



# ***INFRASTRUCTURE, PLANNING AND NATURAL RESOURCES COMMITTEE***

## **Members present:**

Mr J Pearce MP (Chair)  
Mr CD Crawford MP  
Mrs AM Leahy MP  
Mrs BL Lauga MP  
Dr MA Robinson MP

## **Staff present:**

Ms M Westcott (Research Officer)  
Ms M Telford (Principal Research Officer)  
Ms D Jeffrey (Research Director-Public Accounts and  
Public Works)

## **BRIEFING—QUEENSLAND AUDIT OFFICE'S REPORT NO. 2 FOR 2016-17: FORECASTING LONG-TERM SUSTAINABILITY OF LOCAL GOVERNMENT**

### **TRANSCRIPT OF PROCEEDINGS**

**WEDNESDAY, 9 NOVEMBER 2016**

**Brisbane**

## WEDNESDAY, 9 NOVEMBER 2016

---

### Committee met at 9.02 am

**CHAIR:** Good morning. I declare open this private briefing on the committee's examination of the Queensland Audit Office report No. 2 for 2016-17, *Forecasting long-term sustainability of local government*. Thank you for your attendance here today. I am Jim Pearce, the member for Mirani and chair of the committee. Other committee members here today are Dr Mark Robinson, member for Cleveland; Mrs Brittany Lauga, member for Keppel; Ms Ann Leahy, member for Warrego; and Mr Craig Crawford, member for Barron River.

Those here today should note that these private proceedings are being transcribed by Hansard. The committee has the power to publish evidence given in this hearing but does not intend to do so. The committee's proceedings are proceedings of the Queensland parliament and are subject to the standing rules and orders of the parliament. Queensland Audit Office representatives should be guided by schedules 3, 8 and 9 of the standing orders.

The purpose of the briefing today is for the committee to gather preliminary information in relation to the QAO's report on forecasting long-term sustainability of local government. Before we commence, could we please switch off our mobile telephones. I now welcome representatives of the Queensland Audit Office.

### **BIRD, Ms Daniele, Assistant Auditor-General, Performance Audit, Queensland Audit Office**

### **STRICKLAND, Mr Charles, Acting Sector Director, Queensland Audit Office**

**Ms Bird:** We welcome the opportunity to brief you today on report 2 for 2016-17, *Forecasting long-term sustainability in local government*. This performance audit topic was on our strategic audit plan—the Queensland Audit Office's three-year rolling strategic audit plan—from 2014 to 2017. It was included there because in 2012 the department had asked that we audit councils' long-term financial forecasts, and their forecasted financial ratios. At the time we concluded that they would not be in a position to produce reliable and relevant financial forecasts and we said that we would come back and do a performance audit on their financial forecasts. This report delivers on that commitment. We were giving the councils time to mature their processes in those financial forecasts and coming back to review it this year. Charles is going to go through a brief overview of what we concluded in our report—key findings and recommendations. Then we will open for questions.

**Mr Strickland:** The Local Government Act and the City of Brisbane Act define financial sustainability as being able to maintain your financial and infrastructure capital over the long term. What that means is that councils need to generate sufficient finances to continue to operate without eroding their physical asset base. We surveyed all 77 councils and we selected five for a deeper examination. We analysed councils by segment, using the Local Government Association of Queensland's segmentation guide, which is fairly well accepted and used by councils themselves.

We have continually observed in our reports to parliament that around 50 per cent of councils are spending more than they earn each year. This trend continued in 2014-15, with 35 councils—about 47 per cent of audits finalised—that are reporting operating deficits. Thirty-nine councils forecasted deficits in 2015-16, with 24 of those forecasting deficits for the next 10 years.

What we concluded was that most councils plan poorly for the long term. Only 10 of 77 have a long-term financial plan. While that is not a requirement, we see that as better practice. The long-term financial forecast and asset management plans lack substance and rigour. Quality forecasts do require an investment of time and appropriately skilled resources, which some councils either cannot afford or view as an unnecessary overhead. This means they are not well placed to understand the important relationship between the future net operating revenues, their asset spend and debt, and how these do affect their sustainability.

