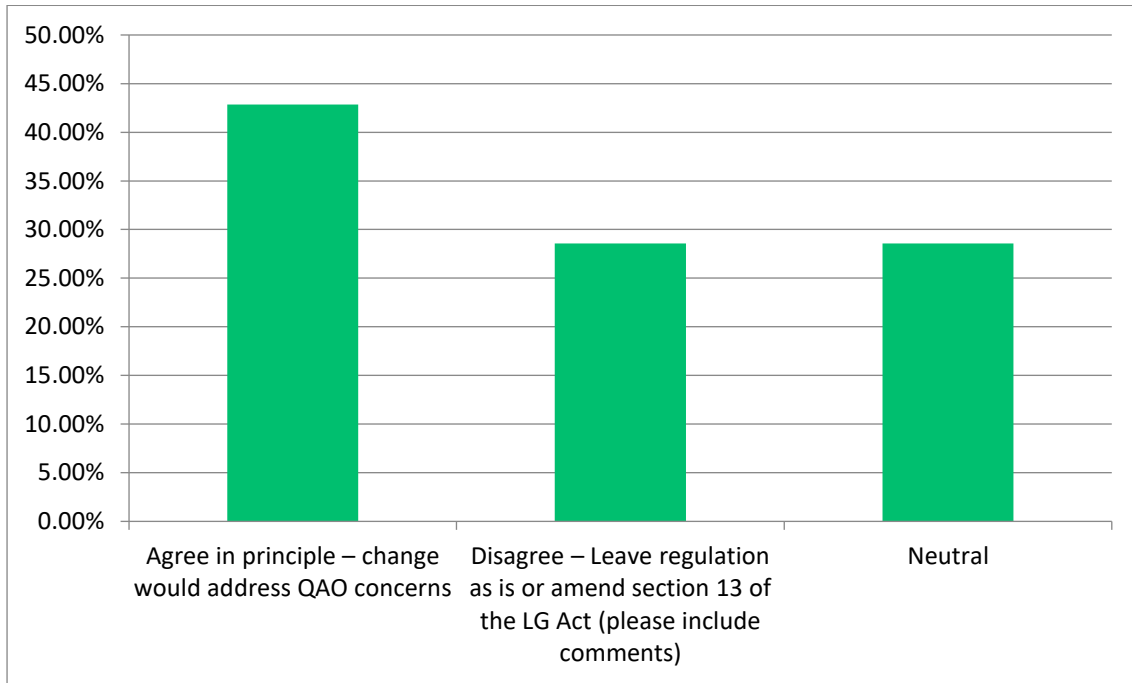
Question 6 - Should the revenue policy include the following information or should some of this information be included in the revenue statement?

	Revenue Policy	Revenue Statement
The principles that the local government intends to apply for— a. levying rates and charges b. granting concessions for rates and charges c. recovering overdue rates and charges d. levying infrastructure charges e. levying cost-recovery fees	80%	20%
If the local government intends to grant concessions for rates and charges—the purpose for the concessions	70%	30%
The estimated total revenue requirement for each of the years covered by the revenue policy and the percentage of this amount that will be met by the following sources: a. rates and charges b. infrastructure charges c. recoverable works d. grants and subsidies e. all other sources	10%	90%
The extent to which physical and social infrastructure costs for a new or upgraded development are to be funded by charges for the development	50%	50%
How annual decisions on rates and charges affect financial sustainability	60%	40%
The extent to which the operating capability of the local government is to be increased or decreased by annual decisions on revenue	50%	50%

Comments:

- “Policy document should be the high-level document of what Council intends to achieve in its revenue collection whereas the Revenue Statement should be the how document outlining the ways that Council will achieve these objectives.”
- “The Revenue Policy should have a five year outlook tied to the Corporate Plan and the Revenue Statement should focus on the budget being adopted.”
- “Both documents obviously have a place, however if the policy is extending beyond one year it will be difficult to provide the full detail (such as % of revenue from which source) in the policy from topics such as grants and subsidies as often these are not known for any longer than one year in advance.”

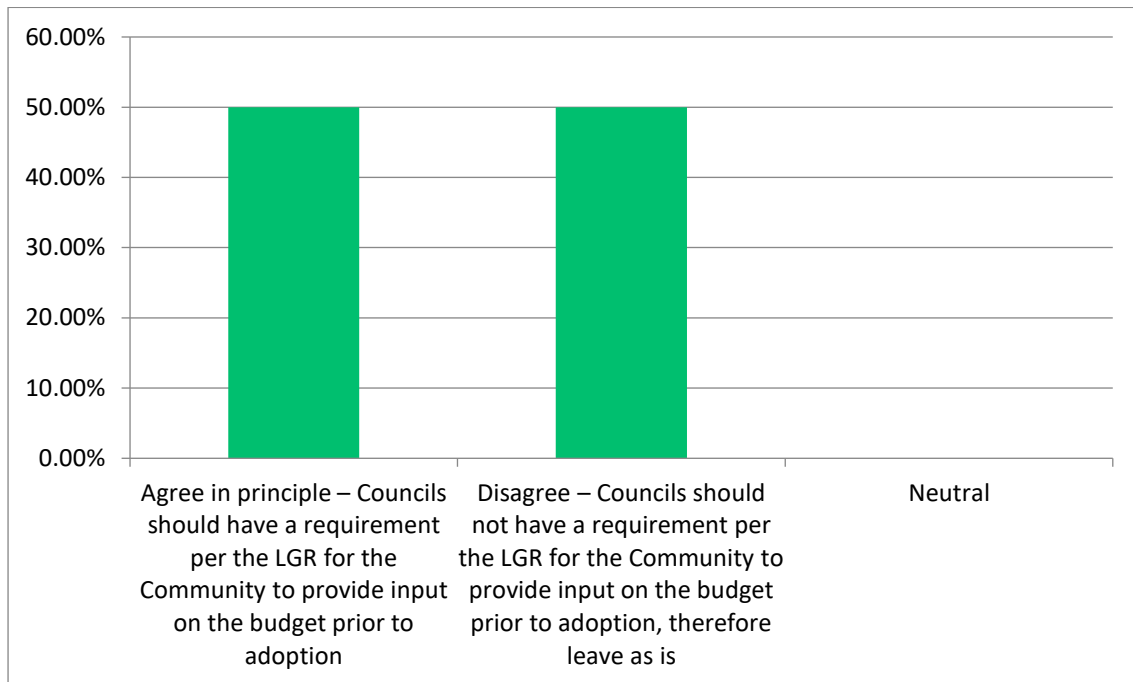
Question 7 – Would the inclusion of a statutory obligation in the LGR and CBR that the CEO certify to the local government (in a prescribed form) that the final adopted budget complies with all legislative requirements be appropriate to address the QAO’s concerns? Would an amendment to section 13 of the Local Government Act 2009 (section 15 of the City of Brisbane Act 2010), which prescribes the responsibilities of local government employees, to include a specific obligation relevant to the budget and other financial requirements, be a better option?



Comments:

- “The CEO has responsibility already to ensure compliance - why do we need to change the legislation?”
- “If Councils are not properly complying with the Act and Regs then what follows is that clearer guidance on what the requirements are is needed. Currently, some parts of the legislation are open to interpretation and if Councils are getting this wrong due to a lack of clarity then the requirements may need to be more prescriptive.”
- “I don't believe that there is a need for any change here, local government officers are already accountable for any errors in the budget process.”
- “I believe the inclusion of a specific obligation relevant to the budget and other financial requirements of local government employees would be a better option.”
- “Inclusion in the Local Government regulation that the CEO certifies that the budget complies with all legislative requirements would be the best outcome. It should also be certified by the Chief Financial Officer. The Local Government Act should not include a specific obligation as this is too broad.”

Question 8 – Should the LGR be amended to provide the community with some formal process or opportunity to provide input into the budget during its preparation or a requirement that a local government must consult with the community on a draft budget prior to its form?



