



# **ATTACHMENTS TO MINUTES GENERAL COUNCIL MEETING**

**24 MAY 2017**



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### **Submission to Inquiry on Long Term Financial Sustainability of Local Government**

Southern Downs Regional Council ("SDRC") would like to provide a submission to the Inquiry into the Long Term Financial Sustainability of Local Government that is being undertaken by the Infrastructure, Planning and Natural Resources Committee.

SDRC manages the Southern Downs Region which has principal population centres in Warwick and Stanthorpe, with surrounding towns such as Allora, Killarney, Yangan, Wallangarra and Leyburn. The population of the municipality is just under 36,000, with the major economic drivers being linked to agriculture and agribusiness, as well as food processing, freight and logistics, tourism, health and education. Population growth in the region is marginal and there is a need to attract more employment, residents and visitors to the region.

The operating budget of SDRC is in the order of \$66 million with approximately \$25 million allocated to the capital works program.

SDRC acknowledges the Forecasting Long-Term Sustainability of Local Government Report 2016. Council wishes to respond to each of the recommendations:-

*It is recommended that councils improve the quality of their long term forecasts and financial planning by:*

#### ***Recommendation 1***

***Maintaining complete and accurate asset condition data and asset management plans***

#### **Response:**

- This recommendation is supported subject to funding being made available to assist local government authorities to undertake accurate asset condition data and asset management plans. SDRC has completed an Asset Management Strategy and is now developing Asset Management Plans for 5 key areas. This requires significant financial and human resources.

#### ***Recommendation 2***

***Implementing a scalable project decision making framework for all infrastructure asset investments***

#### **Response:**

- SDRC undertakes a project decision making framework through many of the funding applications submitted to the other levels of government. Often this is undertaken in isolation to other decision making frameworks that guide the capital works program.

***Recommendation 3***

***Engage directly with their communities on future service levels***

**Response**

- SDRC is one of the few Councils that encourages direct feedback on a draft budget from the community. Feedback from the community informs Councilor decision making processes and allows for the scheduling of future capital works that have been identified by the community.

***Recommendation 4***

***Developing financial plans to explain financial forecasts and how they intend to financially manage Council and its long term assets.***

**Response**

- SDRC supports the intent of this recommendation, but notes that not all local government authorities undertake long term financial planning in a comparative manner. Detailed advice from the Department or QTC would standardize much of this reporting and provide greater consistency in how local government approaches issues associated with long term financial sustainability.

***It is recommended that the Department of Infrastructure, Local Government and Planning:***

***Recommendation 5***

***Allow Councils to set their own financial sustainability targets where they can justify a different target is more appropriate for their long term sustainability***

**Response**

- SDRC has a preference for the Department to set uniform financial indicators and ratios that demonstrate the sustainability of a local government authority
- SDRC believes that the Department must play a greater role in determining the financial opportunities and constraints for a local government authority based on its asset base, population growth and level of disadvantage

***Recommendation 6***

***Strengthen their governance role including analysing long term planning documents to allow the Minister to identify Council in or becoming financially stressed***

**Response**

- SDRC supports this recommendation and believes it would be appropriate to have a representative from the Department participate in the Audit & Risk Management Committee to obtain a better understanding of the financial issues for each local government authority

- At a minimum a Departmental representative should attend at least 1 Audit & Risk Management Committee Meeting per annum

***Recommendation 7***

*Support Councils to strength their strategic planning by building their capability and capacity to produce 10 year financial forecasts and asset management plans that can be relied on and are integrated with their annual budgetary processes. They should be renewed and updated at least every 4 years.*

**Response**

- SDRC supports this recommendation noting that the financial forecasts will be influenced by outside factors such as quadrennial local government elections, enterprise bargaining agreements, natural disasters and levels of financial stewardship.
- SDRC is working towards the development of a 10 year capital work program that captures recommendations from Council, outcomes from feasibility of studies, as well as infrastructure replacement and renewal identified in asset management plans.
- SDRC has a level of confidence in its 4 year planning, however as indicated previously there are outside factors that have the capacity to influence outcomes.

***Recommendation 8***

*Require councils to include in their annual budget or annual report statements:*

- *the long-term financial forecasts for at least three subsequent years after the budget year*
- *reporting analysis of actual to budget figures*

**Response**

- SDRC supports this recommendation and is undertaking to develop this type of financial reporting in the current budget process.