The problem is exacerbated by many councils not prudently managing their long-life assets, which provide value for many generations. Long-life assets require long-life thinking, but many councils do not use that to strategically manage their assets. We noted that 51 of 77 councils do not

have linked or up-to-date asset management plans. When I say 'linked', I mean linked to their financial forecasts to guide their operations. This does raise questions of whether those charged with governance are giving due consideration to issues of intergenerational equity. Such financial practices mean that ratepayers are not paying for their portion of services that the long-life assets provide to them.

Most councils cannot judge if their present and proposed revenue and expenditure policies are financially sustainable. Rather, most councils simply plan to spend over the short term what they believe they can afford today without understanding how much they need to spend now and in the future to maintain their roads, water and sewerage networks.

We noticed a poor use of indices in their forecasts which often meant that their revenue growth did not keep up with their expenditure. Part of the problem with asset management is the low confidence in their own data. Five of five councils that we visited expressed that view to us.

Finally, when council sustainability ratios are indicating financial stress or that their assets are not being renewed at optimal times, councils are not responding appropriately to these signals by developing fiscal strategies and reprioritising services and asset expenditure to resolve their difficulties.

Some councils do continue to rely heavily on government grant contributions, which are reducing as governments drive greater council independence. We noted that about 20 per cent of revenue is from grants from either the state or the federal government. There is a clear risk that some councils are approaching a tipping point where their infrastructure assets are deteriorating or failing faster than they can afford to replace them. This obviously has the potential to jeopardise growth in their own local economies and the health and wellbeing of their communities.

We did note that, of 24 councils that are forecasting deficits for the next 10 years, 23 of them did not have a long-term financial plan and 16 of them did rely heavily on grants. Using a different sort of cut, 34 are heavily reliant on grants and 18 of those did not have up-to-date asset management plans.

We have made four recommendations to councils to improve the quality of their long-term financial forecasts and rigour around their financial planning. We made five recommendations to the department to improve their oversight, capacity building and relevance of financial sustainability reporting. Would you like me to delve into findings any more or open up for questions?

**CHAIR:** Whatever you feel comfortable with.

**Mr Strickland:** I have a whole range of findings. Would it be of benefit to run through some of these?

**Mrs LAUGA:** We have the four recommendations and the five for the department. Is that what you were going to touch on next?

**Mr Strickland:** I can do, or we can go straight to questions.

**CHAIR:** We will go to questions. Something has been bothering me about these financial forecasts and the financial positions of local government. We all know that some local governments are financially better off than others because of their rate bases. Is it fair to apply the same principles to whatever forecast you want across all the councils?

**Mr Strickland:** Taking a principles based approach one could say yes, though in the actual results not necessarily. When we talk about financial principles of asset management plans, that is something we recommend all councils have. We recommend that they all would have some rigour around their financial forecasts to guide their decision-making, but, in terms of what ratio results would look like, that is something that on a council by council basis would need to be considered for their particular circumstances.

**Ms Bird:** That is also why we did do the analysis by different segments, because clearly the different segments have different challenges that they are faced with. The comparisons of the councils in those segments obviously give you that perspective as well.

**CHAIR:** So you applied the same expectations across all councils. What considerations do you take on board when you are doing that, with regard to the financial forecasts?

**Mr Strickland:** We obviously will look at the results to understand what was driving those results. In terms of putting the rigour behind them, we would expect that councils would be able to devote sufficient resources to understanding their financial position and what they are looking forward at doing. When we look at the results, though, we consider whether they have been affected by natural disasters, whether there have been other external events that would influence their ability to

forecast or influence the results they are seeing. We have seen, though, that staffing capabilities and capacity are often held up as a reason for a lack of rigour. There is truth in that, that councils are struggling to retain staff and also that those staff then can build up knowledge and an ability to develop those robust financial forecasts.

**CHAIR:** Because councils do not have the same financial resources to put into the different things they are required to, does that impact on the quality of service that they get—and financial management?

**Mr Strickland:** It certainly can. What we noted was that a lot of councils have low confidence in their own data. A lot of that came from an inability to get around and, I guess, survey their own infrastructure to understand the condition of their roads, their pipes, their bridges, their buildings. Because they had a poor confidence in their own data, they then have a poor idea of when they need to intervene to do maintenance, renewals or replace assets. We found that many councils were doing that on a reactive basis.