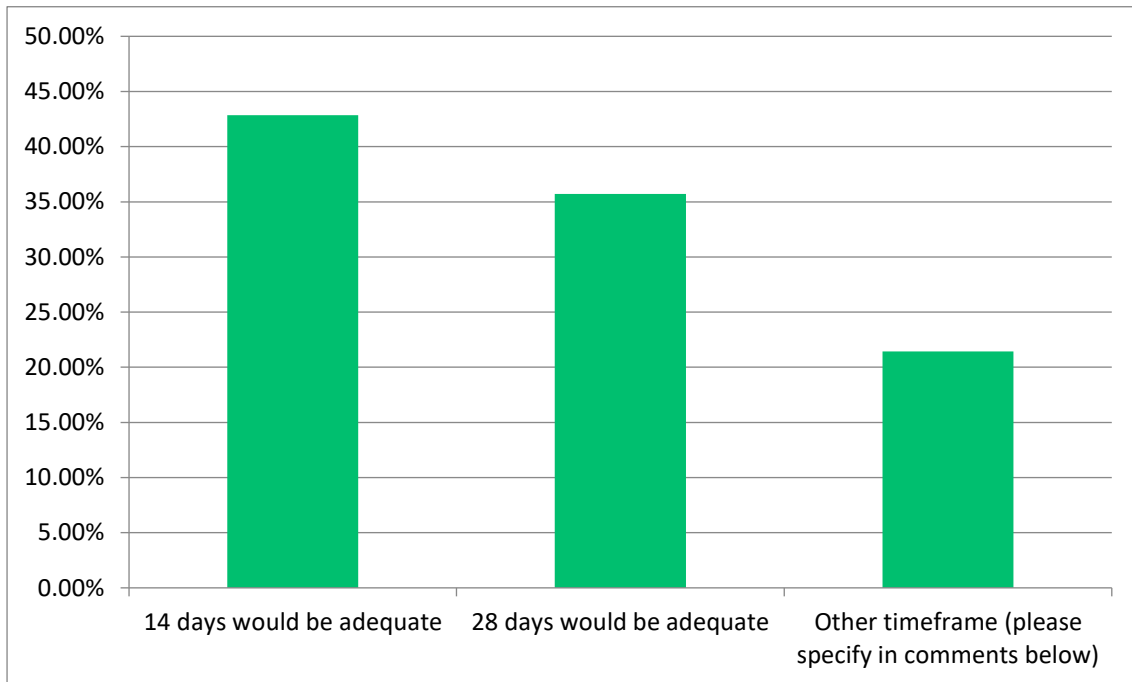
Comments:

- “Agree that the community should have input into the budget, however, this should occur prior to preparation of the draft budget. Community consultation should occur during the planning and development stage so that the community can influence the budget. The horse has largely bolted if public comment is received after budget preparation and before adoption.”
- “A budget is simply a financial plan to support the delivery of the corporate plan. It would be of greater benefit to have community consultation on the corporate plan and supporting operational plans to determine priorities and delivery timing as these are what the budget is predicated on. I have worked in NSW local government where this is a requirement and the small number of responses regarding the budget were rarely specific to the budget itself and generally capital project delivery questions. Consultation would also see the need to complete the development of the budget much earlier to allow for time to publish and review after feedback. Our budget process is not dynamic enough to have it developed months out from adoption still allowing for adjustments as required for changes in the external economic environment and political change.”
- “This is a major concern due to the fact that a lot of the community would have no understanding of what a profit and loss would mean. A lot of time would be spent in just education purposes, with a high probability of little return for effective rate payers dollars spent.”
- “This is good practice but should not be legislated. This level of consultation has the capacity to cause significant division in devolved communities.”
- “This is the role of elected officials who face the consequences of their actions every 4 years. Community engagement and the long-term financial sustainability requirements of legislation are generally inconsistent with each other. Members of the public have limited

regard for financial sustainability with their main focus being lower rates and charges. Also, members of the public have limited understanding of the costs associated with delivering services. “

- “Public consultation would have to be effectively managed so as not to raise expectations, it is impossible to please everyone and may result in unrealistic input e.g. cutting expenses by a large percentage or providing lots of new facilities with no rate increase. It is likely that the input would probably come from 'vocal' pockets of the community - not necessarily representative of the majority of ratepayers. Council would need to demonstrate it seriously considered any input even if it didn't align with current focus otherwise the message would be that you are not really listening - just ticking a box. The draft budget would also need to be completed much earlier and a lot more effort would need to go into the forward year. It is acknowledged that in some other States public exhibition of draft budgets is mandated, however this is within the broader integrated planning and reporting framework where the community plan undergoes significant public consultation and four year operational plans and budget must align to the shared community outcomes - this mitigates some of the risks outlined above. The focus should be on the longer term financial planning, not just on the annual budget cycle.”

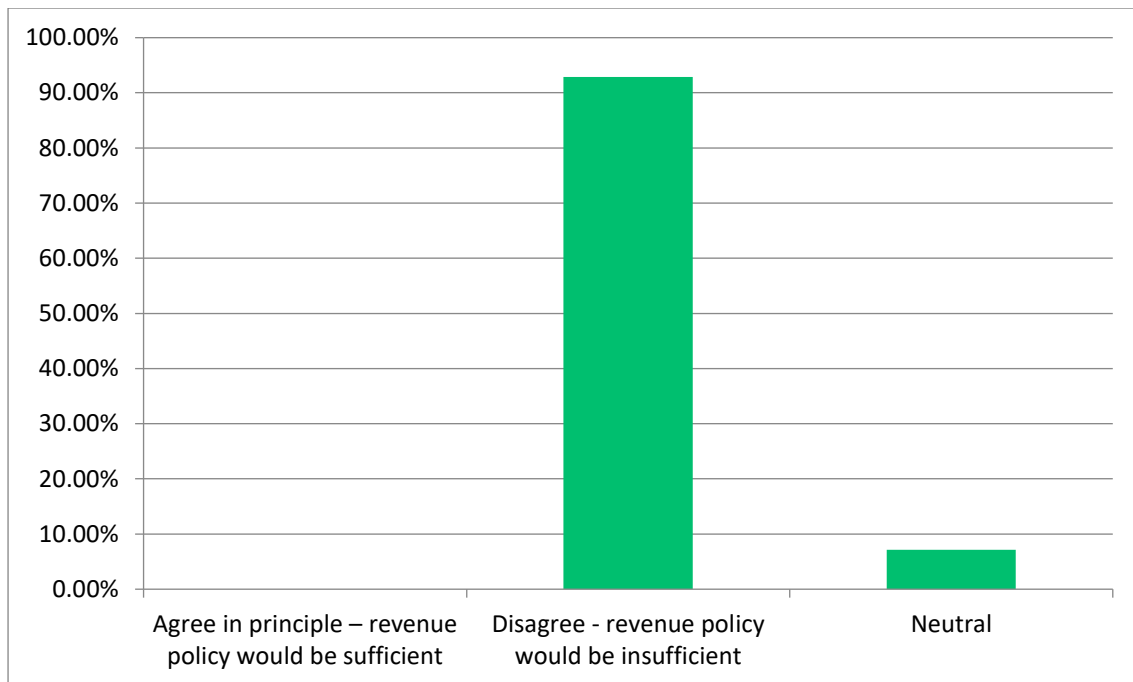
Question 9 – If such a requirement was included in the LGR, what minimum period of time should be allowed for public consultation? Would 14 days or 28 days be adequate?



Comments:

- “What level of consultation is considered reasonable? Will there be a best practice consultation process developed to be followed across all Councils for consistency?”
- “21 Days would be better. 14 days is too short to have any meaningful engagement with the community and 28 days adds to great a timeframe to the budget process.”
- “To be meaningful to the community the process should begin before budget documents are prepared to ensure the community priorities are considered. Once draft budget has been completed, then the community should be engaged again to ensure priorities have been addressed”
- “Council is strongly against Community consultation around the budget.”

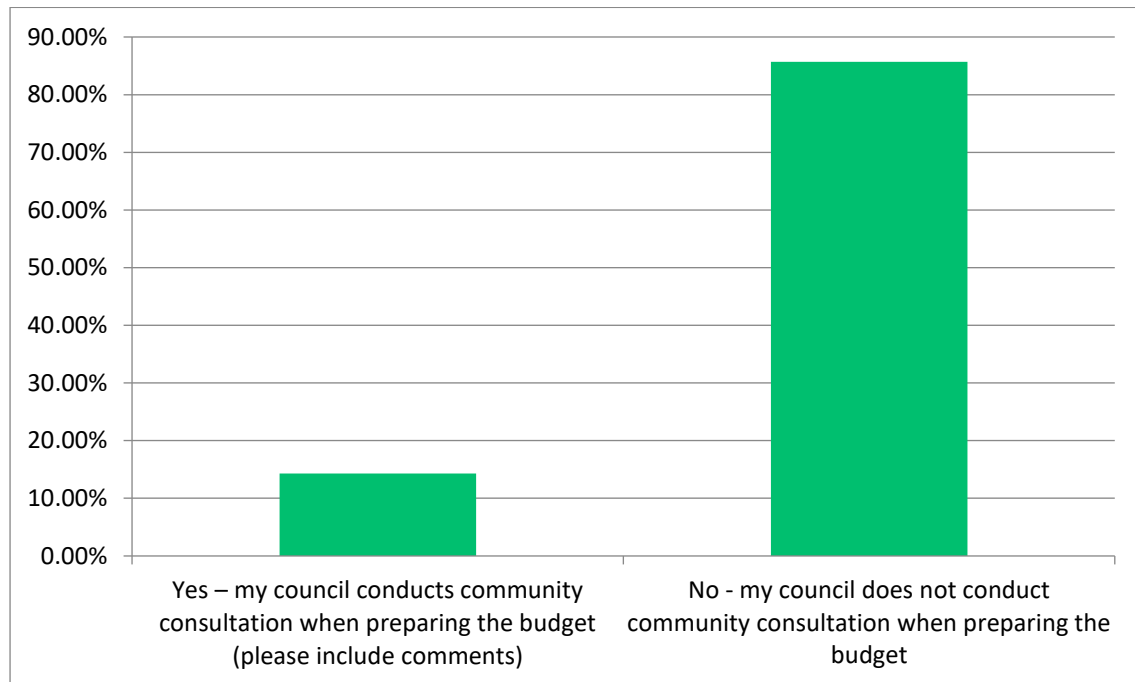
Question 10 - In the absence of the publication of a draft budget would the publication of the revenue policy prior to the budget being presented to and adopted by the local government provide the community with sufficient information on which to make submissions to or provide input to a local government about its proposed budget?



