Granite Belt Community Association's (GBCA) Response to Southern Downs Regional Council's (SDRC) Management Review

I. Legal, Financial and Administration Issues

Executive Summary

Legislative Requirements
Claims by SDRC that the legislative framework is unclear, and that implementation of a de-amalgamation would cause huge problems are false, as the legislation has assessment criteria and implementation regulations which have stood the test of time.

Staffing
In the absence of the detailed organisation chart (that we were denied by SDRC), we have estimated the staffing based on the current outside workforce in the Stanthorpe Depot, and the inside staff based on similar sized Goondiwindi Regional Council and the former Stanthorpe Shire Council.

Capital Works
We have based our analysis on the adopted Council 10-year capital program. Council has suggested much greater capital works should be included in the modelling, even though it has not provided for these in its own capital works plans. These additional matters are issues for consideration by the new Council.

Transition Costs
We consider that the change could be efficiently managed for under $1m. However, in order to be conservative, we have included the actual audited de-amalgamation cost for the similar sized Douglas Shire de-amalgamation. Note that these were much less than forecast by QTC.

Cost and Revenue Estimates
We have based the forecast revenues and expenditures on the audited results of the last financial year, rather than the ultra-conservative Council budget. It should be noted that the Financial Performance report to Council in February 2019 indicated that the phased operating surplus for the year to date is $15.2m, compared with the budgeted surplus of only $122,000. The budgeted figures cannot be relied on to project the financial sustainability of the proposed Council changes.

Cash
It would be impossible to unwind all of the financial transactions by area since 2008, especially since a large proportion of the costs are not recorded by area. Therefore, we have apportioned cash by population, and this provides a similar starting cash balance as the former SSC had when amalgamation occurred (as per audited figures).

Assets
The Council claims that asset transfers would be difficult and gave the example of some shared plant. There are precedents on how this can be achieved, eg Taroom Shire which was split and assigned to two different Councils in 2008.

Council also claims that the new Council would need to purchase IT equipment already located in the SSC area. Under the legislation, these would automatically belong to the new Council.

1. Change Commission Requirements

Council's report raises numerous concerns based on an argument that our proposal is not a boundary change, and therefore the change commission process and criteria, and the related implementation provisions do not apply. This in turn, they say, makes the process very uncertain and the lack of transition provisions creates risks and uncertainty for the staff.

Our understanding of the problem raised by SDRC is that s17 of the Act, which permits the reference of a boundary change by the Minister to the change commission, refers only to a boundary change of 'a Local Government Area'. Since the proposed GBRC is not yet a Local Government Area, they imply that the section does not apply to it and that the change process cannot be triggered by the section. Consequently, the review criteria and transition provisions in the Regulations would not apply in this situation.

SDRC asserts that "It is noted that there is in fact no adopted policy by the Queensland Government on de-amalgamations, as distinct from boundary change requests which are clearly legislated. Therefore, the process for effectively evaluating the document and providing clear and concise advice to the Elected Representatives of SDRC on process, timeframes and relevant parties is particularly unclear. Likewise, this lack of clarity in due process makes it difficult to properly inform the Minister of Council's position on this proposal."

We submit that:

a) As to Government policy, the Minister and his Chief of Staff in their letters of 30 May and 2 August 2018 (Appendices A and H to the GBCA Submission) have set out the Government's policy in relation to both boundary changes and de-amalgamations, the criteria being the same for both.

b) As to whether the Minister may deal with this matter as a boundary change, s17 of the Act relevantly provides that:

"17 What this part is about

(1) This part is about making a local government change.

(2) A local government change is a change of—

(a) the boundaries of a local government area;

……….

(3) In summary, the process for making a local government change is as follows—

- *assessment—the change commission assesses whether a proposed local government change is in the public interest*
- *implementation—the Governor in Council implements the local government change under a regulation."*

The GBCA proposal seeks a change to the boundaries of the SDRC. Since SDRC is a local government area, this would appear to satisfy the requirements of 17(2)(a) for a change in the boundaries of a local government area.

Under s18, If the Minister so decides, he may propose a local government change to the change commission.

S19 provides that the change commission is responsible for assessing whether the proposed change is in the public interest.

S19(2)(b) provides that the change commission must consider the views of the Minister about the proposed change.

It would be open to the Minister to request the change commission inter alia to consider the proposed new local government area of the Granite Belt as part of its assessment of whether the SDRC boundary change is in the public interest.

Alternatively, s270A of the Act provides that the Governor in Council may implement a de-amalgamation of a local government area under a regulation. The Minister could proceed under this section, having already indicated the Government policies to be applied to such a process.

Therefore, we believe that our proposal constitutes a boundary change, and that the Local Government legislation outlines the criteria which we have satisfied. Even if there is doubt on whether the proposed change comes under the definition of a boundary change, there is no reason why the criteria in the Regulation cannot be used. These criteria were formulated by the Electoral and Administrative Review Commission (EARC) when reviewing all of the Local Government structures in Queensland in 1990. This was then reviewed and slightly modified by the Associated Parliamentary Committee in 1991 and used for the 1990's reviews, which included creating Warwick Shire and abolishing the former Councils. The criteria were designed for situations such as for this change proposal, and have stood the test of time.

Therefore, the criteria can be as per Part 2 Division 1 of the Regulation. In addition, the numerous implementation concerns raised in the SDRC Management Review can be addressed by applying Schedule 3 of the Regulation *(Implementation of Local Government changes relating to changes of the boundaries of Local Government areas)*.