We have included two examples in our report. One shows that one council was not forecasting to undertake renewals, comparing that to when their asset register was saying their assets needed to be replaced by. They were very deficient in that regard. In another council we drew out an example of where they were forecasting to spend an awful lot more than their own data said they needed to. It can go both ways.

**Ms Bird:** We also made a recommendation—recommendation No. 3—that councils do engage directly with their communities on future service levels, for that very reason obviously as well—that there are different levels of affordability in different regions. That was one of the recommendations we made coming out of this.

**Dr ROBINSON:** In terms of the department's response, could you give us some idea in terms of your level of satisfaction with the department's response? Are there any points of difference that you wish to highlight?

**Mr Strickland:** The department has agreed or at least agreed in principle with all of our recommendations. I would not want to speak for them in what they are actually doing, but it is pleasing to see that they are at least making efforts to engage better with councils and improve their capability and capacity. In the report we noted that their efforts so far have not been overly effective in improving the skills, capability and capacity of councils.

**Dr ROBINSON:** Along those lines, are there any other points of difference?

**Ms Bird:** The department was particularly mindful of the scalable project decision-making framework. Obviously there is quite a range of sizes of councils, so they are very firm on their belief that there needs to be different levels of rigour applied to different investments, based on the sizes. That is what we were indicating in scalable, so they have said they agree in principle. There obviously is an existing framework that we refer to that they could certainly leverage off, but it is actually getting the awareness of that out there a bit more broadly.

**Mrs LAUGA:** In the department's response they talked about the fact that, while all councils were surveyed as part of audit scope only a small number of councils—five of 77—were selected in-depth analysis. How would the Audit Office respond to the department's comment regarding the scope of the audit?

**Mr Strickland:** We believe we did audit all 77. The survey questions that we asked were fairly comprehensive and they gave us a good base of analysis. A lot of that is included in this report. The five that we visited was really about drilling down and speaking to the people on the ground and how they were actually managing their assets and how they were actually developing their forecasts. It was getting to that next level. We have audited all 77 and we have engaged with more than the five. All councils were given the opportunity to provide greater feedback and to make a contribution to the report.

**Mrs LAUGA:** How does this report compare to previous years in terms of forecasting long-term sustainability of local government? Is this audit done every couple of years?

**Mr Strickland:** This is the first year we have done this sort of audit. What we do report on on a yearly basis is the current year financial sustainability ratios, so that is ratios on the previous financial year. We audit only the accuracy of that calculation and we do not make a comment on whether that council is going to be financially sustainable or not. What we have done in this instance is look forward. This is the first time we have done that in this manner.

**Mrs LAUGA:** We see a few of your audits come through with respect to local government. On a broad scale we are seeing consistent results in that local government are not meeting expectations and they do not have appropriate plans in place. We are seeing recommendation after recommendation. I am just a bit concerned that it is not going anywhere. Is that the Audit Office's view as well?

**Ms Bird:** We do obviously follow up on our recommendations for a selection of our reports, but we certainly do not follow up 100 per cent on the performance audits. As part of our financial audits, though, when we do our annual local government sector reports you will see there where we are making comments in terms of progress. It is concerning that there are continuous weaknesses being identified. As I said before, there is quite a wide range of council sizes. The maturity levels are vastly different from one end to the other. We are probably generalising across all of them by saying that. There are certainly ones that are stronger than others and more mature than others in some of these areas when we are looking at 77 of them.

**Mrs LAUGA:** Does financial maturity directly correlate to the size of the council, do you think?

**Ms Bird:** Not necessarily.

**Mr Strickland:** No, not necessarily. While in many cases one may draw that conclusion, we certainly have seen some very small councils that are at the forefront in terms of having effective audit committees, have their reports prepared and audited in a timely manner and are financially sustainable. Some of our smallest councils can do that right up to some of our largest. It is not solely the size that influences that.