***Recommendation 9***

*Broaden the number of ratios required to be calculated over 10 years to include the asset renewal funding ratio, once councils have improved their asset condition data*

**Response**

- SDRC would welcome the establishment of consistent and uniform ratios
- SDRC would welcome funding to assist with the collection and analysis of asset condition data.

Southern Downs Regional Council believes that the report undertaken by the Queensland Audit Office was worthwhile, however some of the recommendations needed to be more detailed and define a higher level of responsibility to the Department and local government authorities.

With regard to borrowings or debt, SDRC has in the past borrowed for both capital projects and operational works. This has left Council in a challenging position where the ability to undertake further borrowings has not been an option, as well as having SDRC identified as a financially unstable local government authority by the Department.

Through closer financial management the level of existing debt has been reduced significantly, however the question that needs to be considered is how was a local government authority permitted to undertake such extensive borrowings without intervention from the Department or another body?

SDRC believes that one option may be that the Department of Local Government should be provided with additional responsibilities that would allow intervention when the financial sustainability of a local government is at risk. This may mean that the Department needs to be granted additional powers or be provided with more resources to undertake this role. It is noted that there is not a level of financial skills and expertise within the Department, rather the available skills appear to be linked to governance and funding issues.

For the past two years SDRC has delivered operating surpluses and it is likely that a further surplus will be delivered in the forthcoming year. It should be noted that these surpluses are the first surpluses to be delivered since amalgamation, with all other budgets being deficit budgets. During the period of time over which the deficit budgets were delivered there was very little intervention from the Department. The only limiting factor placed on Council was the limitation on borrowings. There was no provision of advice on how to establish a plan to become financially sustainable, nor was there any incentive for Council to become financially sustainable.

It is noted that perhaps the only "check" on initiatives for better financial management are the quadrennial elections, which it could be argued involve subjective decisions, rather than the consideration of data or financial performance. It would be more prudent and responsible to have a greater degree of involvement from the Department in the development of budgets and the longer term financial planning. It is noted that the Department is having more input into funding applications made by local government authorities, which is welcomed.

The observation made is what are the benefits or incentives of being a financially sustainable local government authority, compared to the penalties or limitations associated with being not financially sustainable? The political outcomes are noted, but should there be other incentives or limitations applied?

As indicated above SDRC has undertaken a few initiatives that may be considered for implementation elsewhere. For the past two years, the draft budget has been placed on exhibition for feedback from the community. This year over 100 people attended information sessions in relation to the draft budget at Warwick, Stanthorpe, Allora, Killamey and Wallangarra.

Additionally, members of the community were given the opportunity to make a written submission or present to Council in regard to what they believe are the major issues. Thus far, Council has received 30 submissions to the budget, with a number of individuals and groups seeking to speak and present to Council. It is submitted that this is a far more transparent process than adopting a budget in isolation and without feedback.

An additional process being undertaken by SDRC is the development of 10 year capital works plans that incorporate the recommendations from Asset Management Plans, as well as new infrastructure. The 10 year plans seek to include the recommendations from all feasibility studies undertaken, as well as recommendations emanating from Council meetings. Once finalised, the 10 year plans should inform a rating strategy, as well as



highlighting the hierarchy of infrastructure funding that is required to be present to State and Federal Government for consideration.

To ensure financial sustainability SDRC would appreciate a higher level of certainty in relation to funding from the other two levels of government. Whilst the recent lift of the "freeze" on the Financial Assistance Grants is appreciated, the forecasting of State and Federal Government funding over a four year period would deliver greater certainty to local government in delivering services to its community, whilst informing future rate increases or decreases. At present that is not possible due to the inconsistency in the timelines surrounding grants and the variation in grant funding criteria.

SDRC would also welcome discrete funding for facilities that service communities and businesses outside the auspice of local government, with aerodromes being a prime example for consideration. Either discrete funding or an ongoing contribution from the other levels of government would allow for greater planning in infrastructure replacement and renewal.

SDRC notes that many funding programs require new assets to be constructed rather than old assets to be replaced or upgraded. SDRC submits that the replacement of existing assets is a priority over the construction of new assets that often place additional financial strain on an already stretched capital works budget. Additionally, it is noted that new assets are required to be depreciated and renewed over a period of time, creating a further financial legacy.