Comments:

- “This is a policy document therefore all Council revenue decisions and reporting should fully consider the policy throughout the development of the documents. Using a policy document to inform the community would have limitations.”
- “The revenue policy does not provide any information on how income is to be applied and what services will be funded.”
- “The revenue policy is a very broadly based document setting out principles, not specific budget details.”
- “I think a draft budget publication would add more value to the community than the publication of the revenue policy prior to the budget being presented and adopted.”

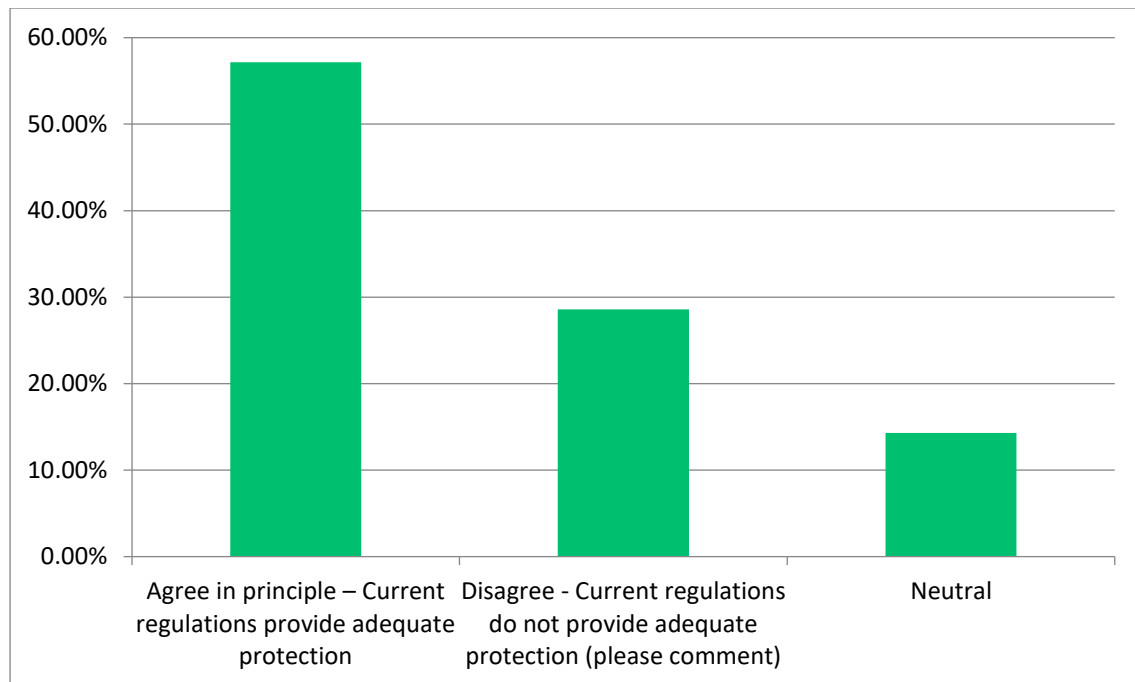
Question 11 – Does your Council already conduct community consultation on the budget? If so, please comment how, at what stage and how useful this has been to inform your budget preparation.



Comments:

- “Community consultation occurs prior to and during budget preparation. Public consultation has a strong influence over the key focus areas e.g. public transport and congestion busting projects were a key focus for 2019-20.”
- “The only consultation currently undertaken is with Councillors representing the community. We are working towards Service Planning in order to be able to consult with the community with clearer direction and information provided.”
- “It is our Council's intend to include an element of Community consultation and participatory budgeting in the future but we are not ready for this as yet.”
- “How: Pop up stalls (at markets, shops etc), online surveys, community consultation meetings. Stage: Sometimes 6mths before, others 1 month before. Usefulness: not very, limited responses, unrealistic requests, often just interested in their own benefit and not the communities - so those that speak would potentially be the only ones to benefit - e.g. "my road" and nothing for anyone else. Future: plan to try again and are considering new approaches in the hope to deliver a benefit.”

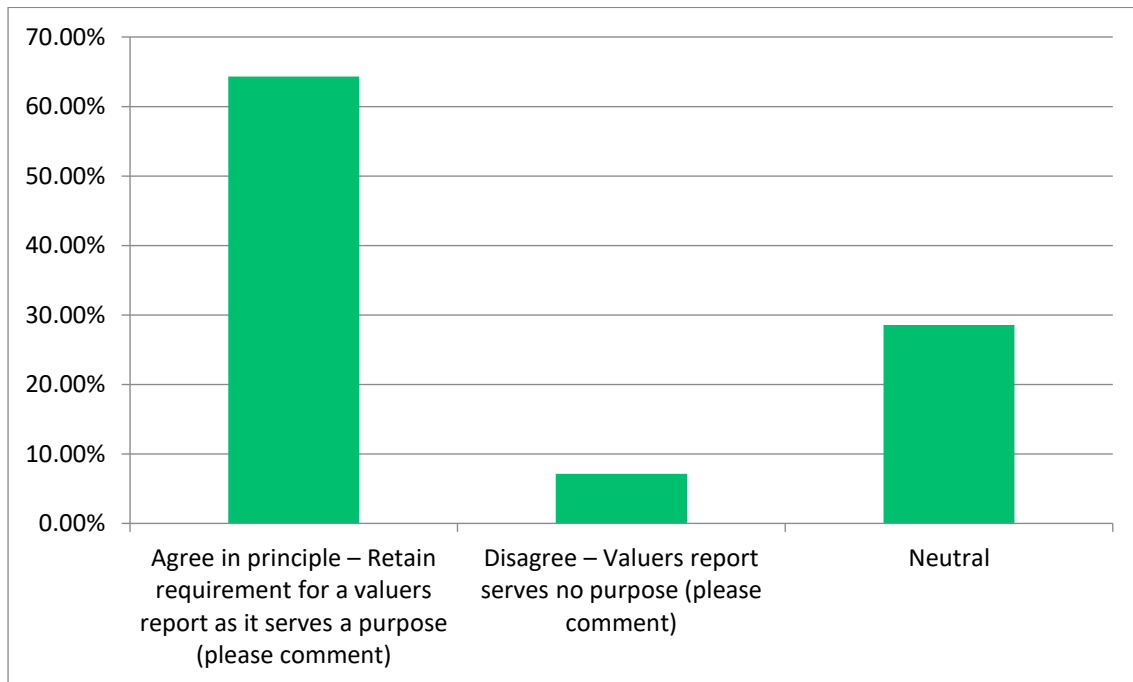
Question 12 - Do the current sale of land provisions provide adequate protection to land owners regarding land being sold at or near to market value or should the LGR and the COBR be amended to require a local government to take reasonable care to ensure that the land is sold at the market value at the auction or subsequent sale if the land fails to sell at auction?



Comments:

- “I feel this could work against councils and actually increase the number of properties that end up at auction. At a rough guess we put through 30-40 properties at a time for sale of land. I would suggest on average 2-3 of these actually make it to auction. Part of the reason this is the case, is because we are able to convince the ratepayers and mortgagees that it is a massive risk letting the property proceed to auction. Having the reserve price for the property set at Market value, in many regional areas, could see increased properties reaching the sale stage because the level of risk to the property owner able to effectively use Council as its real estate agent. On top of this, is the effort put in by Council staff to resolve the matter before reaching the sale of land stage that only these 30-40 properties are on this list.”
- “It is not considered appropriate that a local government be required to take reasonable care to ensure that the land is sold at the market value. This is because the buyers are buying the property sight unseen, the market valuations obtained are kerbside valuations so no consideration is given to the state of any improvements (particularly internal) and Councils are exercising statutory powers because property owners have not paid their rates for a lengthy period of time. The action would not be occurring if the property owner was not meeting their responsibility to pay the outstanding rates.”
- “More thought needs to go into what the reserve price should be - the reserve price should be defined better with a reference to market value but at a discounted market value.”