**Mrs LAUGA:** What do you think are the key points that influence the maturity of the councils?

**Mr Strickland:** Leadership from the top is very important, as well as engagement, mutual respect and trust and an acknowledgement that this is a value-adding process. When we see that people are doing things for a compliance based perspective is when we see that they are not getting value out of it. We can see that attitude flows through. When they acknowledge that this will help drive their council forward, that it will help give them and their community better outcomes, we see that as a being a big point of difference.

**Mr CRAWFORD:** When you talk about leadership, are you talking about council staff, CEOs and managers or are we talking about the mayor and elected councillors? Where do you think the problem lies or things have gone wrong out there in relation to this?

**Mr Strickland:** Both are incredibly important and they both play slightly different roles. It is important that those roles are acknowledged and respected, but it is important that they both are aiming to drive forward financial sustainability and rigour around their planning and management.

**Ms LEAHY:** Back in 2008 there was some long-term forecasting done by Treasury. How does that compare to this particular report in terms of forecasting long-term sustainability?

**Mr Strickland:** Are you referring to state Treasury or the Commonwealth?

**Ms LEAHY:** State Treasury.

**Mr Strickland:** We have not done a direct comparison to state Treasury's forecast. What we have noted though is that a lot of the revenue and expenditure mix has changed significantly over the last 10 years. Over the last 10 years the expenditure on road infrastructure and water maintenance has increased from about 26 per cent to 34, 35 or 36 per cent and that revenue mix is also slightly changing in terms of the amount that councils get from their own source revenue.

**Ms LEAHY:** Wouldn't that give us some very long-term data? The whole argument in 2008 was that councils had to amalgamate to ensure their long-term financial sustainability. I think this is bit piecemeal. You are picking that up over there and you go and have look at what is happening over here, but we will not have any longitudinal data. We have all of this short-term data. Has there been any consideration by the Audit Office in that regard?

**Mr Strickland:** When we were forming up this scope we did look at the data that was available back then and what comparisons we could draw. There have obviously been some more amalgamations and de-amalgamations over time. There has also been a slight difference in the way that councils report over time. We thought that it would not give a fair representation trying to look at all of the historical data and bringing that forward for the analysis that we were trying to do.

**Ms LEAHY:** Would it not actually give us some indication? Lockyer Valley was an amalgamated council and Southern Downs was an amalgamated council. You have a real mix of councils—some that were amalgamated and some that were not and some that changed. If we take Paroo, for instance, there were changes in the number of councillors on that council at that period. It is not just about amalgamation. Would it not give us a better picture?

**Mr Strickland:** It could but we were also focusing on how they actually did their forecasting as opposed to the actual forecast results themselves. We were looking at the ability for them to go and understand their own data and the ability for them to look back as well as forwards to come up with good quality results.

**Ms LEAHY:** Okay, but we do not have any longitudinal data.

**Mr Strickland:** We have not included any in this report, no.

**Mr CRAWFORD:** I am just looking at comments in reference to the nationally agreed framework and the comments in your audit report of 'In hindsight, the winding back of regulatory requirements,' et cetera. Can you bring me up to speed as to what the nationally agreed framework is and whether Queensland's is going to be implementing that?

**Mr Strickland:** In terms of the nationally agreed upon framework, all states and territories got together to try to come up with a framework that was nationally consistent so that we could have a better understanding about our councils across the country. The former department of local government, under whatever we choose to call it back then, to now has done a series of work including working on amending the legislation back in 2009 and the regulations in 2012 to give life to some of this. I think the department would be better placed to speak on the particulars of that, but we looked at what they were doing and how they were supporting councils to achieve a level of consistency. What the report draws out is that in some respects councils are not very good at engaging with their communities to understand the level of services that were required. Does that go some way to answering that question?

**Mr CRAWFORD:** Yes. Leading on from that and reading briefly about the asset management plans and the concerns that you have had in relation to councils being able to forecast what they could spend and what could happen to their assets, what are some of the main assets that you are concerned about? Are we talking about bridges and roads?

**Mr Strickland:** Bridges, roads, sewerage, water pipes and to a lesser extent buildings. We really are focusing on that critical infrastructure for the community around roads, bridges and water.