2. The Change Process Issues Raised in the SDRC Management Review

The SDRC makes erroneous claims that:

a) The Minister has directed that the pre-amalgamation boundaries must be applied and Dalveen cannot be included. This was the rule for the now defunct 2012-14 de-amalgamation process. The Minister has the power to limit the Reference as seen fit, but has made no such direction to date.

b) The Local Government Regulation 2012 is not referenced in the Local Government Act 2009 – s19 of the Act enables supporting regulations, and s8 of the Local Government Regulation 2012 draws on that head of power.

c) *"There is no adopted policy by the Queensland Government on de-amalgamation, as distinct from boundary change requests, which are clearly legislated"*. Throughout the SDRC document the issues raised confuse the previous de-amalgamation process with the Change process currently provided in the Local Government legislation.

2.1 The change process issues raised in the SDRC Management Review are mostly factually incorrect, and show a poor understanding of the current legislative framework. Most of these errors stem from confusing the now redundant 2012-2014 de-amalgamation process with the standard change processes which have existed virtually unchanged for nearly 30 years and would be applicable in this case.

2.2 On p5 the SDRC Officers' Report states *"indicate or examine in detail how a member of the community of the remaining or new local government authority will not be financially impacted or disadvantaged by the establishment of the two local government authorities".* In fact the legislation supports our proposal to change the boundaries by removing the Granite Belt are from Southern Downs and to create a Granite Belt Council. S270A of the Local Government Act outlines the process.

2.3 The SDRC Management Review claims that the proposal does not (demonstrate that no individual member of the community would be adversely impacted) (p7). This is not a requirement under the legislation, and it would be impossible to prove. Each Council makes decisions which affect members of the community differently.

2.4 On p9 the SDRC Management Review states: "the current Council has no role or responsibility in referring this proposal to the Change Commissioner". We completely agree that the Council should have no role other than providing information.

2.5 The SDRC Management Review incorrectly claims on p19 that the proposed boundaries do not align statistical local area (SLA's) or collector districts (CD's) used by the ABS. The ABS boundaries still align with the former Stanthorpe Shire Boundaries, and we specifically state that the Dalveen boundaries to be used should be Postcode 4374.

3. Supposed Significant Flawed Findings, Analysis and Facts

The SDRC Management Review claims that there are significant flaws in our proposal as follows.

3.1 Boundary Change vs Creating a new Council

As noted above, the boundary change criteria in the Regulation were formulated by EARC and PEARC to review a variety of change options, but predominately the creating of new, amalgamated Councils. These criteria were used in the Gold Coast, Ipswich, Warwick Shire, Cairns, Cooloola (now Gympie) Mackay amalgamations, which involved the creation of Councils.

3.2 Implementation Issues

The SDRC Management Review claims that we have given virtually no consideration to numerous implementation issues which could negatively impact on employees. Schedule 3 of the Regulation fully addresses these and has stood the test of time since the 1990's.

3.3 Capacity to deliver

SDRC assertion – we have not demonstrated capacity of the new organisation to deliver etc. This is purely subjective, and the experience of the recent de-amalgamations demonstrated that this has successfully occurred, including the similar sized Douglas Shire Council.

3.4 Contradictory assertions eg Economic Development and Building Services

SDRC asserts that we have been contradictory in our arguments eg reducing economic development and building services functions which have officers in Stanthorpe.

First, it should be noted that the GBRC made repeated requests to the SDRC for a copy of the SDRC staff organisational chart as part of the preparation of its proposal – to allow us to carefully investigate staffing matters. These requests were all refused by the SDRC on the grounds of staff privacy. Subsequently, the SDRC has chosen to breach staff privacy by publicly listing two positions in Stanthorpe with implications that their positions would be redundant.

Furthermore, the SDRC Management Review falsely implies that the current Economic Development Officer and Building Services Coordinator located in Stanthorpe would need to be redundant because our business model would "make more use of community groups rather than having a number of full time staff in functions such as economic development".

Our proposal contains an operating expenditure budget for economic development of $275,000 and $281,000 for building and plumbing. Both of the incumbents were valued members of the Stanthorpe Shire staff, with much wider roles and experiences than in their current roles.

The proposed operating budgets for these functions are still sufficient to fund these officers, although their roles in a smaller Council may need to be expanded using their existing skills and experience.

We re-iterate that the proposed new Granite Belt Regional Council will not require any forced redundancies.

3.5 Financial Sustainability

SDRC claims that *"the proposal suggests that both the new and remaining Council will be financially sustainable, but does not describe in detail the level of financial sustainability that will be achieved."* Our proposal uses the financial sustainability definition for the Local Government Act, and legislated financial sustainability ratios. The financial templates were prepared and provided in the format provided by the Department, and pages 69 – 70 graphically represent the financial sustainability ratios of the existing, new and remaining Councils.

3.6 Category 1 Council

The SDRC Management Review claims that we have not taken into account that the new Council would be a category 1 Council and the remaining Council category 2, whereas the existing Council is category 3. These categories are only used for determining Councillor remuneration and this has been applied. Many Councils also use the categories for comparisons with similar sized Councils. However, we are not aware of any studies showing that there are greater or lower cost structures between categories 1, 2 and 3.

Each of the existing, new and remaining Councils would be part of the LGAQ "Rural-Regional" segment, which was the criterion used for the 2012 study into factors affecting financial sustainability (AEC/Orion). This report found that rural Councils needed to distinguish between those with a population above and below 10,000, as there are additional sustainability issues with Councils below this level. Both the new GBRC and remaining Council would be larger than this threshold.