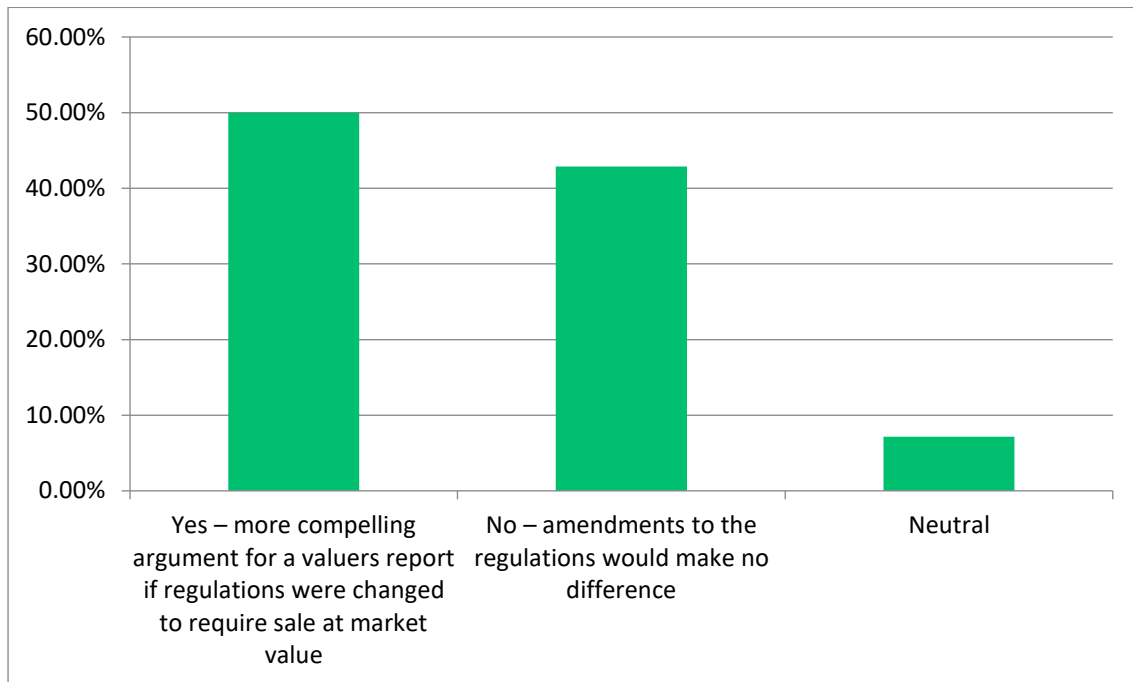
Question 13 – Should the current requirement under section 137 of the LGR (section 129 of the COBR) to obtain a valuer’s report relating to the market value of the land be retained? Does it currently serve any useful purpose?



Comments:

- “While it is generally in Council’s best interests to set the reserve in accordance with section 143 (b) (being the higher of the amount of overdue rates or the value of the land), in those rare instances where market value is required having a clear standard will ensure consistency between Councils and an arm’s length value (either unimproved capital or market value) is always used.”
- “The legislation currently provides options to Councils for using either rateable valuation or market valuations and this is appropriate.”

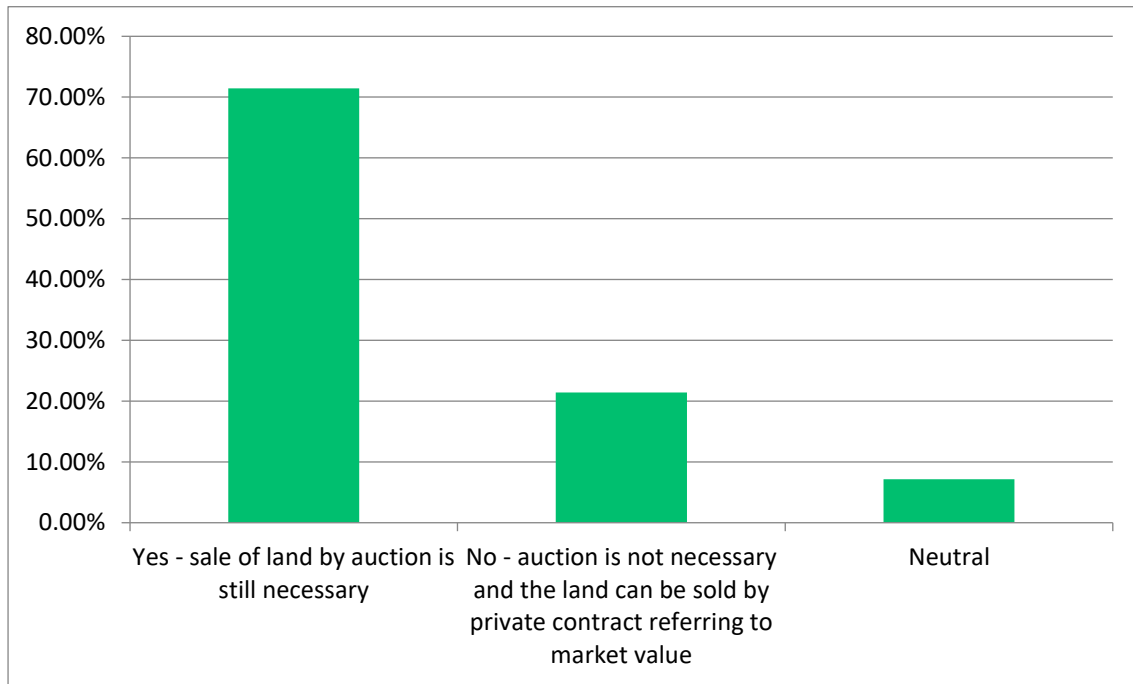
Question 14 - If the LGR and COBR were amended to require a local government to take reasonable care to ensure that the land is sold at the market value, is the argument for retaining the requirement for a valuer's report relating to the market value more compelling?



Comments:

- “Yes, as the valuers report provides greater assurance that the reserve set is in line with market trends. However the local government should have the capacity to withdraw the property at auction if it reasonably believes that the property will not reach the reserve price or does not reach the reserve.”
- “The requirement for "reasonable care" will result in significant legal uncertainty for councils. Should the State want to ensure that the market is fully aware of overdue rate auctions, it may wish to specify greater publicity requirements. For example, the State may wish to specify that a newspaper circulating throughout the State be used for publicising auctions.”

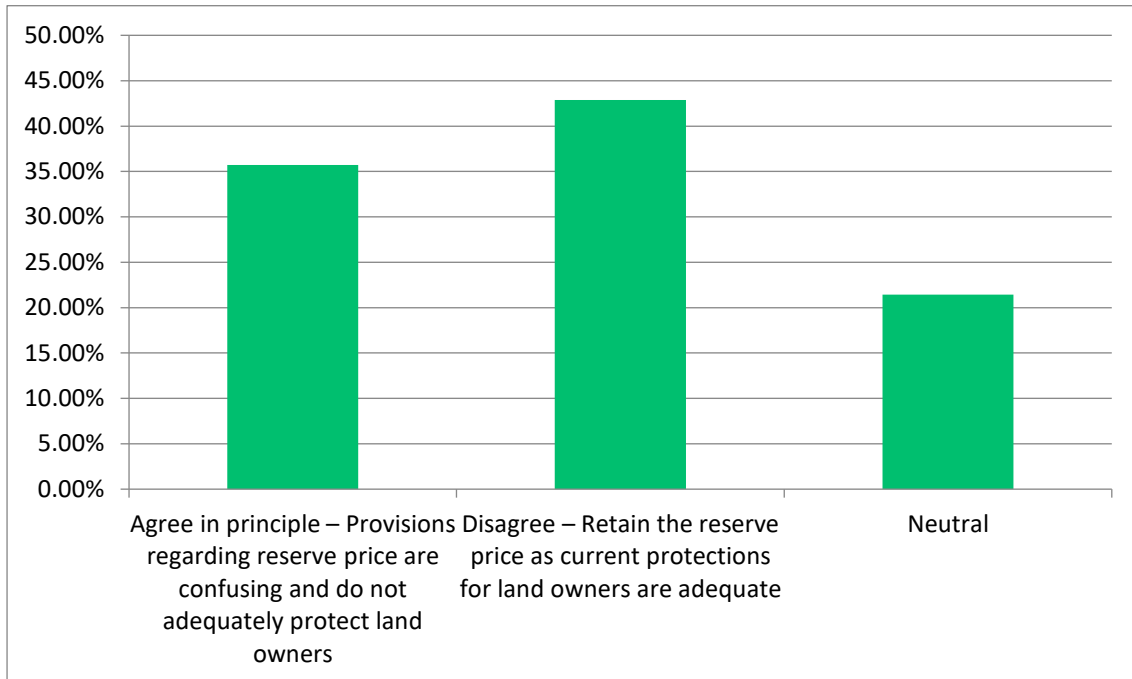
Question 15 - If the LGR and COBR were amended to require a local government to take reasonable care to ensure that the land is sold at the market value and the requirement to obtain a valuer's report is retained, is the current requirement that all land must be first offered for sale by auction still necessary? Alternatively, should a local government be allowed to offer the property for sale by private contract without first offering it for sale by auction?