**Mr CRAWFORD:** Was there any response from some of those councils? For those who did not have any long-term plans, was their response to that, 'We don't know what we will do,' or 'We will expect the state to step up,' or 'That will be someone's else's problem'? Was there a theme there at all amongst them when you spoke to them?

**Mr Strickland:** The common theme was a feeling of a lack of time and resources—that they were managing for the day rather than for the long term. Each council has their own particular challenges. For some people it is the lack of time. They do not have the ability to get their staff across their council area to understand that. In other instances it is a lack of financial resources that they are prepared to dedicate to investing in developing long-term plans and implementing those.

**Mr CRAWFORD:** That is very concerning.

**CHAIR:** The director-general, in response to the report, noted the report's finding that 'most councils plan poorly for the long term'. I agree with Brittany. As you know, I have been around parliament for a while and have had a bit to do with the public accounts committee. A lot of issues that we are dealing with today were issues that we were dealing with back then. It is getting a little bit concerning that that is still happening. It says here that 'most councils plan poorly'. Do you use the same terminology and what do you mean by that?

**Mr Strickland:** That they plan poorly?

**CHAIR:** Yes.

**Mr Strickland:** I believe in the conclusion that we did actually use that word. What we mean by that is that there is a lack of rigour around the way they actually do their forecast. This is a lack of using their own data consistently. They might be saying something in one document but forecasting a different result. Their use of indices to forecast their growth is poorly designed in that they might be using, for example, a council cost index to increase their expenditure but on the revenue side for those services they are using a CPI figure. They are not aligning. Therefore, their expenditure will be growing faster than their revenue base. What we mean by 'poorly' is that they are not linking these asset management plans and their asset register to their forecast. They might be then being reactive and having to invest a lot of money that was unplanned for. They are not looking at the short, medium and long term in their forecast for what they expect to be doing.

**CHAIR:** If their planning is poor, what is being done to try to improve the situation? You comment that revenue growth does not keep up with expenditure. That cannot continue to happen. That responsibility is going to eventually fall back on to the government and taxpayers. Is anything being done to try to fix this problem that seems to be getting bigger?

**Mr Strickland:** We are broadly aware of efforts from the Department of Infrastructure, Local Government and Planning and the Queensland Treasury Corporation, which is councils' bankers as well. Both of those entities would be better off speaking about exactly what they are doing, when they are doing it and how they are doing it. We are aware though that they are making efforts to engage and build capability and capacity. Most of that is on a volunteer basis and councils need to opt into that. Part of our concern is that some councils either do not know that they need help and assistance or, if they do, they cannot always afford the time to attend those sorts of sessions and build up their knowledge or implement what they have learnt.

**CHAIR:** Why wouldn't they recognise that they need help and assistance? Surely if you are a good councillor and a good CEO you would see these things popping up and red flags would be up.

**Mr Strickland:** Each person has a different mindset and view that they bring to it. I would not like to speak for different people.

**CHAIR:** I know the question is broad.

**Mr Strickland:** Some of it is short-term thinking for the next three or four years. Some of it is the lack of trust in the information that is being presented. Some of it is an acceptance of 'We don't believe that we could fix this anyway.' In some cases we are seeing in larger councils that there is good engagement, that there is a real need and a drive to get this information and to make decisions. It would be unfair to paint all councils in the same light because that is not what we found and not what we have seen on the ground.

**CHAIR:** Even with smaller councils?

**Mr Strickland:** Some smaller councils are very good. Some do make good efforts. We are seeing that council groups are starting to band together to try to share knowledge and learn from each other. Some do that much better than others. We are seeing some efforts by themselves to help each other. There is always a bit of tension between council staff and councillors. In some instances we see that they work really well together and they are making the right decisions. It is just not all the time.

**CHAIR:** Is there interaction between government departments and yourselves? We only get to read reports. I just wonder if you have any discussions between yourselves in terms of, 'There's a concern and we should be trying to fix it up.'

**Mr Strickland:** We do have a good working relationship with the Department of Infrastructure, Local Government and Planning and QTC and we do have contacts in other groups—engineering groups and finance groups—and we do attend events and forums and speak and engage with them with a good two-way sharing of knowledge and concerns.