3.7 Asset Management

The SDRC Management Review challenges our assertion that Council is well advanced in its asset management plans and has based its 10-year capital works program on these. Asset management is a long-term journey, and we did not imply that Council is 100% complete. However, the asset replacement program in the 10-year capital program in Council's budget comes from their asset management plans and provides reasonable assurance that the asset condition can be maintained.

3.8 Capital Grant Funding

The SDRC Management Review argues that competitive capital funding should not be included in the forward modelling as there is no guarantee of any being received. We absolutely dispute that a plausible scenario which warrants modelling is that the proposed Council will receive zero competitive capital funding over the next ten years. Most Councils assume a consistent level of capital funding on a best estimate basis. We would not support an assumption of zero funding and will strongly object to a zero competitive capital funding scenario as it is not a plausible long-term scenario.

3.9 Developer Contributions

Information on developer contributions was not provided to us by Council, but most of the current cash balances have come from operating surpluses over the last 3 years. In addition, prior to the Noosa de-amalgamation, the Sunshine Coast Council transferred $11.4m from the Noosa area to the Caloundra area to ensure the balances were proportional to population. This was upheld by the then Minister.

3.10 Political Issues

The SDRC Management Review asserts that the GBCA Proposal has focussed on problems from the current term of Council and therefore involves a level of politics. We have focussed on contemporary issues which in no way are political. No member of the GBCA Committee is a former Local Government politician, unlike each of the recent 4 de-amalgamations which were driven by former Mayors. We have indicated that these problems have occurred over the three terms of Council, and changing the Councillors at the next election is unlikely to resolve anything.

3.11 Further investigation and clarification

The SDRC report notes that the Council is working with QTC and the Department. We are concerned that this is not a transparent process as required by the Local Government principles in the Act. In addition, QTC, which providing high quality financing and investment services for over 30 years, has been set up as a financing authority. It is operating outside its skill set in determining a prospective Council's cost structure and implementation costs. Its forecast rate increases and implementation costs required of the four Councils which de-amalgamated in 2014 were significantly over-estimated. We understand that no one in QTC has ever worked in a Local Government, and are applying processes and cost structures applicable to large bureaucracies and organisations.

There is a difference is processes and cost structures applicable to local governments on the one hand and to large bureaucracies and organisations on the other which is where QTC skills largely lie.

4. Financial Issues

4.1 QTC Assessments

The Minister's Office recently advised us that The Department and SDRC have engaged Queensland Treasury Corporation (QTC) to review the GBCA financial analysis on the financial viability of the proposed Councils and the costs of de-amalgamation. We are concerned that preventing our involvement will seriously distort this review.

QTC is the Queensland Government's central financing authority. Our consultant was heavily involved in establishing QTC in 1988 as Brisbane City Council's Treasury Director. QTC was created as a merger of Queensland Treasury (QGDA), Queensland Electricity Commission and Brisbane City debt and Mr Spearritt was responsible for Brisbane City's entry and agreements. He has a very high regard for QTC as a central financing authority.

However, as financing authority, it is necessarily cautious with on-lending to public sector agencies, to ensure that borrowings are creditworthy. It conducts credit reviews for Councils, but these are assessments of a Council's ability to withstand financial shocks and still be able to repay the debt. These are similar to, but not, financial sustainability assessments. In the same way as banks are more reluctant to lend to small businesses, QTC has displayed a bias in its previous assessments towards larger Councils and against smaller Councils. In particular, its assessment of the four de-amalgamation reviews (Douglas, Mareeba, Livingstone and Noosa) QTC was opposed to the Douglas and Mareeba de-amalgamations and assigned a likely credit rating of Vert Weak with a negative outlook to both proposed Councils (which is the second lowest rating possible).

Consequently, the operating and transition costs for these de-amalgamations, particularly the smaller Douglas and Mareeba Shires, were heavily overstated, compared with the subsequent results as shown in the audited financial statements overseen by the Queensland Audit Office. It should be noted that Douglas is a similar size to the proposed Granite Belt Council, and Mareeba is a similar size to the proposed remaining Council.

