

A New Granite Belt Council

A proposal to separate from the Southern Downs Regional Council

Proposed by

Granite Belt Community Association Inc. (GBCA)

Prepared for

The Queensland Minister for Local Government

A full copy of the report has been provided to the Minister and also to the Mayor of the Southern Downs Regional Council (SDRC).

As a courtesy to the Minister, the GBCA has chosen to not discuss the full detail of the report in public until the Minister has had an opportunity to read the report in full and make his decision as to whether the case should be passed on to the Change Commission for further assessment.

The GBCA has requested the SDRC to not discuss the detail of the report in public until this time. When the Minister announces his decision, the GBCA will release a pdf copy of the full report on the GBCA website. Until then, a copy of this summary will be available on the website www.granitebeltcommunity.com

The GBCA believes that this report presents a very strong case in favour of the creation of a new Granite Belt Regional Council (GBRC). However, before presenting the findings of this report, it is important to emphasise the following points:

- The financial analysis in this report has been conducted by a highly regarded consultant, Mr David Spearritt, who has significant expertise in local government and finance.
- The SDRC has provided access to information and data to allow us to complete this report, for which we are very grateful.
- Some aspects of this report have required our consultant to estimate an apportionment of certain financial items between the two areas (the Granite Belt and Southern Downs) using assumptions based on relative road lengths, relative populations, etc.
- If the Minister decides to refer our case to the Change Commission it is expected that Government Officers will conduct an additional analysis to assess the accuracy of our estimates.
- If the Minister and the Change Commission subsequently agree with our proposal to form a new GBRC we understand that the people of the Granite Belt and Southern Downs are likely to be given the opportunity to express their views via a plebiscite.
- If a new GBRC is formed we have recommended to the Minister that an independent expert panel be appointed by the Minister to work out the finer details regarding the apportionment of staff, assets and liabilities across the two new councils in a fair and equitable manner.

Regarding the report, the summary information we provide today has three parts:

1. The executive summary from the report
2. Two additional comments regarding the predicted effects on rates
3. The concluding chapter of the report

Executive Summary

This community-led and funded submission presents the case for the Honourable Minister for Local Government of Queensland to refer to the Change Commission, for further investigation, the creation of a new Granite Belt Regional Council from the existing Southern Downs Regional Council (SDRC) area.

This submission is the case for the creation of a new Granite Belt Regional Council.

- The new Granite Belt Regional Council (GBRC) will be financially sustainable, as will be the remaining Southern Downs Regional Council.
- The transition costs will be affordable for the new GBRC.
- The Granite Belt has unique characteristics in Queensland of climate and soil which have formed its unique and largely self-sufficient community.
- The Granite Belt has virtually no connection (save for 60 kilometres of highway) agriculturally, economically, socially or topographically with the Warwick area of the Southern Downs.
- Little of the stated objectives of amalgamation has been achieved and, conversely, almost all of the predicted negative outcomes have happened.
- Both areas would be better and more efficiently served by having their own local governments.
- These unique circumstances do not provide any general precedent for other de-amalgamations.
- Because of the very different needs of the two communities, a one size fits all approach, intended to provide equity throughout the region, coupled with a disconnect of local knowledge, has produced major social and economic disadvantage to the Granite Belt.
- This disconnect and resulting lack of equity cannot be resolved electorally. It is the structure which is the problem.
- The link of accountability of its local government has been lost to the Granite Belt community through its dilution into the Southern Downs.

Chapter 1 - Introduction

- A description of the purpose of this proposal.
- A description of the Granite Belt region.
- Timelines towards the creation of a new council.