Comments:

- “Sale of land by auction reduces the opportunity for favouritism when selling and/or accusations about favouritism.”
- “Strongly reject introducing option to allow sale by private contract without first offering it for sale by auction. A public auction is the most effective way of ensuring a transparent, open process is followed, and introducing the opportunity for private sale will expose Council to additional operational and reputational risk, even in an instance where a property is sold at or near market value.”
- “The process should be auction first and then private sale if auction not successful. How would Council sell the land privately (outside of an Auction process) - there is no access to the property, where would the protection be for Council selling sight unseen without the conditions of the auction attached? How is the Council then able to demonstrate it has followed a transparent process.”

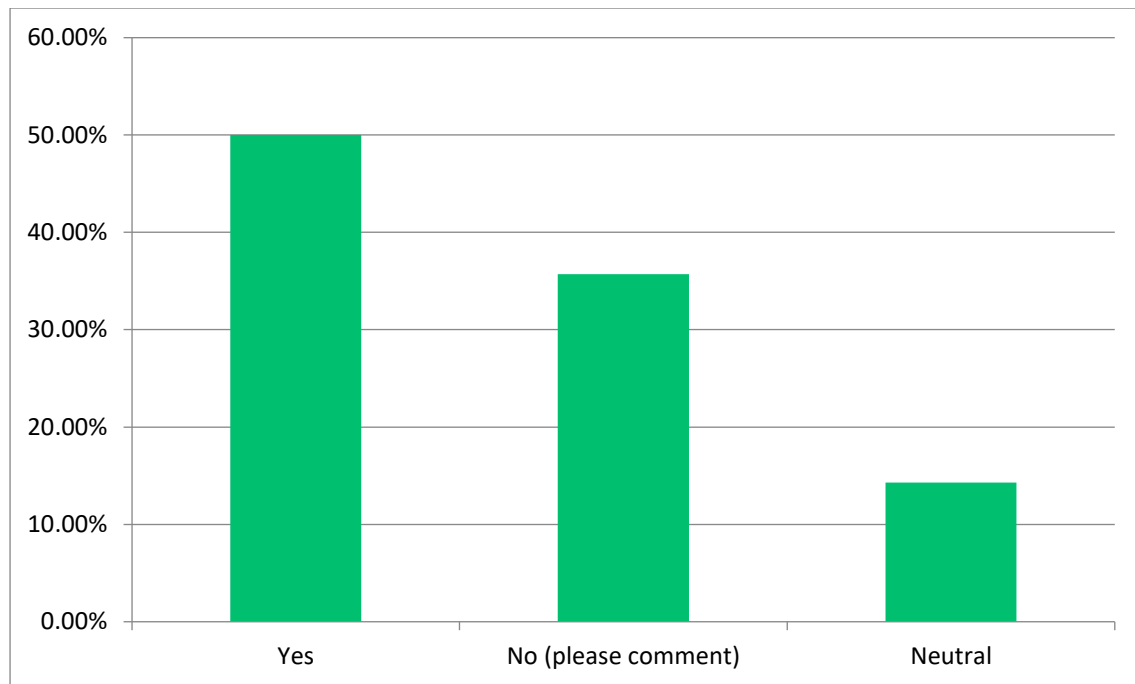
Question 16 - Are the current provisions relating to the reserve price confusing? Does the current ability to set a reserve price at the amount of the overdue rates or the value under the Land Valuation Act 2010 provide adequate protection to land owners if this price could potentially be set at a value which is less than the market value? Should the requirement to set a reserve price be retained?



Comments:

- “The reserve value provision are unnecessary complicated but provide adequate protection for landowners. Keep in mind that this process only commences after the owner hasn't paid rates for three years, the process itself is very structured and provides plenty of notice to owners and mortgagees. The reserve price should be the higher of unimproved value or outstanding rates.”
- “Land owners always have the option to sell the land themselves prior to getting to this stage and therefore achieve a sale price at the full value of what the market will pay.”

Question 17 - If the LGR and COBR were amended to require a local government to take reasonable care to ensure that the land is sold at the market value, should the requirement to set a reserve price be retained but provide that the reserve price must be consistent with the obligation to take reasonable care to ensure the land is sold at market value?



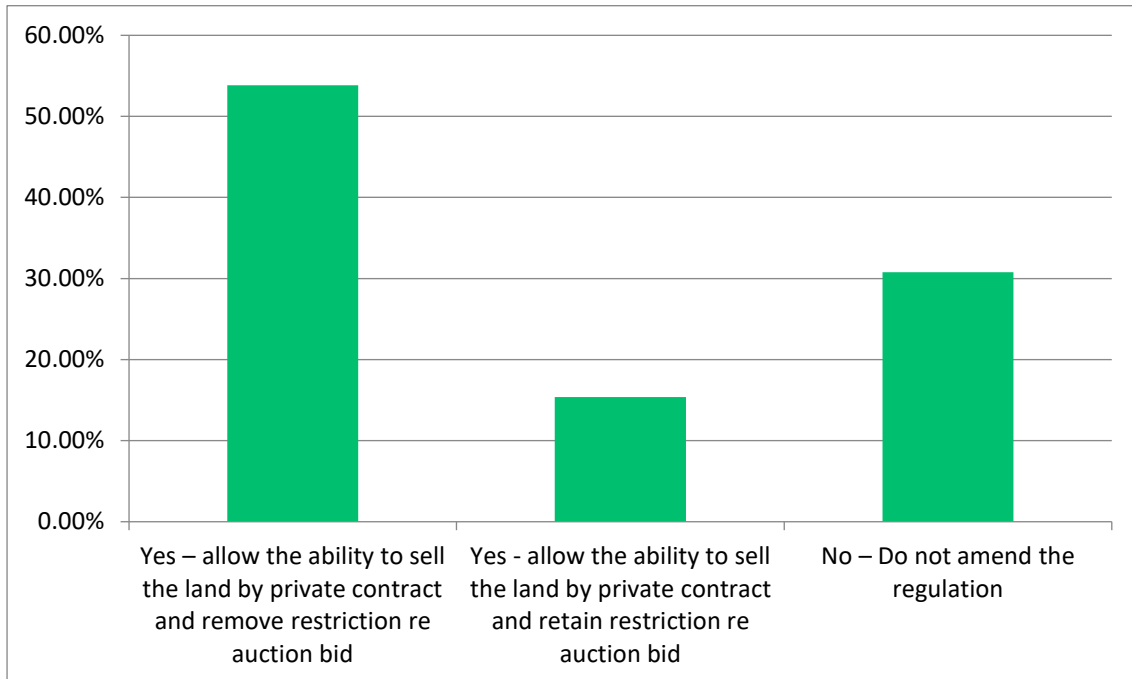
Comments:

- “While the discussion paper makes Local Governments analogous to Mortgagees taking possession, this is an unreasonable comparison to make, since a) Mortgagees have entered into a willing contract with the owners of the property to provide finance, and b) Local Council’s taking sale of land action have, for residential properties, had no payment for in excess of 3 years, well beyond the timeframes a Mortgagee would consider prior to taking possession. These timeframes, both prior to sale of land action commencing and the legislated timeframes following issuance of the Notice of Intention to Sell provide the owner with ample protection against a quick sale, and ample opportunity to take action (including private sale of the property), should they choose to do so.

If a requirement on Council’s to ensure properties sold achieved at or near market value, it is likely this would act as a disincentive for owners facing sale of land action to engage with Councils. Currently, the knowledge that a reserve price may be set well below the market value is a powerful incentive for owners or to engage with Council and/or take action to resolve their accounts. By removing this incentive, it is likely some owners, faced with limited options and knowing Council is required to achieve market value on any sale, will simply do nothing and allow Council’s to complete the work of having the property sold. While direct costs of such a process may be recoverable from the sale proceeds, internal overheads (such as staffing costs) are not, thus increasing the burden on Councils.”