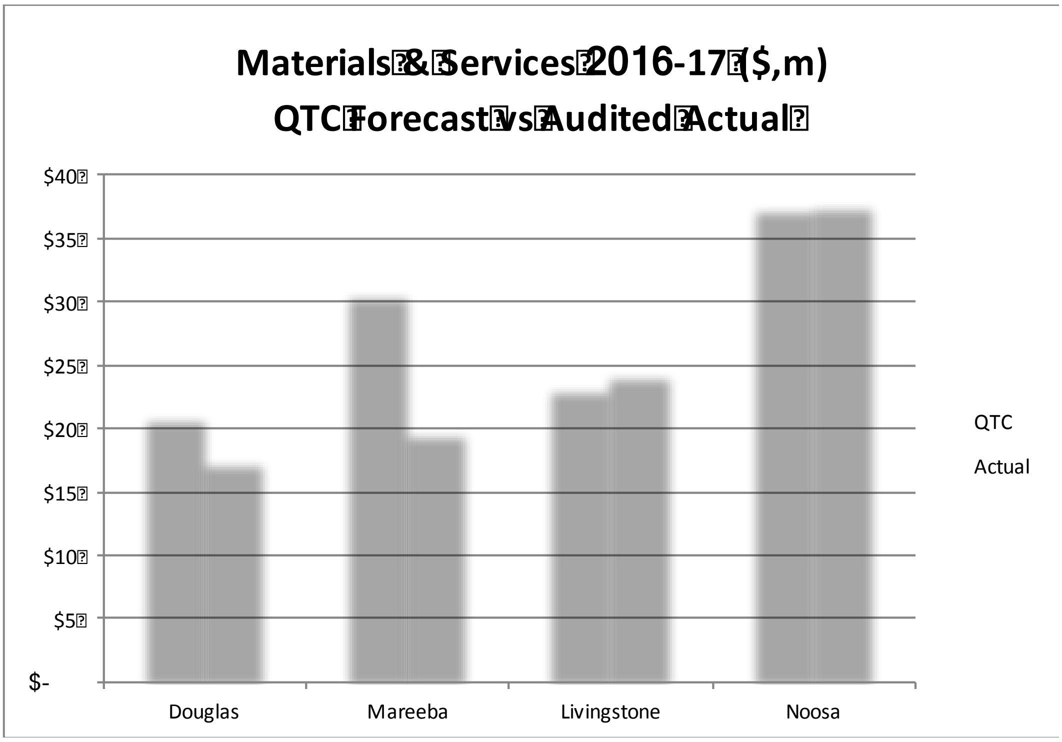

Figure 1 – Comparison of QTC forecast materials and services with Actuals (Year 4)

Figure 1 shows that QTC was reasonably accurate with its estimated materials and services costs for the larger Livingstone and Noosa Councils, but extremely overstated for the smaller Douglas and Mareeba, which were 21% and 56% overstated. Respectively.

As a result, Mareeba was forecast by QTC to have a credit rating of Very Weak, with a Negative Outlook. However in its first credit review shortly after de-amalgamation, Mareeba Shire was assigned a Moderate rating with a neutral outlook, which is higher than that assigned to SDRC in the same year, and the same as the larger Livingstone Shire.

Douglas Shire's credit review is not publicly available, but their financial sustainability ratios (as required by the Local Government Act) are vastly better than QTC's assessment, as shown in the following Table. In fact two of the measures are within the ideal range, and the other is expected to be in the ideal range by 2020.

Ratio	**QTC Forecast (Year 4)**	**Audited Actual (2018)**	**Comment**
Operating Deficit	20%	2%	Forecast 0 by 2020
Asset Sustainability	70%	105%	
Net Financial Liabilities	123%	-45%	More cash than debt now

4.2 Financial Viability Analysis

SDRC assertion – *The financial viability analysis and supporting financial models included in the GBCA proposal do not provide a robust analysis of the financial impact of de-amalgamating SDRC. Further work is required to clearly specify the assumptions used by GBCA.* The following table addresses each of their assertions:

SDRC Item	GBCA Specified Assumption
Population apportionment	As per ABS. Only used where superior details are not available
Residential and non-residential rateable properties apportionment	Data as provided by SDRC.
Staff assumptions, including additional costs associated with Executive structure	As outlined in our submission and Templates. Executive structure developed from Goondiwindi Regional Council information
Transition costs for the new SD Council	Additional out of pocket costs (as approved by the independent panel) are assumed to be paid by the new GBRC.
Build-up of income and expenses	Methods used have been clearly described. Details can be provided on request.
Inclusion of capital projects addressing known infrastructure issues including Stanthorpe Water Treatment Plan and Waste Facility	All capital items related to the GB area in the Council's adopted 10-year capital program have been included. Other items are treated as risks and shown in the proposal.
The makeup of the savings	These are detailed in the excel template, and also SDRC shows this detail on p46 of its Management Review.
Capital works funding assumptions are incorrect, especially competitive grants	Although they differ from SDRC's assumptions, they are not necessarily incorrect. Our consultant has applied the most common method of assuming a steady state. Although some grants are competitive, the government agencies ensure that there is an equitable share, and in practice a steady state assumption is more accurate than zero.

4.3 Financial Assumptions Sensitivity

The SDRC Management Review states that the financial assumptions should be subject to sensitivity analysis, which we fully support, providing that the scenarios tested are realistic. We also request that GBCA be informed of any scenarios being tested so as to ensure transparency of the process and be given the opportunity to provide appropriate input. For example, in the previous de-amalgamation proposal by Pittsworth, Clifton and Millmerran from Toowoomba Regional Council the then Minister Crisafulli advised the proponents, after the event, that a key reason for rejecting their proposal was that it would not be viable if the Council debt was allocated on a per capita basis. However, it was very surprising that the Council and its officers had recommended this per capita allocation given that the only new debt that had been incurred related to the Toowoomba pipeline, which these three rural areas were not actually connected to. Therefore a per capita debt allocation would have been completely erroneous.

4.4 Financial Sustainability

The SDRC document raises a number of issues on how financial sustainability should be defined, and what level of financial sustainability should be required. The legislation is quite clear on this. S104(2) of the Local Government Act defines financial sustainability, and financial sustainability ratios are identified in s169(5) of the Local Government Regulation. We have provided modelling under different scenarios using these definitions and ratios. In addition, the Local Government Regulation s12 specifies the financial requirements that the Change Commission must assess, and we have addressed all of these in our submission.

4.5 Service Area Cost Structure

The SDRC document claims that there is no evidence that Councils with a single service delivery centre is more efficient financially than multiple centres. Firstly, it is self-evident that multiple service delivery centres are ones with more expense because of the reduced economies of scale of smaller facilities, and necessary duplication of those facilities. Further, the evidence is that the former SSC had 29% of the combined employee costs and 22% of the combined materials and services costs, compared with approximately 32% of the population. We have modelled alternative scenarios in the spreadsheets provided.

