LONG TERM FINANCIAL SUSTAINABILITY OF LOCAL GOVERNMENT

SUSTAINABILITY ARTICLE

Queensland’s 77 councils provide vital infrastructure services that facilitate and grow local economies. They deliver roads, water, and sewerage services to an estimated 4.8 million people. Over the next 10 years, the forecasted replacement cost of the assets they use to provide these services is expected to grow by 18.6 per cent to over $124 billion.

Although Queensland local governments are forecasting to reduce their liabilities and their debt over the next 10 years, there needs to be a focus on maintaining their growing asset bases. Developing an appropriate strategy and associated policies is key to ensuring that they maintain their financial capital and infrastructure for the benefit of their communities.

Growing trends
Queensland council expenditure patterns have changed over time. Ten years ago, 26 per cent of expenditure was on infrastructure and engineering services, which primarily relates to road and bridge maintenance. In 2015, it had grown to 35 per cent and remains the largest expenditure category.

Given that councils have a limited ability to raise revenue and many rely on own source revenue and grants to provide essential services, several challenges arise to adequately manage and maintain their assets whilst meeting other operating obligations and community expectations. This emphasises the need for robust financial planning and forecasting.

Each year, councils can reset their strategic direction and this influences their long-term forecasts. There are valid reasons for forecasts moving between years. However, many council forecasts are changing significantly due to inaccuracies and poor use of indices.

A key cause of errors in long-term forecasting relates to unreliable asset condition data, which is a major determinant of when assets are renewed or replaced. Many councils’ data indicates that their water and road assets are approaching the end of their useful lives but are not forecasting to renew or replace them. Data accuracy and quality forecasts require an investment of time and skilled resources, which some councils either can’t afford or view as an unnecessary overhead.

Good practice: planning documents to demonstrate financial sustainability

Better practice
Long-term financial viability demands that councils develop robust methods to accurately capture data and produce reliable information. Better practice would see councils developing asset management plans that:

- support asset planning decisions with correct information
- provide a proper process for making asset planning decisions
- promote councils engaging with their communities to ascertain community preferences or opinions on infrastructure standards (i.e. the specific levels of service the community is willing to accept).

Proposed future performance audits
Given the importance of long-term financial viability of local governments, the Queensland
Audit Office will continue to conduct performance audits in this area over coming years, including:

Managing local government rates fees and charges
This audit is currently examining whether councils set and administer rates and charges appropriately to support long-term sustainability. It is considering compliance with legislative requirements, the robustness and transparency of the processes used to set rates and charges, and the effectiveness of administering rates and charges.

Managing costs of local government services
This audit will assess whether councils are effectively delivering their services to the community efficiently and economically. Sustainability is a key factor in determining the longevity of councils all around Australia. Limited federal funding has challenged councils to review their services and ensure their resources are used effectively to get better outcomes for their respective communities. In managing financial sustainability, it is important that councils are aware of what services they provide, the cost of these services, and how they can improve the delivery of these services to achieve cost-efficiency.

Strategic asset management in local government
This audit will assess if councils are effectively managing their infrastructure assets to maximise their service potential while minimising their total cost of ownership. Asset management is critical to the long-term financial sustainability of the local government sector. Without full knowledge of the type, performance, cost, and age of their assets, councils are limited in their ability to make fully informed decisions about their asset renewal, maintenance, and replacement.

Further information on our future performance audits is available on our website at QAO Strategic Audit Plan 2018-21. QAO Report 2 2016-17: Forecasting long-term sustainability of local government

Professional Development Packages

Get on the front foot!
With the end of the financial year just around the corner, it’s time to maximise your team’s capabilities and your training budget.

Book and pay for your professional development hours by EOFY to secure these sensational rates:

- 50 hours PD delivered in SEQ - $4,500
  I.e. $90 per hour (usual price $112 per hour!)

- 50 hours PD elsewhere - $5,600
  I.e. $112 per hour (usual price $140 per hour!)

Invest in your team – work on strengthening existing skill sets; developing new ones and ensuring that your professional engineers undertake their 150 CPE hours every three years as audits are underway.

IPWEAQ offers a broad range of industry specific training courses and we can develop and tailor a course or certification program to suit your needs. Please see page 9 for upcoming courses or to discuss your specific needs, please contact our Director of Professional & Career Development, Craig Moss on 3632 8805.

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A recent assessment of engineers in Australia found that just 13% are women. Contrast that with law, in 2014, 63 per cent of lawyers admitted were women; or medicine where female general practitioners outnumber males 19,965 to 18,992. There is a fundamental problem not only in attracting women to a career in engineering, but also keeping them in the profession.

The 2017 Professional Engineers Employment and Remuneration Survey found that 13.1 per cent of female engineers between the ages of 20-39 left the profession. There are many reasons women choose to leave their career, but respondents to the same survey indicated that improved workplace culture and work/life balance, opportunity for promotion and more challenging work were factors that may encourage them to stay in engineering.

The issue of retaining women in engineering prompted the Board of Professional Engineers of Queensland (BPEQ) to create the Back in the Workforce bursary. Many women wanting to get back into engineering following a career break find it difficult paying for continuing professional development, which can cost several hundred dollars per course. The bursary goes some way to helping successful applicants with the costs of attending continuing professional development courses so that they can maintain or regain their registered status.

Initiatives like the Back in the Workforce bursary serve an important purpose, but more needs to be done to attract and keep women in engineering. In my experience knowledge sharing, mentoring and highlighting role models with lived experiences has a great impact in exposing and encouraging women to take up a career in engineering. BPEQ wants to highlight these role models in engineering to help encourage the next generation to pursue a career as an engineer. In the coming weeks and months BPEQ will be using its publications, events and website to promote the stories, successes, advice and ideas of women in engineering. If you would like to contribute in this way please contact me at admin@bpeq.qld.gov.au.