- “I believe the requirement to set a reserve price should be retained and if legislation is amended, be aligned with the obligation to take reasonable care.”
- “Current provisions in the LGR are adequate”

Question 18 - Should the LGR and COBR be amended to provide that if the land fails to sell at auction, a local government may sell the land by private contract to any person - not just the highest bidder at the auction? Should the LGR and COBR be amended to remove the restriction that the price at a subsequent private sale must be more than the highest bid received at the auction?



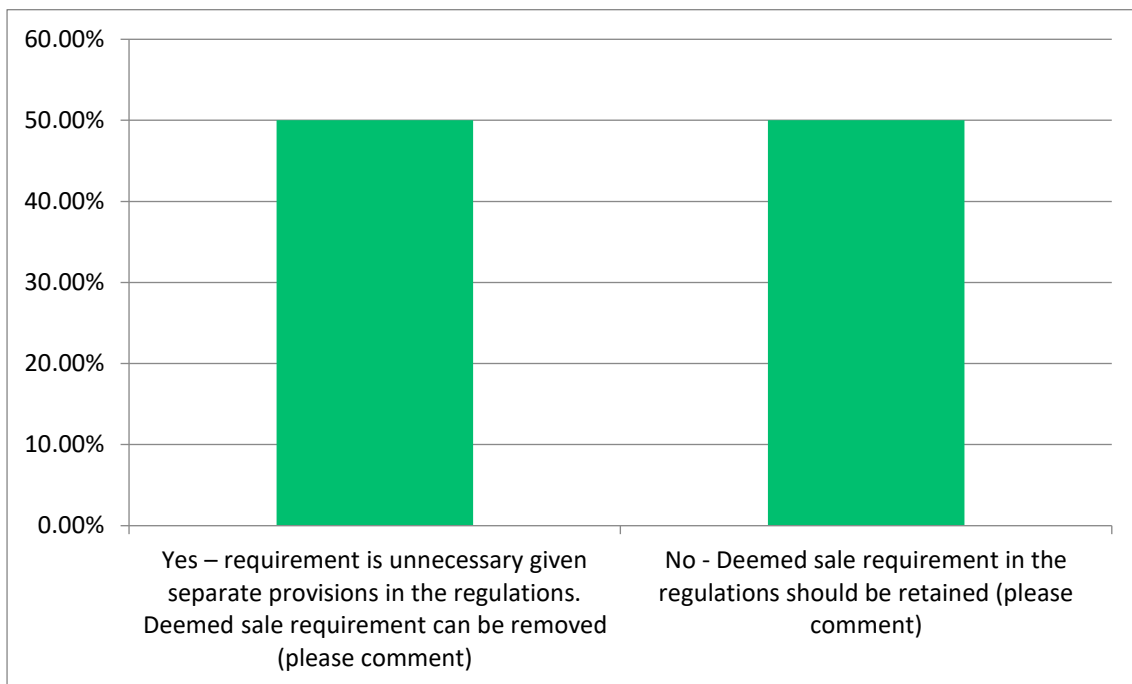
Comments:

- “Recommend removing the restriction to sell only to the highest bidder, as this provides an unreasonable restriction on Council’s. If this were done though, some mechanism to ensure future dealings were arm’s length and transparent would need to be put in place.

Recommend for leaving the restriction that the price at a private subsequent sale should be more than the highest bid at auction. Maintaining this requirement removes the risk that Council’s will ‘tank’ an auction (by setting an unreasonable reserve price, conducting an auction at an inconvenient time or location etc.), and then selling the property privately for a significantly reduced value in a potentially much less transparent manner”

- “Yes, it should be amended to allow LG to sell as a private contract to any person if not sold at auction. I do agree with the removal of the Council not forced to buy the land if negotiations with the highest bidder fall through. The current wording would suggest that Council could accept an increased bid of \$1 during the negotiation and be meeting its legal obligations.”

Question 19 - Is the requirement that land is deemed to be sold to the local government if the land does not sell at the auction or following any subsequent negotiations for sale unnecessary, given that there are separate provisions in the LGR and COBR which allow a local government to acquire land for overdue rates in certain circumstances where the amount of the overdue rates is more than the market value of the land or the value of the land under the Land Valuation Act? Should the LGR and COBR be amended to remove this “deemed sale” requirement? Would the removal of the deemed sale requirement obviate or allay concerns about setting a reserve price which is at or near to the market value?



Comments:

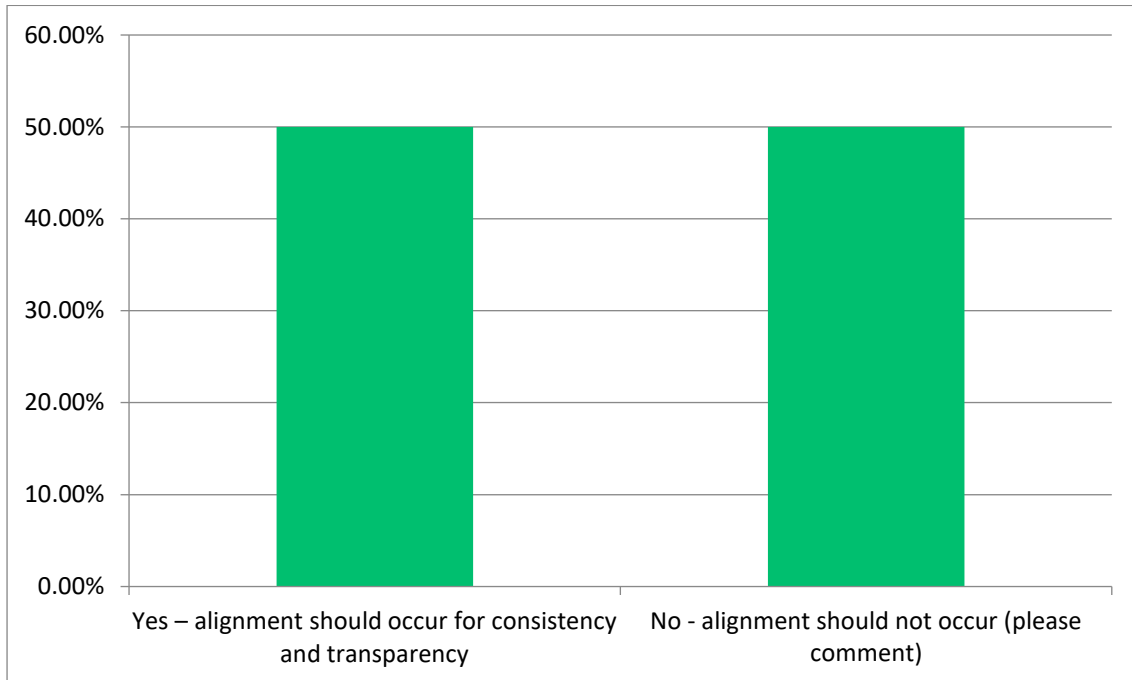
- “Yes, the legislation should be amended to remove the ‘deemed sale’ requirement as yes, it will allay concerns about setting the reserve price at or near market value.”
- “As per above comments, strongly recommend for not introducing a requirement to sell at or near market value. Such a requirement does not account for Council’s distance from the owner (in that Council’s do not enter into a contract with owners to pay rates, the way a bank enters into a mortgage), and nor does it take into account Council’s inability to take possession or even inspect the property being put to sale. Requiring Council’s to achieve a sale price at or near market value for a property they are unable to allow prospective purchasers to see, are unable to provide any assurances as to the state of any fixtures or fittings, and are selling with full knowledge that any purchaser may have to undertake removal of the occupants and their possessions is unreasonable.

Recommend removing the requirement that any property that does not sell at auction or through subsequent negotiations is deemed sold to Council at reserve price. Such a requirement places Council in the position of ‘rolling the dice’, and potentially having to divert funds to pay at least unimproved capital value for a property they are unlikely to have any use for, interest in, or potentially capacity to manage. Recommend replacing this with the option for Council to purchase the property at reserve price. Should Council’s not wish to exercise this option, recommend that the sale of land process be considered finalised at that

point, with Council's retaining the option to commence proceedings again in the future by resolution. The provisions of the Local Government Regulation that enable Council's to acquire 'valueless land' at the point the rates exceed the value of property provide sufficient support should Council's ultimately be unable to sell a property, without requiring the diversion of resources away from core service delivery."

- "Separate provisions are for certain circumstances only. The current provision legitimises the sale to Council if the reserve is not met."