4.6 Financial History

In several parts of the document it is claimed that we stated that the remaining area received a disproportionate share of capital works. Nowhere have we used to word "disproportionate". We noted that a large cause of the earlier financial problems was due to flood works which were not covered by external funding, and that these flood works were all in the remaining area. This is a geographic and weather fact, not an issue of disproportionate funding. On page 35 the reference to the Southern Downs Region receiving the lion's share of investment relative to the Granite Belt is to private sector investment.

4.7 Operating Revenues and Costs

Cost Apportionment - The SDRC Management Review argues that apportionment by rateable properties should be tested instead of apportionment by population. However, both are not materially different at approximately 32%. Rateable properties is used by the IT provider, but otherwise population was used as a default apportionment. Although some Council services are delivered to the property, these are generally separately costed and charged, for example Water, Wastewater and Waste. Each of those functions are directly costed by area and not apportioned by population. It should also be noted that the proposed area has 31% of the assets (according to information provided by the Council). Similarly, it has only 23% of the bridges in the area and 23% of grave sites in the cemeteries. Therefore, a more valid scenario to be tested is the pre-amalgamation share of operating costs, which we have provided as an additional scenario in the GBRC report.

5. Rates

The SDRC Management Review notes that our consultant's work on other de-amalgamation reviews is in contrast to the current proposal. Further, they note his assessment of a potential de-amalgamation from Moreton Bay forecast a rate increase of 37% to 56%. Our consultant acknowledges these forecasts, however the context was very different to the Granite Belt. At the time, MBRC had been required to make a substantial contribution to the Redcliffe rail line, and the contribution from a de-amalgamating Redcliffe Council would be spread over a much smaller rate base. In addition, subsequent to the MBRC amalgamation, the Council's water and sewerage functions were removed from Council and placed in Unitywater. Therefore, a new Redcliffe Council would only have around half of the rate base and staffing of the former Redcliffe Council.

The SDRC Management Review also notes from Mr Spearritt's Redcliffe assessment the rate increases that occurred with the Delatite de-amalgamation in Victoria. It should be noted that both the de-amalgamating Councils had much lower populations. Our consultant's 2012 financial analysis for LGAQ has demonstrated dis-economies of scale for Council under 10,000 population, so the de-amalgamation split a Council which had a size that was over this threshold into two new Councils that had sizes below it. In addition, the Kennett Government imposed a mandatory 20% rate reduction on amalgamating Councils, so much of these rate increases were the unwinding of that requirement.

6. Cash Flow

The SDRC Management Review notes an error in our financial templates, in the line "Payments for Intangibles", which incorrectly includes "Net purchases of investment securities". Our consultant has advised that there is an error, caused by different terminology in the Department's Template and the Council's financial statements, and this has been rectified. A revised set of spreadsheet templates is enclosed. However, it should be noted that rectifying this error actually improves the cash position.

The SDRC Management Review also notes that there are non-critical errors in the financial templates which prevent the reconciliation between the cash flow statement and balance sheet. These errors have been rectified and included in the enclosed revised templates. Once again, this does not affect the financial sustainability of the proposal.

7. Capital Works

The SDRC Management Review raises numerous concerns with our inclusion of current levels of grant funding in the capital works forecasts, compared with the SDRC practice of assuming that no funding will be available. While there is no certainty of funding with competitive capital funding, the government has traditionally ensured that funding is spread fairly around the Councils in the State. Therefore, most Councils pursue our consultant's approach of using the best available information and assuming a status quo situation until anything changes.

The SDRC Management Review challenges our assertion that Council is well advanced in its asset management plans yet it has based its 10-year capital works program on these.

7.1 Competitive Grant Funding

The SDRC Officers' Report argues that no competitive capital funding should be included in the forward modelling as there is no guarantee of any being received. However, we dispute that a plausible scenario which warrants modelling is that the proposed Council will receive zero competitive capital funding over the next ten years. Most Councils assume a consistent level of capital funding on a best estimate basis. We would not support an assumption of zero funding and will strongly object to a zero competitive capital funding scenario as it is not a plausible long-term scenario.

8. Assets and Liabilities

The SDRC Officers' Report (p8) claims that we have underestimated the difficulty of apportioning the assets and liabilities because there are a few items of heavy plant which are shared between the depots. This has been easily addressed in past boundary changes. For example, the 2008 changes resulted in the former Taroom Shire being split between Banana Shire and Western Downs, and there was similar shared plant and machinery. Our consultant (Mr Spearritt) was engaged by the Department to recommend the apportionment of the assets, liabilities and staff, and this was reviewed and endorsed by the Grants Commission. The relatively simple solution was to retain self-contained crews in one Council, supplemented by a cash adjustment.

9. Cash

The SDRC Management Review asserts that our cash balance calculation has not taken into account the developer contributions which need to be attributed to the contribution areas rather than by population. The reason we did not consider developer contributions is that they are not shown in the audited financial statements. However, most of the current cash balance has come from operating surpluses over the last three years, and not from developer contributions. Furthermore, the legislation covering developer contributions no longer requires the money to be spent in the contributing area. Indeed, Sunshine Coast Regional Council, just prior to the Noosa de-amalgamation transferred several million dollars of developer contributions from the Noosa area to the Southern area of SCC to equalise the balances on a population basis. Noosa Council disputed this, but the then Minister upheld it.

The SDRC Management Review asserts that our claim that the implementation costs will be borne by the new Council is incorrect because they will come from cash balances built up over the last four years. Our claim is in fact correct, because on de-amalgamation the GBRC is entitled to a share of those cash balances.

