



20 January 2020

The Hon Treasurer Minister Trad
Treasurer Queensland Parliament

Dear Hon. Minister Trad,

Coolum Residents Association Inc. (CRA) is a non-profit, non-partisan volunteer organisation 70 years old, 70 member residents' association for the Coolum Beach community on the Sunshine Coast.

The Sunshine Coast Regional Council's (SCRC) latest Annual Report makes troubling reading. The Mayor's message to ratepayers on page 8 fails to highlight two "*game changing projects*" by name this year. Could it be because these *game changing projects* are proving to be unprofitable and failing to achieve appropriate returns on ratepayers assets?

For years the Mayor has asserted the Valdora Solar Farm would deliver \$22 million in profits to ratepayers. Council has now invested more than \$42 million in this project and has current debt of about \$33 million. There were no Budget papers or actual financial performance transparency data provided for the Solar Farm for 2018/19.

The Solar Farm will carry this debt but will never operate at a profit.

SunCentral and Maroochy CBD are similarly financial performance opaque. Comparison of last two Annual Reports raises significant questions:

1. Non-current assets don't include land asset valuations where most ratepayer assets are being invested.
2. Depreciation increased markedly from 2017/18 to 2018/19 suggesting a significant write off of assets.
3. There is no statement of the appropriate risk weighted cost of capital hurdle rate appropriate for the Maroochy CBD's land development investments.

Information provided on the last page of the Annual Report is the most troubling of all. Why do Council's Financial Sustainability Statement data fail audit processes and suggest that projected financial performance for all four game changing projects fail two key performance ratio indicator targets. Could this mean that the businesses are trading insolvent and relying on ever increasing ratepayer borrowings from Queensland Treasury Corporation to survive?

The final paragraph of the Sustainability Statement for 2019 (see Appendix 2) appears misleading given Council's continued failure to achieve targeted rates of return for most commercial business investment activities.

Please now refer to CRA's submission to the Economics and Governance Parliamentary Committee dated 23 May 2019, and its accompanying appendices.

CRA again requests consideration of a provision in Local Government Regulation 2012 of the Local Government Act permitting relaxation of restrictions set out in Section 53.1 of the Queensland Audit Act to apply when performing external auditing of a local government's commercial business enterprises.

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CRA believes this to be mandatory in order to advance the application of Local Government Regulation 2012 and ensure that budget and financial performance transparency information provided to ratepayer stakeholders relating to commercial business entities is consistent with that required by National Competition Policy provisions.

Appendix 1 is copy of a paper dated 15 June 2017 entitled Business Activity Identification tabled at an open meeting of the Sunshine Coast Regional Council (SCRC). Please note Item 1 entitled Current Statutory Requirements, and Items 6, 7, 8, and 9.

Despite such obligations SCRC has failed to engage the Coolum community in the manner required by its approved community engagement policy by provision of community benefit assessments for the Valdora solar farm, Suncentral/Maroochy CBD, the Sunshine Coast Airport runway expansion projects and the International Undersea Cable project. These projects meet the definitions set out in Item 2 of page 2 of Appendix 1, yet continue to be undeclared by Council as commercial business entities, and lack required financial reporting transparency.

Financial reporting performance transparency gained by comparing actual annual financial performance against original budget projects and appropriate variance analysis continues to be withheld. Ratepayers are deprived the assurance of adequate and effective financial governance.

All ratepayers are financial stakeholders in their local government's commercial business investments decisions and have the right to obtain such information.

According to QAO's Independent Auditor's Report for 2014/15, the Office of the Mayor (Mayor and CEO) are responsible for SCRC's internal audit controls and the Internal Audit Committee, and financial statements must give a true and fair view and be free from material misstatement.

Despite the status of the last three Statements, the Mayor and CEO have signed Certificates of Accuracy. This constitutes most serious Statement audit qualifications as the Office of the Mayor is responsible to ratepayers for the provision of audited financial information and confirms that SCRC internal audit processes are ineffective.

Minister Trad, please act to restore reporting financial transparency to ratepayers for all SCRC commercial business activities and further the intent of the Sustainable Planning Act (2009) and the Planning Act (2016).

Yours sincerely,

Original signed by

Richard Koerner
Financial Transparency Officer and Treasurer
Coolum Residents Association Inc.

Appendix 1 same as for 23 May 2019 Parliamentary Submission 006
Appendix 2 same as for 23 May 2019 Appendix 3 including 2018/19 Statement.

Appendices not attached – if you can't find via the internet please contact CRA