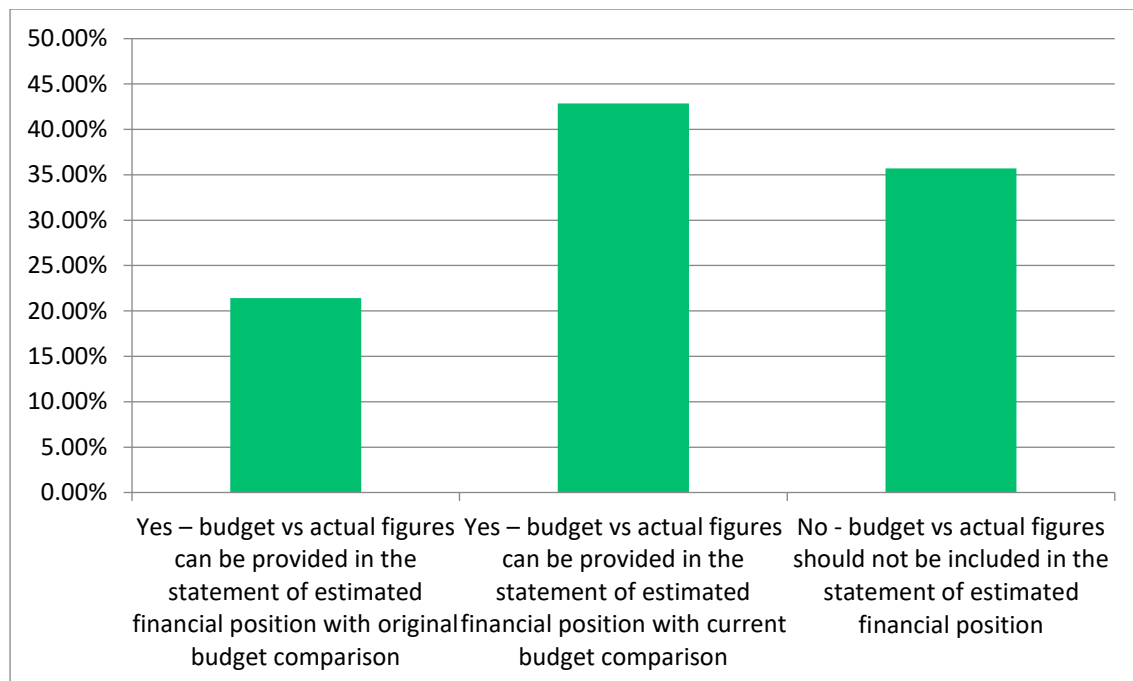
Question 20 - Should the requirements for local governments be generally aligned with those that apply to State and Commonwealth Government Agencies in relation to the publication of budget vs actual figures?



Comments:

- “Providing the community with the budgets to actuals provides additional transparency for community members however we would need to consider if the additional administrative burden of having the budget audited would be required, particularly given that the initial budget construction is not audited. Maybe the Community Financial Statement could be enhanced to provide more information on outcomes in comparison to budget.”
- “This option would likely have an impact on audit costs and time frames. Getting variances and commentary audited would be very challenging and probably also expensive. Councils would normally provide commentary on variances to budget throughout the year in their monthly financial statements presented to Council.”
- “Yes, this will provide transparency and accountability of the budget process.”

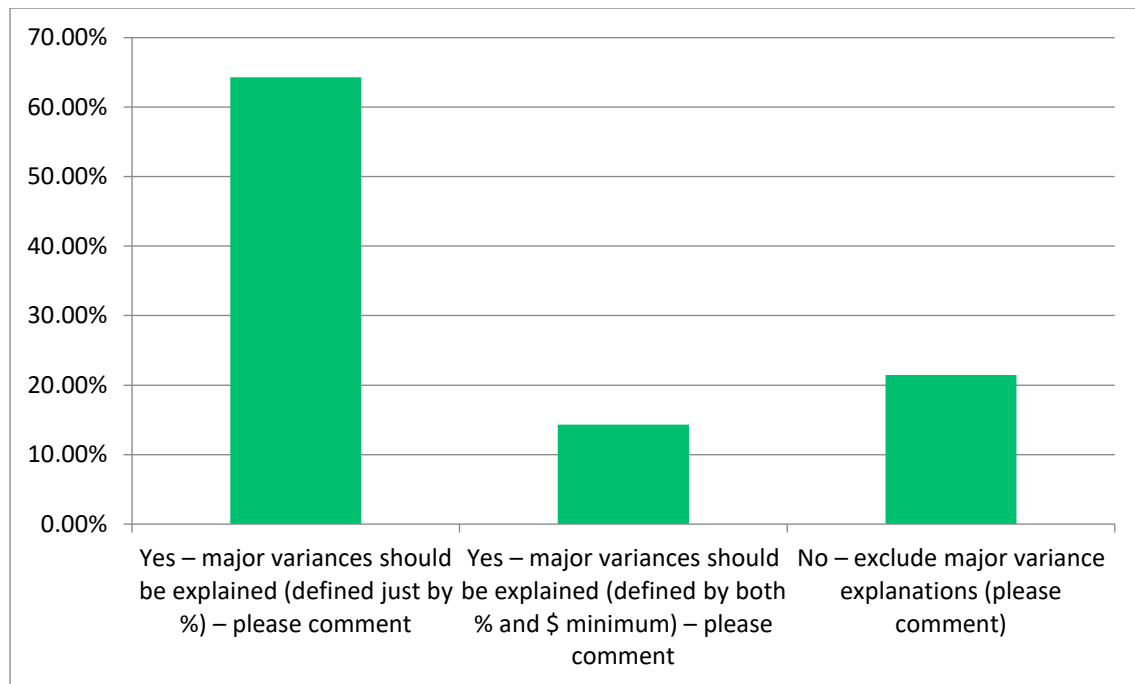
Question 21 - For local governments, should this information be included in the “statement of estimated financial position” (under section 205(2) of the LGR and section 197(2) of the COBR)? Specifically, should the original budget figures be included in the statement of estimated financial position (for the previous financial year) presented at the annual budget meeting?



Comments:

- “The Statement of Estimated Financial Position would provide little benefit to the reader. The reader is more concerned with what was delivered or not, and was it delivered in budget. Council conducts a budget review at year end with explanations of major variances and potential carry overs.”
- “Comparison should include original and current budget for better transparency.”
- “Yes, the original budget figures and subsequent budget review figures should be included in the Statement of Estimated Financial Position. This then eliminates the impacts of unforeseen circumstances like natural disasters and demonstrates Councils ability to recognise budget risks and rectify during the financial year. My concern however, is the timing of the annual budget meeting and having accurate EOFY figures to present.”

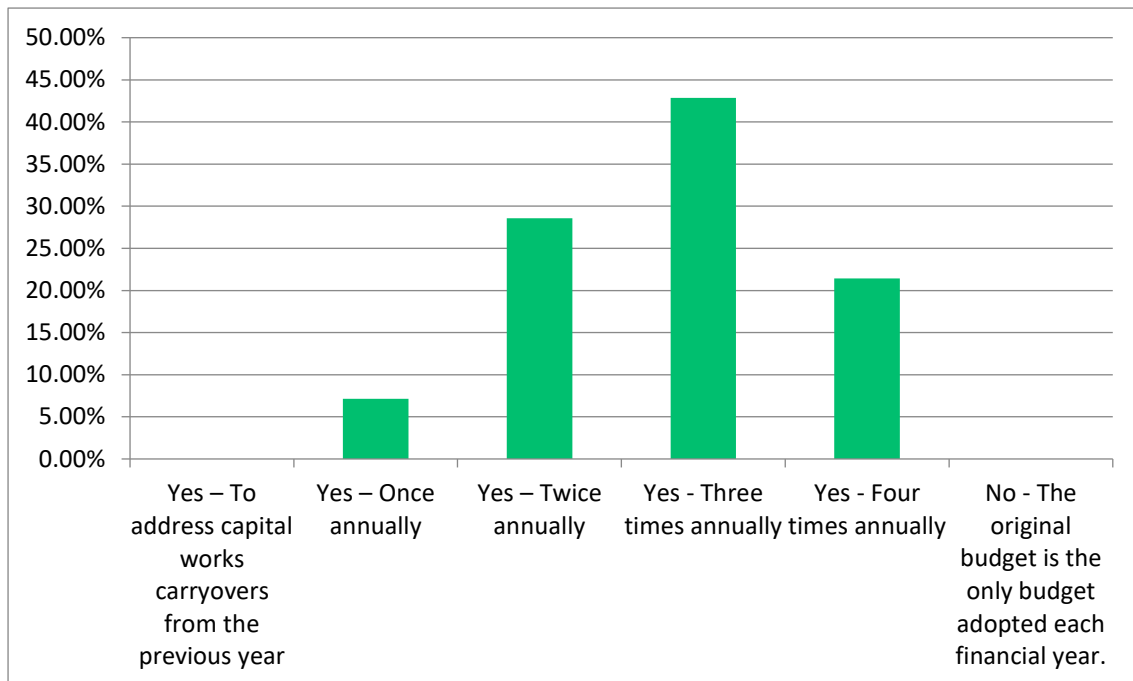
Question 22 - Should the information also include an explanation of major variations (>X%) between original budget and statement of estimated financial position figures, by line item? How should major variances be defined: >10%? >20%? Regardless of the percentage variation should there also be a minimum \$ amount variance (e.g. >10% and >\$1,000)?