The SDRC Management Review claims that there is no rationale for apportioning the cash balances by population. We consider that it would be too difficult to unscramble over a decade of transactions, when a large proportion of the costs are not recorded by area. Therefore, some form of apportionment is required. A population share is an equitable measure, and results in a GBRC cash balance which by coincidence is around the same amount as SSC brought into the amalgamation, according to the audited financial statements.

10. Staffing costs

Contradictory assertions eg Economic Development and Building Services

SDRC asserts that we have been contradictory in our arguments eg reducing economic development and building services functions which have officers in Stanthorpe.

We object to the SDRC withholding the requested detailed organisational chart on the grounds of staff privacy, and then breaching staff privacy by listing 2 positions in Stanthorpe with implications that their positions would be redundant.

The SDRC Management Review falsely implies that the current Economic Development Officer and Building Services Coordinator located in Stanthorpe would need to be redundant because our business model would "make more use of community groups rather than having a number of full time staff in functions such as economic development". Our proposal contains an operating expenditure budget for economic development of $275,000 and $281,000 for building and plumbing. Both of the incumbents were valued members of the Stanthorpe Shire staff, with much wider roles and experiences than in their current roles. The proposed operating budgets for these functions are still sufficient to fund these officers, although their roles in a smaller Council may need to be expanded using their existing skills and experience.

We re-iterate that the proposed new Granite Belt Council does not require any forced redundancies.

11. One-off costs

11.1 Recruitment and Redundancies

The SDRC Management Review claims that the potential costs of redundancies should be included whereas we assert that redundancies should not be required.

11.2 Transition Costs

The SDRC Officers' Report argues that transition costs would be high, noting that Noosa Council employed a 6-person transition team for 8 months. However, Noosa has a population nearly five times the size of the Granite Belt. On a pro-rata basis, this equates to 1.25 employees. If they were employed at the average Queensland Government salary of $100,000 for 8 months, this equates to a one-off cost of $83,000, which is not material in the overall situation.

Moreover, we have included $4m in the modelling, based on the audited transition costs of the similar sized Douglas Shire de-amalgamation, even though the Committee considers it could be achieved for just under $1m.

The SDRC Management Review (p28) has a table of IT costs which it claims the new Council would need to incur. This table implies that the new Council would need to purchase existing IT hardware and software from the remaining Council. This would breach s4 of Schedule 3 of the Local Government Regulation, which states that existing assets in the transfer area automatically belong to the new area.

Throughout the SDRC Management Review it is suggested that the name of the existing Council would need to change and that this would cause a large rebranding cost. Under the Local Government Regulation, the name of the remaining Council would be the same as the existing Council, and therefore there is no need for any rebranding costs in that area.

Our proposal suggests that an independent implementation panel (as suggested by Mareeba CEO Peter Franks based on the Victorian model) would be preferable to the 2013-14 de-amalgamation process. The 2013-14 process was highly adversarial and led to sub-optimal outcomes, including a high level of forced redundancies. The SDRC Officers' Report unnecessarily conflates other aspects of Victoria's change processes with using an independent panel instead of an adversarial process.

On p30 of the SDRC Management Review it is claimed that our proposal in assigning $0 cost to a Transition Manager in lieu of an independent panel is a fundamental error demonstrating a lack of understanding of the roles, responsibilities and delegations of authority of a Transition Manager. It also claims that the Transition Manager has the responsibility to appoint the CEO. This again conflates the <u>now defunct</u> 2013-14 de-amalgamation process with the current legislation, which does not mention a Transition Manager. The Change Commission has the power to recommend transition processes, and the Minister can give direction to the Change Commission on matters it should consider.

The SDRC Management Review claims that we have ignored the positive experience of Noosa's de-amalgamation process as we claimed that the implementation process was flawed. Our committee met with the Noosa Mayor and CEO and our consultant provided the due diligence support and subsequent service reviews to that Council. The Council was seriously aggrieved that the flawed process resulted in it only receiving $1.6m of the $22.8m that it claimed. The positive experience could have been a lot more positive.

The SDRC Management Review erroneously claims: "on page 68 the proposal explicitly states that the greatest cost saving would be for the Minister to make the decision to de-amalgamate. Therefore, the proposal that GBCA then proffer to put the de-amalgamation to a total of two plebiscites and two elections seems hyperbole. This statement also goes against the outlined process recommended by the Minister in May 2018." Nowhere do we claim that the greatest cost-saving would be to de-amalgamate. A Plebiscite of both areas would be government policy. All Councils require election every 4 years. The claim is absurd.

12. Staffing Matters

As previously stated, we object to the SDRC withholding the requested detailed organisational chart on the grounds of staff privacy, and then breaching staff privacy by publicly listing 2 positions in Stanthorpe with implications their positions would be redundant.

a) The Council document criticises our proposal because it contained "no organisation structure" etc. We attempted to address this by requesting a detailed organisation chart, but this was not provided, ostensibly to protect staff privacy. The Minister's office supported Council's position and understood that this would mean we could not provide a proposed organisation chart.

b) On page 27, the document states that: *'It would appear to be appropriate to transition out poor performing staff at this time, yet the claim of no redundancies would not allow this action to be followed".* We consider that this would be an abuse of the boundary change process. Poor performing staff should be managed under industrial relations law, the Award and Council's Enterprise Agreement. Poor performing staff should not be handed over to the new Council for them to make redundant, as occurred with the

2014 de-amalgamations since the remaining Council CEO chose the number of staff and individuals to transfer (within a wide range). This is another reason we prefer an independent panel, rather than the previous de-amalgamation implementation process.

c) The document notes that staff turnover is currently over 14% per year, compared with the Local Government median of 10%. Provided there is an equitable allocation of staff and skills overseen by an independent process, this will further provide ample buffer to adjust staff numbers gradually over time without the need for forced redundancies.

d) As evidence of our genuine belief that forced redundancies would not be required, we would support this being part of any implementation regulations for the first term of Council, provided that no more than indoor 45 FTE positions (or 108 total staff) are transferred to the new Council and there is an equitable allocation of skills, qualifications and experience.

e) In view of the very clear message to us that SDRC considered the privacy of staff to be a paramount issue, it would have been entirely inappropriate (and no doubt unwelcome) for us to have attempted any staff consultation about this process.

