



LOCAL GOVERNMENT FINANCE PROFESSIONALS QLD

# NEWSLETTER

May 2020

## PRESIDENT'S MESSAGE

Dear Colleagues,

Welcome to the May 2020 LGFP newsletter.

March 2020 was always going to be a time of change for the local government sector with the council elections taking place however no-one could have foreseen just what other changes were going to be thrust upon us as the extent of the risks posed by COVID-19 became apparent. Councils across Queensland had to quickly scramble to implement processes to ensure that the vital services provided by local government could continue safely and to provide financial support to impacted sectors of the community. With all this occurring as next year's budget is being developed and interim audits are underway.

As finance professionals we have quickly adapted to new ways of working, new elected members, and new priorities which will put pressure on Council finances. Good quality advice is vital to ensure that the implications of short term decisions are considered in the light of long term sustainability so if you haven't already checked them out, the resources listed below could be very useful. Also, don't be afraid to reach out for advice or assistance either to the LGFP committee or other members of the network – we're happy to help if we can.

## LGFP EVENT UPDATES

**24 July 2020**

CFO & Finance Managers Forum  
*Cancelled*

**25 - 27 November 2020**

LGFP Annual Conference  
*Cancelled*

## LGFP 2020 EVENTS – COVID-19 UPDATE

The current COVID-19 pandemic is causing significant disruption and challenge for us all individually in addition to business and government sustainability. As such the LGFP committee has made the difficult but sensible decision to *cancel our signature events for 2020*, being the CFO forum and annual conference. It was felt that this decision was best for the interests of our members, stakeholders and conference partners to allow us all to focus on reacting to the current challenges and then to plan for successful recoveries.

Please note that in relation to the annual conference the committee has made the necessary preliminary arrangements with the Pullman Cairns International to lock in the 2021 conference for the 24-26 November 2021. Further information will be provided in due course.

The LGFP committee will be taking the opportunity to explore different ways to deliver member events in the future, given we have all been required to embracing virtual communication solutions such as zoom, MS teams and Skype. Stay tuned for more on this over the coming months.

## INTEREST RATE AND PENALTY UNIT CHANGES

The DLGRMA advises that from 1 July 2020 the new maximum interest rate of 8.53 per cent will apply for the 2020/21 financial year. As per normal budget adoption processes Councils will be required to include interest rate information in revenue statements to ensure that interest can be applied to overdue rates for the 2020/21 financial year.

The Department of Justice and Attorney-General advises that value of a penalty unit will remain the same from 1 July 2020 whereby:

- the value of a penalty unit for most offences under state legislation will be \$133.45
- the value of a local law penalty unit for most local governments will also be \$133.45

## RESPONDING TO THE COVID-19 PANDEMIC

Queensland councils have been reacting to the impact of the COVID-19 pandemic by providing immediate community and business relief to residents and businesses in their shires and regions via a number of mechanisms. The next challenge for many councils will be to understand the financial stress the pandemic will cause to 2020/21 budgets and 10 year forecasts. Reworking budgets and forecasts as soon as possible will be important to inform likely decisions to provide further financial relief as part of budget packages, which may impact on council financial sustainability if informed decisions are not made.

Financial stress testing is now an important requirement for councils to understand the COVID-19 impacts on financial sustainability. Stress testing allows you to assess the impact on the financial health of your council as a result of applying greater than normal changes to key budget and long term forecasts assumptions. This testing should consider how changes to assumptions impact financial performance (i.e. profit and loss), financial position (i.e. balance sheet) and more importantly cash flows. The *American Government Finance Officers Association* has kindly referenced some [useful tools](#) to assist with undertaking stress testing, and CPA Australia and KPMG have useful articles regarding [budget forecasting](#) and [response planning](#) to ensure financial sustainability.

Some key things to consider for a COVID-19 review of your budget and long term forecast are:

- Timing of current restrictions and implications for own sources revenue collection and variable costs (fees, sales etc.);
- Potential cash flow impacts of increased receivables (rates, fees and sales etc.);
- Potential cash flow impacts of waiving / deferring rates and charges issuing and collection;
- Reduced interest revenue implications for budget and financial forecasts;
- Requirement for a working capital facility to navigate short term low cash cycle points;
- Identification of service level reductions (temporary and ongoing) to offset identified revenue shortfalls;
- Understanding debt metrics and ability for increased borrowings to maintain capital programs.

