Local Government Depreciation Taskforce

Terms of Reference

Background

The Queensland Government is committed to working in partnership with Queensland's councils to deliver an empowered, strong and sustainable local government sector.

To support the achievement of this objective, at the 2024 State Election, the Queensland Government committed to partner with stakeholders to form a taskforce to review and consider opportunities to enhance depreciation outcomes across the areas of financial management and reporting; asset management; grants and funding; and capability/capacity building.

Strategic context

Queensland's 77 councils are responsible for delivering the local infrastructure and services that make local communities great places to live.

Queensland local governments are responsible for managing large infrastructure assets and depreciation of these assets, in accordance with international accounting standards, represents a significant proportion of councils' operating expenses.

Councils' operating results and overall financial sustainability are impacted by depreciation. For many councils, assets are funded through capital grants and this income is not reflected in councils' operating income, but the depreciation for these assets is classified as an operating expense.

Asset management capability remains a challenge for many local governments, particularly in the areas of asset valuations and long-term asset management planning. Improving these areas across the sector can effectively manage the impacts of depreciation.

Purpose

The Local Government Depreciation Taskforce (the Taskforce) is established to provide advice to the Queensland Government about the challenges faced by local governments in effectively managing depreciation and present opportunities, within the requirements of the Australian Accounting Standards Board (AASB) and International Accounting standards (IAS) to reduce the impact of depreciation on councils' financial sustainability.

Responsibilities

The Taskforce's main objective is to identify the challenges for local governments in managing depreciation, present opportunities to reduce the impacts of depreciation on council's sustainability and enhance stakeholder awareness of the implications of depreciation on investment decisions. The Taskforce should achieve this by providing advice, including the making of recommendations effecting local governments addressing depreciation challenges, for consideration by the Queensland Government.

The Taskforce's Recommendations should aim to achieve the main outcomes, being:

- present opportunities to reduce the impacts of depreciation on council sustainability;
- enhance the long-term sustainability of Queensland's local governments;
- provide responses to the challenges of asset management for local governments;
- increased understanding in the sector on the implications of depreciation on investment decisions for capital assets and grant funding;
- enhanced awareness of the effects of depreciation on local governments financial sustainability.

Recommendations made by the Taskforce:

- must provide a clear evidence base to support the proposed course of action including analysis on how the recommendation will support the main outcomes; and
- should identify responsible levels of government for implementation and delivery.

Scope

The Taskforce will make recommendations about opportunities to reduce the impact of depreciation on councils across the following key areas:

- Local government sustainability - opportunities to reduce the impacts of depreciation to enhance the long-term sustainability of Queensland's local governments.
- Council operations – understanding the impacts of depreciation including:
    - the implications of depreciation on investment decisions for capital assets and grant funding;
    - opportunities to improve asset management for the sector
- Project delivery - identification of depreciation challenges for the sector and enhanced stakeholder awareness of depreciation.

Additionally, the Taskforce will seek input from key stakeholders and include information in its final report about opportunities in the following areas:

- identifying challenges faced by local governments in effectively managing depreciation
- present opportunities, within relevant accounting bodies to reduce the impacts of depreciation on councils, which may include recommendations to the AASB.
- consider interjurisdictional approaches to local government depreciation.
- enhancing awareness of depreciation, including the impacts of depreciation on local government's financial performance and sustainability.

The Minister for Local Government and Water and Minister for Fire, Disaster Recovery and Volunteers (the Minister) may ask the Taskforce to consider other matters.

Consultation

To deliver on its purpose and responsibilities the Taskforce will engage and consult widely with stakeholders, the Department of Premier and Cabinet (DPC), Queensland Treasury (QT), Queensland Audit Office (QAO), Queensland Treasury Corporation (QTC), Local Government Association of Queensland (LGAQ), Local Government Finance Professionals (LGFP), Local Government Managers Association (LGMA), and the Red Tape Reduction Taskforce on the effects of depreciation on local governments. Other identified interested parties and jurisdictions may also be consulted.

Key deliverables

The Taskforce will deliver a final report to the Minister by 31 December 2025.

The Taskforce will also deliver a draft report to the Executive Steering Committee by 31 October 2025.

Within 30 days of establishment, the Taskforce must provide a Delivery Plan to the Executive Steering Committee for endorsement.

Membership and Resources

The Taskforce will be led by Mr. Neil Castles.

The Taskforce will be supported by a secretariat and project team provided by the Department of Local Government, Water and Volunteers (DLGWV).

Governance and Reporting

The Taskforce reports to the Minister.

The Taskforce will receive strategic oversight and advice from the Local Government Depreciation Executive Steering Committee (ESC), chaired by the Director-General of DLGWV. The ESC is responsible for:

- endorsing the Taskforce's delivery plan and monitoring progress in delivery of activities,
- reviewing and advising on draft and final reports
- setting the strategic direction for the Taskforce in delivering on these Terms of Reference, or other matters as directed by the Minister.

Timeframes

The Taskforce is established for the period June to December 2025.

The Taskforce's establishment may be extended or amended by the Minister.