Comments:

- “Not entirely sure what the value add would be to supply this information in the budget report. Most Council’s would include major variances in their amended budget reports throughout the year as well as in the report to Council each month. Are we just replicating information already available to the public? If it was to be reported than it should be either a minimum \$ and % variance (perhaps banded by Council size). A determined reasonable variance level to report against for a ‘major’ variance would differ greatly between a small and large Council. Issues outside of Council control could impact and require reporting, example a change in timing of State grants to Councils, a natural disaster, unforeseen external economic factors or even a politic change in leadership or policy.”
- “It could be also argued that a comparison to the Revised Budget is more accurate than to the Original Budget given circumstances may have changing during the financial year and were reflected in the revised budget. The example provided of reporting variances greater than \$1,000 is not warranted as it is too small a variance for multi-million dollar budgets. The variance threshold needs to be practical and relevant to the total budget value. One suggestion is to use the materiality thresholds set as part of the annual audit process.”
- “Yes it should include an explanation of major variances however defining this should be left to the judgement of individual Councils or alternatively set a rate based on Council tiers. Due to the varying size of Councils across Queensland, it would not be appropriate to set a minimum \$ figure or percentage variance as a ‘one size’ may not fit all.”
- “Reporting of budget versus actual figures occurs on a monthly basis already and this is appropriate. There is no need for a statutorily defined level of budget variance explanations.”

Question 23 - Does your Council conduct budget reviews?

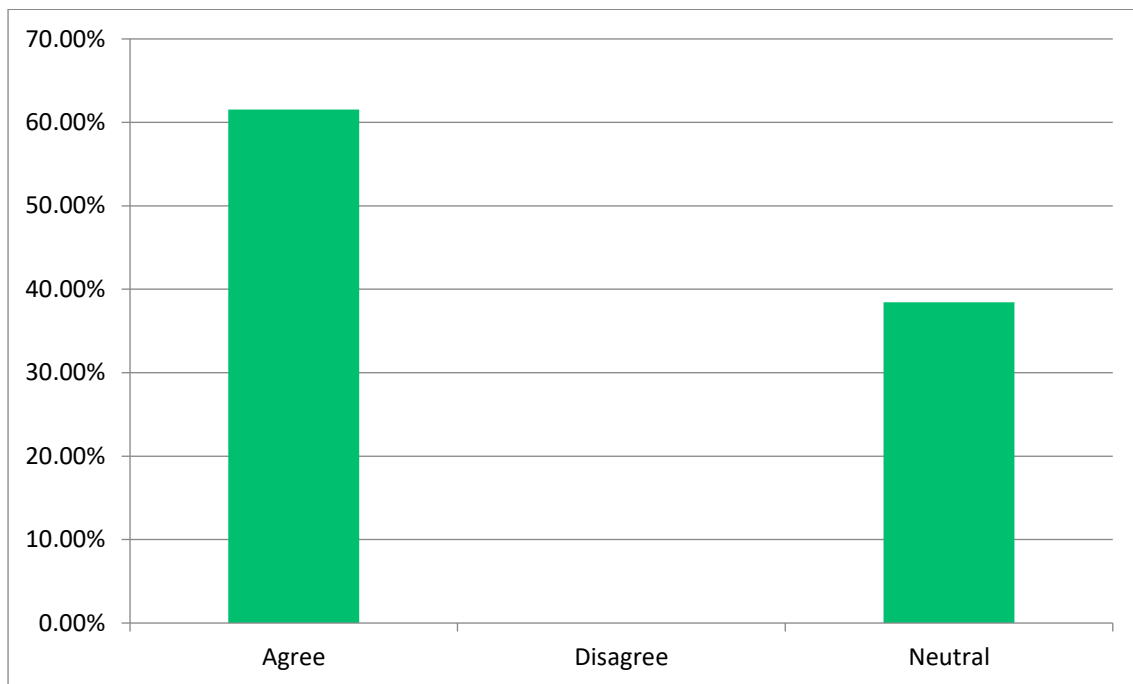


Comments:

- “Council conducts budget reviews in September, December and March. It also conducts a budget vs. actual review at year end to justify under/overspends and address carryovers from previous years.”
- “A review is completed to bring forward capital works carryovers from the prior year and to update the Statement of Financial Position for the audited balances (September or October) and a mid-year budget review is undertaken (in December or January).”
- “Council conducted two budget reviews during 2018/2019 but the usual approach is for three budget reviews.”

Question 24 - Advice on the creation of new controlled entities it is proposed that the LGR and the COBR be amended to prescribe that:

- i. a local government must notify the Minister of a notifiable event (as defined under the A-G Act) within 14 days.**
- ii. a local government must provide the Minister with a copy of a controlled entity’s governing documents (e.g. constitution, statement of corporate intent, etc) when it is established or when any change is made to the governing documents within 14 days.**
- iii. in respect to an entity jointly controlled by more than one local government, each local government that jointly controls the entity must notify the Minister of the notifiable event and provide a copy of the entity’s governing documents to the Minister within 14 days.**

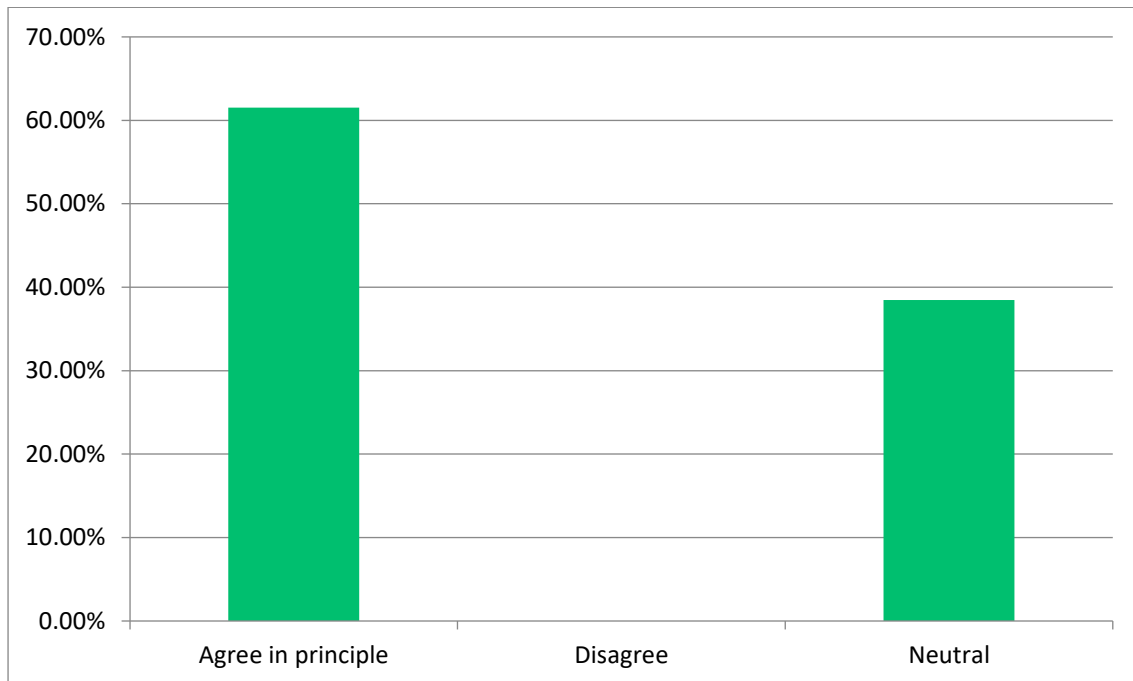


Comments:

- “I think this is good Corporate Governance.”

Question 25 - Controlled entities – audited financial statements to be publicly available. It is proposed that the LGR and the COBR be amended to prescribe that:

- i. the audited financial statements of a controlled entity (as defined under the A-G Act) be tabled at the next meeting of the local government following certification by audit.**
- ii. the audited financial statements of each controlled entity of a local government be published on the local government’s website within 14 days of tabling at the meeting of the local government.**
- iii. in respect to an entity jointly controlled by more than one local government: the audited financial statements of each jointly-controlled entity be tabled at the next meeting of each local government, that jointly controls the entity, following certification by audit; and the audited financial statements of each jointly-controlled entity of a local government be published on the website of each local government, that jointly controls the entity, within 14 days of tabling at the meeting of each local government.**



Comments:

- “The financial statements of controlled entities should be subject to the same legislative requirements that are applicable to local governments”