

Managing local government rates and charges

(Report 16: 2017–18).
Tabled 19 June 2018.

Slide 1: Welcome

This presentation summarises our performance audit report on managing local government rates and charges.

Please note that this is a summary. The full report can be read on our website.

Slide 2: Audit objective

The objective of this audit was to examine whether councils set and administer rates and charges appropriately to support long-term financial sustainability.

This report is the second in a series of performance audits on the financial sustainability of the local government sector. Future audits will assess other aspects of financial sustainability, including costs and asset management.

Our audit included a high-level analysis of published budget documents of all non-Indigenous councils.

We also audited five councils in more detail and assessed whether they:

- have robust and transparent processes for setting rates and charges
- have revenue policies and statements that meet legislative requirements
- effectively administer rates and charges according to legislation and better practice.

Slide 3: Context

In addition to grants and subsidies from the state or federal government, most councils raise revenue through rates and charges. Across Queensland, and from year to year, the level of reliance on rates and charges revenue differs greatly between councils. Ideally, councils set rates and charges at a level that lets them maintain their assets in the short- and long-term and deliver services in line with community expectations, now and in the future.

In developing annual budgets and setting rates and charges, councils must comply with strict legislative requirements. This includes local government principles such as transparency, sustainability and community representation. Several other guidelines also help councils inform these decisions. They identify rates practice principles such as fairness, equity and predictability as important considerations. These key principles for forecasting and managing rates effectively are shown in Figure A from the report.

Slide 4: Our conclusions

We concluded that Queensland councils walk a fine line when balancing competing principles, like financial sustainability against fairness and equity.

They have more autonomy than councils in other states. The benefit of this is that they can tailor their rates and charges to meet the needs of their communities. However, with this autonomy comes responsibility to be very clear about how and why rates decisions are made.

The rate increase decisions we audited were generally made behind closed doors with limited community input. While councils' final rates decisions are recorded, the decision-making process and the reasons for those decisions are not usually documented. Therefore, it is not clear how councils' rate increase decisions ultimately support long-term sustainability.

On the whole, councils need more support and guidance to help them in understanding their obligations under the Act and Regulation and in making sure they comply with all requirements.

Slide 5: Our recommendations for the department

We recommended that the Department of Local Government, Racing and Multicultural Affairs:

- amends the Local Government Regulation 2012 to require councils to be more transparent about their rates decisions
- continues to develop best practice tools and templates to help councils meet their statutory obligations about budgets and rates
- develops resources and tools for councils on community engagement approaches.

Slide 6: Our recommendations for councils

We recommended that all Queensland councils:

- document the actions they are taking to support their financial forecast that are required to achieve or maintain sustainability
- ensure that all future budget documents and resolutions and rates and charges resolutions comply with all requirements
- implement appropriate community engagement approaches to strengthen community understanding of, and input into, the rates decisions required to ensure continuation of services.

Slide 7: For more information

For more information on the recommendations, issues and opportunities highlighted in this summary presentation, please see the full report on our website.

Thank you.