13. Dalveen

The SDRC Management Review claims that the Minister has directed that the boundaries of the proposed de-amalgamation must be the former boundaries, which would exclude our suggestion of including Dalveen. We have received no such direction from the Minister, although a former Minister during the 2012 de-amalgamation proposals required them to be on the original boundaries. That requirement has caused ongoing problems, for instance with the Rockhampton oriented areas which were transferred back to Livingstone Shire. The current Minister has recently referred this matter to the Change Commission.

Furthermore, section 27A of the Local Government Act defines a de-amalgamation as *the separation of the (Local Government) area into two different Local Government areas, each to be governed by its own Local Government.* There is no requirement to retain the former boundaries.

The SDRC Officers' Report also outlines particular capital works required in the Dalveen area. Yet these are not included in the Council's own 10-year capital works plan. There is an apparent inconsistency here.

II Community Issues

1. Manifold errors in the SDRC Management Review

The SDRC Management Review has taken issue with a large number of the statements and facts contained in the GBCA Proposal.

We do not wish to take up time and space by dealing with every allegation. However we stand by each and every statement in our Proposal whether or not we respond specifically to a comment by the authors of the Review.

Examples of the more ludicrous and uninformed statements in the Review include:

a) General denials that our assertions are supported by evidence. *We have generally supplied evidence such as from available statistical sources or newspaper reports of events. Other than providing statutory declarations or the like it is hard to see what additional evidence could be provided at this level.*

b) Downplaying or denying the importance of the Granite Belt's rich Italian heritage and culture and asserting that tourism is not a strong factor that is relevant to the argument for de-amalgamation. *The disconnect between the two communities could hardly be more clearly demonstrated. Why, with any knowledge of the Granite Belt, would anyone make these assertions?*

c) In relation to the health of the tourism industry in the Granite Belt *preferring the evidence of increased hits on the SDRC website to the evidence of tourism business closures in the Granite Belt.*

d) Stressing the rail link between Warwick and Stanthorpe as a connection between the towns *when for years it has only been used for a handful of private trains.*

e) Denying the greater importance of tourism to Stanthorpe and its flow on effects to the rest of the business community.

f) Claiming that our Proposal condemns the name 'Southern Downs' as a failed brand but nevertheless recommends its retention as the name for the remaining Council. *Our Proposal shows that Southern Downs has no traction as a brand for tourism. It remains a perfectly good name for the administrative area of the Southern Downs. It is a millstone for Granite Belt wine and tourism to be promoted under the Southern Downs banner.*

g) Claiming that local media has supported and encouraged de-amalgamation and that it is this that has created a de-stabilising impact on the local economy. *When in doubt blame the press.*

h) Attempting to establish that there are numerous business links between Stanthorpe and Warwick using a list largely comprised of banks, churches and governmental or quasi – governmental offices. *A similar list would establish close ties between Stanthorpe and Wagga Wagga.*

i) Denying the separate identity of the Granite Belt through its geography, water use, horticultural industries, wine and tourism.

j) Asserting that there is no evidence that the current local government model is not serving the needs of the local community. *This rather overlooks the views of ratepayers evidenced by the attendance of 1,392 people at a public rally plus 348 apologies, 1,611 signatures on an e-petition and 4,087 signatures on a paper petition.*

k) The bizarre notion that "if the level of equity and representation theory is to be supported then the State electoral boundary should be revised to separate Warwick and Stanthorpe.

l) The novel assertion that problems so serious that they have given rise to litigation should be removed from the Proposal because they are the subject of litigation. *Whatever you do, don't mention the war.*

m) Ludicrously representing that our Proposal "assumes that the purpose of the 2008 local government reforms was to merge or amalgamate sporting groups and clubs". *We say only that the continued separation of such organisations is evidence that there has not been a merger of activities at a community or a sporting level and that this is evidence that the communities have remained distinct.*

2. Tourism

The SDRC Officer's review states: "Tourism is not a strong factor that is relevant to the argument for de-amalgamation".

Tourism operators in the Granite Belt dispute this subjective statement. Marketing tourism is all about marketing a destination. The Granite Belt wine and tourism industry has spent at least twenty years building the Granite Belt tourist destination brand with the help of the council.

The SDRC has chosen to promote the wider Southern Downs and Granite Belt as a tourist destination. Lumping the Granite Belt in with the Southern Downs is a bit like lumping the Hunter Valley in with Newcastle. The tourist destination is the Hunter Valley, not "Newcastle and the Hunter Valley".

While this problem could be addressed by the amalgamated council by separately funding tourism bodies in each region (as used to be the case), it has continued to argue that they must promote the "whole region" rather than individual tourist destinations within the region (ie the Granite Belt). This argument would no longer be relevant following de-amalgamation.

3. General

Below are comments on individual passages noted in the SDRC Management Review. It is not comprehensive given the extensive nit-picking commentary in the Review and failure to comment on any particular matter does not constitute acceptance of it.