Chapter 2 – Background Information

- SDRC was created in 2008 from the amalgamation of the Warwick Shire Council (WSC) and Stanthorpe Shire Council (SSC) following a much abbreviated review process by the Local Government Reform Commission reviewing all Councils in Queensland.
- Both WSC and SSC opposed the amalgamation.
- In a Poll conducted by the Australian Electoral Commission, 85% of Stanthorpe Shire respondents and 83% of Warwick Shire respondents opposed the SDRC amalgamation.
- The different Southern Downs and Granite Belt communities respond best to completely different Council business models; a strong top-down business model for the Southern Downs and a bottom-up community-based business model for the Granite Belt. One Council cannot provide two different business models, and the approach of the larger population (Southern Downs) will inevitably prevail.
- Examples of dysfunction between the Granite Belt community and the SDRC and their effect upon the Granite Belt are provided.

Chapter 3 – The Granite Belt Region

- Soldier settlement and Italian settlement in the Granite Belt have contributed to a unique rural community and to the rural enterprises now pursued in it that are quite different from the Southern Downs.
- Within Queensland, the Granite Belt has a unique climate, elevation and topography that support its major activities of horticulture and tourism.
- The Southern Downs and Granite Belt are in different water catchment areas.
- Granite Belt horticulture has a history of efficient water use, such as the effluent water re-use scheme.
- Separate infrastructure and major community assets continue to exist in the Granite Belt
- Horticulture is of major importance to the Granite Belt whilst broadacre agriculture and intensive livestock production dominate the Southern Downs.
- Horticulture in the Granite Belt is limited by the supply of water. An irrigation dam proposal for additional supply of water for Granite Belt horticulture is now driven by a community group rather than the SDRC.
- Everyday tourism focused on wine and food is of major importance to the Granite Belt but does not exist in the Southern Downs.
- Available evidence indicates a steady decline in visitor numbers to the Granite Belt since 2008 and the closure of a large number of tourism related businesses in the last two years.
- Social, sporting and community groups in the Southern Downs or the Granite Belt have not combined into regional groups but have remained local and independent from each other.

Chapter 4 – Critique of the SDRC Amalgamation Rationale

- LGRC in 2008 erred in its consideration of previous reviews and of the river catchment and discrete communities' requirements.
- The arguments against amalgamation raised by SSC and WSC in 2008 have almost all been proven true by subsequent events.
- LGRC's explicit rationales for amalgamation including economies of scale and service efficiency have conversely almost all turned out to be unjustified.
- LGRC relied on incorrect factual assertions about communities of interest between Warwick and Stanthorpe in relation to services, shopping, schools, health and tourism.

Chapter 5 – Checklist of Current Change Commission Requirements

- This proposal complies with the current requirements of the Local Government Act and Regulations regarding boundary changes.

Chapter 6 – Financial Viability Analysis

- The GBRC like Gympie Regional Council would have one main service delivery point from the middle of its Council area which creates significant operational efficiencies.
- Under the most conservative assumptions GBRC will be financially sustainable and the new SDRC even stronger than currently.
- GBRC will generate sufficient cash to fund capital works in the SDRC's Long Term Financial Plan.
- Allocation of assets and liabilities should be relatively straightforward.
- Assuming an equitable allocation of staff between the two new councils there should be no need for redundancies.
- Transition costs should be under \$1million, but we have modelled the audited actual costs of the similar-sized Douglas Shire de-amalgamation (\$4m). Even with a worst-case scenario for transition costs, they can be totally funded from transferred cash balances (assuming a population-based allocation).

- Apart from the one-off operating deficit in year 1 from the transition costs, both councils are forecast to maintain healthy operating surpluses on 10-year forecasts.
- Risks and opportunities have been identified.

Chapter 7 – Proposed Transition Arrangements

- Both new councils would have sufficient resource bases and be financially sustainable.
- The new councils should be created and elected at the scheduled 2020 elections.
- We would welcome a comprehensive and independent review of our submission by the Change Commission, and trust that the SDRC will also support this.
- There should be a plebiscite for all voters in SDRC with an extra question for Dalveen voters.
- The new councils should be called Southern Downs Regional Council and Granite Belt Regional Council.
- Transition process should follow an 'independent implementation panel' model' as outlined in this chapter.