The items identified above are just examples of the issues that need to be considered to ensure that stress testing is robust and ensures that financial sustainability risks are appropriately identified and measured.

## QUEENSLAND AUDIT OFFICE (QAO) BLOG

### Are you aware of the QAO Blog?

The QAO blog is a great reference source providing articles on a range of relevant accounting topics.

To access the blog go to:  
[www.qao.qld.gov.au/blog](http://www.qao.qld.gov.au/blog)

To register simply go to:  
[www.qao.qld.gov.au/subscribe](http://www.qao.qld.gov.au/subscribe)

Recent blogs have been released providing advice on *Maintaining controls amidst a global pandemic* and also *Valuation considerations— Fair value of infrastructure and property, plant and equipment*.

## EMERGENCY MANAGEMENT LEVY PAYMENTS

Councils were recently contacted by the state government advising that a number of councils have been remitting the Emergency Management Levy (EML) they collect on behalf of Queensland Fire and Emergency Services (QFES) under an arrangement that does not comply with the provisions of the Fire and Emergency Services Act 1990 (FESA).

Some councils remit to QFES the full amount of the EML levied each period, rather than the actual EML amounts collected as it is paid. Section 118 of FESA states that 'a local government must from time to time pay to the department the total of the moneys received or recovered by the local government' during the relevant declared period less the administration fee retained by the local government. The declared periods for local governments are set out in Schedule 3 and 4 to the Fire and Emergency Services Regulation 2011 (FES Regulation).

The state government has advised that from 1 July 2020, all payments to QFES of EML collected by councils must comply with the requirements of the FESA and the FES Regulation. It is recommended that if applicable your council checks its payment approach to ensure future compliance.

## DLGRMA / QTC COUNCILLOR FINANCIAL LITERACY TRAINING

As part of its new council induction program the DLGRMA and QTC have developed a financial literacy training video which all councillors will be required to undertake. This is a great initiative and the content of the training has been tailored to ensure that councillors are aware of their responsibilities regarding financial sustainability, financial statements, and budgets and long term forecasts. The LGFP supports this important initiative and thanks the DLGRMA and QTC for the quality of the training video provided.

## OTHER NEWS

### QTC COVID-19 Support

QTC are actively assisting the department in providing expertise and support for councils in relation to the financial impacts of COVID-19. Should you require assistance with financial modelling or understanding cash flow risks for your council please give Christine Ip or Robyn Usher a call who will be more than willing to discuss and understand your needs.

### COVID-19 Data Collection Request

The LGAQ through the department has recently requested a survey be completed by councils outlining COVID-19 impacts on individual councils (requesting both qualitative and quantitative information). This survey is important and will assist in enabling the state government to understand specific risks facing councils and determine any potential support measures moving forward.

### COVID-19 and Audit Timeframes and Processes

The QAO are also keeping in close contact with local governments and the DLGRMA on the timetables for council financial statements. At this stage based on advice from the Department, there are no proposed changes to audit timeframes for councils. We will inform you if the situation changes.

The QAO, is also considering how they can best complete audits without physically accessing council sites. By using digital sharing platforms (i.e. SharePoint or other similar platforms) councils will still be able to share information with the QAO securely to enable audits to continue. The QAO have advised that if COVID-19 pressures are significantly affecting the agreed timing of audit activity, please raise with your audit engagement leader to discuss options.

The QAO also has some performance audits underway where COVID-19 impacts are limiting the ability to provide information during the audit conduct phase. The QAO are liaising closely with the respective entities on extending timelines where appropriate.

### Your LGFP 2020 Committee (<http://www.lgfp.org.au/lgfp-governance>):

Tony Brett	President		
Anthony Keleher	Past President	Toni Skillington	Committee
Michael Shave	Secretary	Narelle Ballini	Committee
Jo Morris	Senior Vice President	Andrew Page	Committee
Anthony Archie	Treasurer	Anita Corfield	Observer
Cassie White	Jnr Vice President	Zoe Behrendt	Observer

Please feel free to contact [admin@lgfp.org.au](mailto:admin@lgfp.org.au) if you have any information for future newsletters.