**Ms Bird:** Yes, off the back of reports like this and one of our previous ones was the fraud in local government report where we are continuing to speak at engagements and get councils approaching where to go for support and help in some of those areas, so I dare say this will be another one of those ones.

**CHAIR:** Yes. I am sure councils appreciate that and I commend you for doing it, but at the same time do they actually do anything about it? I go back to the point that eventually it is going to fall back on state government and whoever is there. That is a bit of a concern and that was your line of thinking, Brittany.

**Mrs LAUGA:** Yes.

**Ms LEAHY:** I have one further question. You said that there is obviously this gap between revenue and expenditure, so what role is debt and borrowing playing in that and are there any concerns from the Audit Office, because obviously they still have to deliver services?

**Ms Bird:** Correct.

**Ms LEAHY:** They have essential services of water and sewerage. You cannot just turn the water off to a community. You cannot just stop the sewerage. They actually have to borrow money to do that, so can I get your comments on that?

**Mr Strickland:** We saw a general trend of a risk-averse nature to debt. While that is not necessarily true of all councils, certainly some expressed a real hesitation to enter into debt arrangements. Obviously debt needs to be used for the right sorts of purposes—that is, not just paying your wages bill but actually investing in long-term infrastructure assets. What we saw in this is that

most councils are forecasting to decrease that—those that have it. Very few were actually forecasting to undertake borrowings to fund infrastructure development. What we also noted with the debt that they did have was that there was a real desire to pay that off as quickly as they could, and that is what we draw out there about intergenerational equity. When we talk about these long-life assets, which have 30-, 40-, 50- or 100-year sorts of lives, is there a good consideration of how debt can be used to help fund that and maintain a level of service that council ratepayers want?

**Ms LEAHY:** Underlying this, there have often been changes, and I would look at the fact that councils are on a four-year electoral cycle. I wondered whether that impacts at all on their long-term forecasting, because obviously they are looking at the next election and that sort of thing. Some of them get paid more than the people who sit here as well, so they are a little bit focused on that election.

**Mr Strickland:** We did include a case study in that regard. While again it is not fair to say that every councillor has that viewpoint, we did see that a bit around the state and we have included a case study that spoke about this short-term view and the need to be able to look past that four-year electoral cycle.

**Ms LEAHY:** Did you find any linkage between probably that long-term forecasting and the soft nature of a lot of the funding that comes to council through federal and state government streams, because the nature of the programs changes every time federal and state government changes? Does that contribute to the difficulties that councils have?

**Mr Strickland:** A lot of councils did say that to us. They are obviously asked to forecast 10 years ahead under the legislation that we have in place. However, the funding streams to them are not forecast to them on that same sort of basis, so they obviously do find that a bit of a struggle in determining what sort of money they are going to get under financial assistance grants or Roads to Recovery or other sorts of grant programs.

**Ms LEAHY:** Even local government grants in drainage through the state government. What sort of—

**Ms Bird:** Royalties for the Regions or something that goes to a point in time.

**Ms LEAHY:** Yes.

**Mr Strickland:** It is a concern for them and that is why we have this yearly update. No-one expects that the 10th year of the 10-year forecast is going to be down to the dollar accurate, and that is why we have this on a rolling basis every year. They update it as information comes to hand and there is an expectation that the next three or four years is going to be much more robust than the last three or four years. There is that acceptance across-the-board from the department, from us and from councils, but it is important that they forecast with as much rigour as they can so they have a good idea of what it is going to look like in that year on the current policy settings, and that is what they have to be looking at: 'If I continue on this basis, if this funding stream continues, what's it going to look like for me? As I know that grant programs change, let's factor that in and see what my new outcome's going to look like.'

**Ms LEAHY:** From looking at the long-term forecasting and what councils are doing, would it help for state and federal governments to actually have more certainty? I am just wondering why they all have three- and four-year terms but yet we have said to councils, which have four-year terms, 'You've got to have a 10-year program here. You've got to give us your forecast for 10 years.' It just seems to be a little bit out of sync really.