Chapter 8 – Dalveen Options

- A petition of Dalveen residents to the Minister has expressed the wish to be included in a new GBRC if that occurs. We would welcome the inclusion of Dalveen if the Change Commission determines that this meets the criteria.

Chapter 9 – Two Vibrant Communities – Two Vibrant Councils

- A better way forward for both new SDRC and GBRC.
- Opportunities for GBRC.
- Opportunities for new SDRC.

Two finance questions regarding likely effects on rates:

Q1: What will be the one-off costs of de-amalgamation?

The consultant has identified two possible cases. In the first case he has conservatively assumed the 2014 audited costs reported by the Douglas Shire Council (DSC) of \$4.08m. DSC is a similar size Council which de amalgamated from Cairns regional Council in 2014 and in the 2016 census DSC had 11,714 population. This is the number assumed in all the financial analyses conducted in our report, all of which establish the financial sustainability of the two councils. He also notes that he believes this number is too high, and that the actual number is likely to be closer to \$1m, primarily due to reduced IT costs associated with a cloud-based IT system and reduced transition management costs due to the use of an independent expert panel. He notes that either sum can be funded from cash reserves without requiring any extra increases in rates. Note that the 2017/18 SDRC Annual Report lists *cash, cash equivalents + investments* of approx. \$50m, of which approx. one third could be expected to be transferred to a new GBRC.

Q2: Will my rates rise?

The financial analysis in the report considers two cases. The base case assumes a 3.8% annual increase in rates revenue, which appears to be implicit in the SDRC Long Term Financial Plan (page 33 of SDRC Adopted Final Budget dated 13 June 2018). The consultant assumes that this 3.8% comprises 0.8% annual population growth (as has occurred in the SDRC area over the past 10 years) plus 3.0% inflation growth (which is the top end of the Reserve Bank CPI target range of 2-3%). We have also considered a second case where an inflation rate of 2.5% is assumed. In both cases we find that both councils remain financially sustainable. Thus, in our assessment there is no need for rate increases to exceed the CPI as a result of de-amalgamation. However, any financial decisions will ultimately be the responsibility of the newly elected council.

Concluding Statement

This submission has been prepared by the GBCA on behalf of the Granite Belt Community which has made clear its vision for a new Granite Belt Regional Council

- by its voices at the Public meeting on 29 April 2018,
- by the signatures to the Petition lodged with Parliament on 30 April 2018,
- by the donation of the significant funds that have enabled this submission to be prepared,
- by the support of its community organisations and
- by the continued support of the wider Granite Belt community throughout this process.

We believe that this submission establishes that

- The new Granite Belt Council will be financially sustainable, as will be the remaining Southern Downs Regional Council.
- The costs of de-amalgamation will be affordable for the new Granite Belt Regional Council
- The Granite Belt has virtually no connection (save for 60 kilometres of highway) agriculturally, economically, socially or topographically with the Warwick area of the Southern Downs.
- Both areas would be better and more efficiently served by having their own local governments.
- These unique circumstances do not provide any general precedent for other de-amalgamations.

We acknowledge that if the Minister accepts the weight of this submission, a comprehensive assessment will need to be undertaken and the views of SDRC and the Southern Downs communities considered.

We note that SDRC has resolved “to wait until a comprehensive analysis on the financial impacts on the residents of the Southern Downs region before a decision to support or not support the proposal is made” and that the SDRC Mayor has similarly made her support conditional upon the financial sustainability of the proposal.

The change commission, with greater access to government and council information would be in the best position to undertake this independent, comprehensive assessment and to test the veracity of the financial assessments made by our independent expert Mr David Spearritt of ORION Consulting Network.

We respectfully request the Minister that pursuant to section 18 of the Local Government Act 2009 he refer this local government change to the change commission for independent, comprehensive review and recommendation.