Consideration of the financial impact of temporary population increases on the level of services delivered by local government authorities would also be welcomed. For example, each year the population of Stanthorpe increases by between 5,000 and 8,000 people, as those involved in fruit and vegetable harvesting are attracted to the region. This influx of workers in essence doubles the size of the existing population and places additional requirements on Council from a diversity of areas, whether it be water and sewerage, or the enforcement of the building code.

The continued utilisation of the SDRC Audit and Risk Management Committee has been integral to the improving financial performance of Council. SDRC supports the application of Audit and Risk Management Committees being mandatory across Queensland. As indicated above, potentially benefits may be derived from having a Departmental representative attend at least one or more of the Audit & Risk Management Committee Meetings.

The financial skills of people newly elected to Council, as well as longer term Councillors can sometimes require updating. Whilst the training offered by the Local Government Association of Queensland and the Department can be useful, SDRC is following the example set by other local government authorities, such as Scenic Rim Shire Council, by supporting the opportunity for interested Councillors and staff to undertake the Australian Institute of Company Directors course to improve their financial literacy. SDRC believes that this is very relevant training and perhaps this should be a requirement for all new Councillors. It is noted that the Municipal Association of Victoria offers a hybrid course to Councillors.

Southern Downs Regional Council welcomes the opportunity to provide a submission to the Infrastructure, Planning and Natural Resources Committee in relation to the *Inquiry on Long Term Financial Sustainability of Local Government*. Council representatives would be happy to meet with the members of the Committee to provide further information or clarification.





## Council Lease Policy

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<b>Policy Number:</b>	PL-RP001
<b>Department:</b>	Corporate Services
<b>Section:</b>	Property, Leases and Land Management
<b>Responsible Manager:</b>	Manager Corporate Services
<b>Date Adopted:</b>	21 April 2008
<b>Date to be Reviewed:</b>	September 2017
<b>Date Reviewed:</b>	26 October 2016
<b>Date Rescinded:</b>	n/a

### REVISION RECORD

Date	Version	Revision description
25/03/2014		Review of Policy
28/10/2015	1	Review of Policy
29/09/2016	2	Major review of Policy

**Council Lease Policy**

**Policy no: PL-RP001**

**Updated: 29 September 2016**

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## **1 Policy Background**

n/a

## **2 Purpose**

The purpose of this Policy is to set criteria for the issue of Council Leases (excluding Senior Citizen organisations), where Council is the Lessor. Land tenure for Senior Citizen organisations will be determined by Council resolution on a case by case basis.

## **3 Scope**

This Policy will apply to Council's Trustee Leases (including Trustee Licences) and Council's Freehold Land (including Freehold Licences).

## **4 Legislative Context**

- Leases will be issued in accordance with sections 227 and 236 of the *Local Government Regulation 2012*.

## **5 Policy Details**

### **5.1 Trustee Lease (including Trustee Permits) shall have:**

- a term up to a maximum of ten (10) years;
- an annual lease fee which is dependent on the Tender supplied by the Lessee or negotiated with Council;
- an annual fee will apply, (as resolved by Council) for community and sporting organisations and will be reviewed every five (5) years. The fee is currently \$223.74 gst inc;
  - the Lessee must hold Public Liability Insurance (minimum \$20,000,000);
  - the actual cost of lodgement for registration, stamp duty and associated postage fees will be passed on to all Lessees. These fees and duties will be increased in line with the Department of Natural Resources and Mines notification;
  - all associated Lease fees, including the initial annual rental will be invoiced and collected at the commencement of the Lease term.
- all costs associated with surveying of any lease areas over part of a Lot are the Lessees responsibility.
  -

## **5.2 Lease of Freehold Land (including Freehold Licences) shall have:**

- a term up to a maximum of ten (10) years, except by Council resolution;
- an annual rental fee which is dependent on the Tender supplied by the Lessee or negotiated with Council;
- an annual fee will apply, (as resolved by Council) for community and sporting organisations and will be reviewed every five (5) years. The fee is currently \$223.74 gst inc;
  - the Lessee must hold Public Liability Insurance (minimum \$10,000,000); this minimum amount may be increased to \$20,000,000 in accordance with any risk assessment undertaken by Council in relation to the leased property;
  - all associated Lease fees, including the initial annual rental will be invoiced and collected at the commencement of the Lease term.