**Mr Strickland:** It might seem that way. While it probably would not hurt them to have more certainty, I am not sure how much more it would help because each year a council gets to reset their strategic position through their budget and they can then identify new funding priorities. As councillors change obviously there is a new strategic direction. It is important though that these forecasts reflect what they need to do and that they reflect the current policy settings. Yes, it could help but, at the same time, I would not say it is a necessity that they need it either.

**Ms LEAHY:** Do you think that the way that councils actually prepare their budgets with the mayor being responsible for the budget and not the entire council impacts at all, because it really does seem like it is one person that has that responsibility impact on their long-term financial planning?

**Mr Strickland:** The act talks about the mayor preparing that, but in practice that varies widely. In some councils that mayor takes a very hands-on approach and in others he very much relies on council staff advising him and then putting that together. In some instances it has not had an impact and in others it could. I do not know if I would like to volunteer any more than that.

**Ms LEAHY:** You mentioned council staff. What about councillors? Not all mayors get along with their councillors.

**Mr Strickland:** No, very true and, again, that is a very wide sort of practice. In terms of the people we spoke to, we saw a wide variety of dynamics and in some instances they worked very well and collaboratively and in others, as you have drawn out, it is a little bit more hands off. It has been a concern raised to us by a small number of councils, but again each council treats that process slightly differently.

**Ms LEAHY:** Thank you.

**CHAIR:** I have a couple of quick questions to finish off.

**Mr CRAWFORD:** Sorry, Chair, but I have one on the tail end of that one and then I am done. Just jumping on what the member for Warrego said, with the four-year cycle of mayors and councillors—and we are talking about money for maintaining assets like roads, sewerage and water—is it the case that councils do not have enough funds or is it the case that they are directing some of those funds to building new parks and gardens or various things to win an election as opposed to that money being in something that does not win elections like upgrading a sewer main?

**Mr Strickland:** We did not do analysis in that regard for me to talk definitively on that matter.

**Mr CRAWFORD:** Okay. Thanks, Chair.

**CHAIR:** The committee notes the report's comments regarding councils using proforma words in their long-term financial sustainability statements. Could you please elaborate for the committee what councils should be doing and why?

**Mr Strickland:** Each year the Department of Infrastructure, Local Government and Planning puts out what they call Tropical statements. They are a guide. They are a model set of accounts that are designed, I guess, for everybody which means they are designed for nobody, so they include all sorts of disclosures and councils are expected to tailor that information to suit them. When we talk about proforma words, in many instances we have seen that they have picked up what is in that guide and then they have just put that in and they have not put any tailoring around that to actually explain their particular circumstance and what their results actually mean for them and what they are going to do about those results, whether that is to continue on their policy setting or take different actions to improve or maintain those results.

**CHAIR:** If a council does not use that pro forma in the best way that they could possibly use it, do you bring that to their attention at all?

**Mr Strickland:** We do feedback through our audit process. When we are auditing the council statements we do obviously challenge those disclosures that they are appropriate, but ultimately the financial statements are the responsibility of that council. If there is not a material misstatement in that disclosure, then we will not do anything other than advise them that they could do better in that regard.

**CHAIR:** Could you advise what areas the committee should concentrate on if we were to decide to conduct an inquiry?

**Ms Bird:** That is a good question.

**Mr Strickland:** The recommendations we made really centred upon two key things. One is improving data so that they can make better informed decisions and the other is building capability and capacity. They would be the two main areas that I would recommend the committee focus on, so helping councils get data that they could make informed decisions upon and helping councils attract and retain and improve their knowledge and capability.

**CHAIR:** That has been a good briefing. As there are no further questions from members, the time allocated has just about expired. We would like to express our appreciation for you appearing this morning. Charles, you seem to be going pretty well. You are across it. You must have a good boss.

**Mr Strickland:** She is not bad.

**Ms LEAHY:** She has been there for a little while. She knows her way around.

**CHAIR:** Yes. Thank you very much for the briefing today. I have gained a lot out of it and certainly enjoy having you down here. Thanks again.

**Mr Strickland:** Thank you very much, Chair. Thank you, committee.

**CHAIR:** I now declare the briefing closed.

**Committee adjourned at 9.40 am**