## **5.3 Eligibility Criteria**

- Organisations seeking a community lease from Council should be non-profit and incorporated pursuant to the *Associations Incorporation Act (1981)* or any other Act of Parliament.
- Each Lease is to be approved by Council resolution or by delegated authority.

## **5.4 Terms and Conditions of Lease**

- All leases will be reviewed six (6) months prior to expiration;
- The annual rental charge for community and sporting organisations will be reviewed every five (5) years;
- The Lessee will provide the Lessor with a copy of their current Public Liability Insurance certificate, on an annual basis;
- Sporting and community organisations will provide evidence of non-profit status and incorporation;
- A standard lease will be developed reflecting the contents of this policy and relevant legislation for use as the basis of all community leases

### **5.4.1 Utility Charges**

- The Lessee will be responsible for all utility charges where the premises are separately metered and solely occupied by the Lessee;
- Where the leased premises are not separately metered, the Lessee will pay an agreed contribution for utility charges;

### **5.4.2 Insurance**

- The Lessee will be responsible for building and contents insurance where the premises are stand-alone buildings;

- The Lessee will be responsible for contents insurance where the leased premises form part of Council occupied building/s.

#### **5.4.3 Third Party Hire of Facilities**

All leases will include a statement recognising Council's policy of maximising community use and a commitment by the Lessee to support shared and multiple use of the facility by community-based organisations.

Wherever possible, facilities should also be made available by the Lessee for casual hire where this does not interfere with the primary purpose of the facility or adversely affect the amenity of the local community. Hiring guidelines including fees will be referred to Council for approval and will be publicised by Council to the community. Fees from casual hire are payable to the Lessee, and should be used to cover costs associated with maintaining the facility.

#### **5.4.4 Termination of Lease**

Council requires that Lessees undertake their permitted activities without adversely impacting on other groups and individuals. Council reserves the right to terminate the tenancy or to restrict the use of premises by the Lessee if this requirement is not adhered to.

Council also reserves the right to terminate the tenancy or restrict the use of premises to community groups who operate outside the terms of their lease or fail to meet governance and constitutional requirements of their organisation.

Council reserves the right to terminate the lease with the provision of the appropriate notice.

### **5.5 Maintenance Responsibilities**

All leases will require Lessees to undertake routine cleaning, maintain the facility in good condition and perform incidental maintenance not requiring a skilled tradesperson. Council will determine a maintenance responsibility category that shall be applicable to the lease. Each Lessee is required to maintain the facility in accordance with the assessed category contained within the Maintenance Responsibility Matrix (Attachment A). Licensed and qualified trades people must be engaged to undertake works other than routine maintenance.

Council will provide access to Council controlled facilities with maintenance responsibilities being defined as per the following categories:

**1. Lessee operated all or part of a Council owned facility**

Facilities that are operated by lessees to deliver community or sporting outcomes.

**2. Lessee owned and operated facilities on Council controlled land**

Lessee operated facilities on Council land to deliver community or sporting outcomes.

Council will consider on a case by case basis, requests made by Lessees for repairs and upgrades outside the Maintenance Responsibility Matrix. Requests will be subject to budget constraints.

#### **5.5.1 Maintenance Inspection**

Council reserves the right to inspect leased premises at any reasonable time after giving the Lessee reasonable notice.

## **6 Definitions**

Term	Meaning
Utility charges	Electricity, water access, sewerage access, water consumption, fire levy.
Council controlled land	Freehold and Trustee land

## **7 Related Documents**

- n/a

## **8 References**

- n/a



## ATTACHMENT A: Maintenance Responsibility Matrix

	Facility Category	Purpose	Capital Expenditure	Maintenance Expenditure	Operational Expenditure	Indicative Tenure
1	<i>Council owned land and building assets</i> <i>Lessee operated</i>	Community or sporting outcomes	Council: limited to planned capital upgrades by Council  Lessee*	Lessee	Lessee	Maximum 10 year Lease
2	<i>Council owned land</i> <i>Lessee owned building assets</i> <i>Lessee operated</i>	Community or sporting outcomes	Lessee*	Lessee	Lessee	Maximum 10 year Lease

\* Written permission must be gained from Council in addition to any regulatory approval prior to any construction work being undertaken. The first stage in gaining such approval shall be for the Lessee to submit a proposal to Council in accordance with Council's Community Project Works on Council Land Policy.

## **ATTACHMENT B: Service Level Definitions**

<b>Capital Expenditure</b>	Capital Expenditure includes expenditure on fixed items such as buildings, park structures and equipment and other infrastructure that is used to provide service levels. It includes new assets, upgrades to assets and rehabilitation.
<b>Maintenance Expenditure</b>	All actions necessary for retaining an asset as near as practicable to its original condition in order to deliver a required level of service, including regular ongoing day-to-day work necessary to keep assets operating. Maintenance does not increase the service potential of the asset nor keep it in its original condition; it slows down deterioration and delays when rehabilitation or replacement is necessary. It also includes required annual inspections.
<b>Operating Expenditure</b>	Includes recurrent expenditure that is continuously required to provide a service. In common use, the term typically includes items such as repairs to plant and equipment and consumables and associated service charges for example water, sewage, electricity, gas and waste collection.

<b>2016/17 Community Support Program - Eligible Applications [Sorted by Total Average Score]</b>						
<b>SUCCESSFUL APPLICANTS</b>						
<b>Line Number</b>	<b>Application Number</b>	<b>Applicant</b>	<b>Project Title</b>	<b>Total Amount Requested</b>	<b>Total Amount Recommended</b>	<b>Total Average Score</b>
1	CSP-16/17-080	Community Development Services Inc.	Land and Water Rates	\$ 5,000.00	\$ 3,090.73	3.73
2	CSP-16/17-010	Southern Downs Refugee and Migrant Network (SDRAMN) Incorporated	Public Liability Insurance, Office Supplies, English as a Second Language Resources.	\$ 1,183.00	\$ 731.27	3.60
3	CSP-16/17-004	Freestone Memorial Hall Assoc Inc	Electricity, Gas, Insurance, Maintenance of Locks, Maintenance of Accounts - Audit, Table Trolleys.	\$ 4,829.00	\$ 2,985.03	3.60
4	CSP-16/17-018	Junabee Memorial Hall Inc.	Insurance	\$ 2,215.00	\$ 1,369.19	3.52
5	CSP-16/17-001	Killamey & District Historical Society Inc	Rent for the Heritage Centre	\$ 4,333.00	\$ 2,678.43	3.48
6	CSP-16/17-019	Stanthorpe Scouts	Insurance	\$ 4,500.00	\$ 2,781.66	3.45
7	CSP-16/17-026	The Scout Association of Australia Queensland Branch Inc incorporating Glennie Heights Scout Group	Plumbing Works and Re-Stumping.	\$ 5,000.00	\$ 3,090.73	3.45
8	CSP-16/17-007	Southern Cross Bowls Club Inc	Install Safety Switches on Circuit.	\$ 2,667.00	\$ 1,648.60	3.43
9	CSP-16/17-012	Condamine Headwaters Landcare Group Inc	Electricity, Telephone/Internet, Office Rent, Replenish First Aid Kit, Renew Office Fire Extinguisher.	\$ 2,583.00	\$ 1,596.67	3.35
10	CSP-16/17-008	Warwick Boxing Club Inc	New Equipment	\$ 5,000.00	\$ 3,090.73	3.33
11	CSP-16/17-029	Eukey Hall Association Inc	Insurance	\$ 1,699.00	\$ 1,050.23	3.30
12	CSP-16/17-015	Warwick & District Historical Society Inc	Electricity and Insurance.	\$ 4,866.00	\$ 3,007.90	3.25
13	CSP-16/17-011	Warwick & District Family Day Care	Electricity, Telephone, Software Support, Photocopier, Maintenance, Rubbish Removal.	\$ 4,712.00	\$ 2,912.71	3.23
14	CSP-16/17-014	Goomburna Town Hall Committee Inc	Electricity, Insurance for hall and contents, Associations Liability Insurance, Public & Products Liability Insurance, APRA Licence.	\$ 3,016.00	\$ 1,864.33	3.12
15	CSP-16/17-016	Glen Aplin Memorial Hall and Sports Club Incorporated	Electricity	\$ 650.00	\$ 401.80	3.03
				<b>\$ 52,253.00</b>	<b>\$ 32,300.00</b>	