The SDRC Management Review states:

a) On page 2 that the GBCA have *made "claims of … disproportionate allocation of funding"*. No such claim is made. The GBCA have noted the very large amount of investment in Warwick relative to the Granite Belt.

b) On page 6 it is asserted that changing to a category 1 LGA will *"likely increase costs to ratepayers"*. This assertion is not supported by any evidence.

c) On page 7, *"If a local government authority cannot support two population centres, how could a State Government Member support three"*. This statement is faulty and misleading at so many levels. First, a Local Government delivers a very different set of services compared to a State Government. Second, a State Government Member does not deliver the services – the State Government does.

d) On page 8, *"Water catchments are not relevant in this process"*. This statement is false. Please refer to the *Local Government Regulation Criteria* listed on page 56 of the Report – in particular Part2 / Div 1 / 9(2)

e) On page 9, *"The proposal argues that the cost of the new Council will be borne by the new GBRC. This is not correct; the cost will be borne by the cash balances that have been created over the past four years."* This statement is false. The cash balances in the SDRC have been contributed to by ratepayers and also by tax payers via government grants. The residents of the Granite Belt hence own a percentage of these funds and when the new GBRC is formed the transition costs will be funded from the proportional cash balance that is rightfully transferred to the GBRC.

f) On page 10, *"The proposal needs to demonstrate that no ratepayer or resident from any future local government authority will be disadvantaged financially or experience a reduction to the level of services that is currently being delivered."* Two points need to be noted here. First, if this metric was applied to Government decisions at any level it is likely that NO changes would ever be made by any Government. Second, the general focus of the SDRC review is on the small costs of transition but appears to ignore the potential cost savings from reforming the current model and the improved and more focused services that are expected to result.

g) On page 11, 7th dot point *"… SDRC is the only local government authority in Queensland that actively consults…"*etc. The fact that an organisation consults does not imply that they will in fact act on the feedback provided. The Local Government Act requires every Council to consult with its community in a meaningful way, so SDRC is not the only Council actively consulting.

h) On page 16, *"There is no evidence presented to indicate that the current local government model is not serving the needs of the local community". The GBCA* do not agree. The evidence is in over 1300 people attending a public meeting to request change and in over 5000 people signing petitions for change.

i) On page 22, *"SDRC has audited the number of available beds in the region; not including dormitory style accommodation, Warwick has 547 beds and the Granite Belt has 437".* Various points can be made here. First, the Warwick area has twice the population of the Granite Belt and hence, proportionally, the Granite Belt has many more beds per head of population. Secondly, Warwick is a much larger commercial centre on the intersection of two major highways. The majority of its beds would be devoted to highway traffic, business travel and visits from friends and family, relative to tourism. Third, exclusion of dormitory style accommodation excludes the very large number of backpacker visitors to the Granite Belt who correspondingly do not visit the Warwick area. Fourth, the wider statistics presented in Figure 3.15 clearly demonstrate that tourism is a much more important economic activity to the Granite Belt.

j) On page 26, *"This model does not take into account or cost the yet to be determined wage increases from the enterprise bargaining agreement which is being negotiated at present".* Here and in many places the review document asks us to ignore the published SDRC budgets and 10-year forecasts and instead make alternative *guesstimates* regarding future activities. We took the view that this would not be prudent.

The SDRC Management Review references:

a) On page 12, the SDRC staff turnover of 14% relative to a median of 10.3% which provides clear support for our case that there is no need for forced redundancies.

b) On page 13, the removal of greeting signs. How many major wine regions in Australia would tolerate the removal of wine region greeting signs on a national highway for two years? This indicates that the Warwick-centric council clearly has no comprehension of the damage they are inflicting on the Granite Belt economy through their poorly informed decisions. There are fundamental differences across these two regions that clearly cannot be managed by a single entity.

c) On page 14 in the last dot point, various reasons for businesses closing. The listed arguments regarding reasons for tourism business closures are not correct and not supported by any evidence. For example, the ages of the operators closing their businesses are in many cases under the age of 40.

d) On page 15 that there is one person providing administrative support to a number of organisations. As a result of this person's knowledge and experience the GBCA proposal is very well informed regarding the facts across these various areas.

e) On page 16 cites figures of 4.2% Southern Downs people with Italian ancestry yet only 1.4% in Stanthorpe. These figures seem to imply that the Warwick area is awash with people of Italian descent, yet this does not accord with other sources of information.

f) On page 18 lists of businesses both in Stanthorpe and Warwick. The fact that various national banks and international church organisations have branches in the two regions does not provide evidence of strong inter-regional links. If it did, then we could also argue that Stanthorpe has close links with Ballarat and Broken Hill and even Perth.

g) On page 20 the merging of sporting and community groups. The GBCA have in no instance argued that the aim of local government amalgamation was to encourage mergers of sporting and social organisations across the two regions. But we have argued that the two sets of clearly separate sporting and social organisations provides evidence of the clearly separated communities. This is one of many disappointing "straw man" arguments that are presented in this review document.

h) On page 24, issues relating to planning schemes, etc. The GBCA believes that these are details that do not belong in a preliminary scoping study and more appropriately belong in a transition planning document after a decision to de-amalgamate is made. Moreover, Schedule 3 in the Regulation provides for the transitions and has stood the test of time.

i) On page 34, paragraph 1 higher IT transition costs from our consultants 2011 report on another de-amalgamation proposal. Technology has changed over significantly over the past 8 years and it is now much cheaper and cleaner to use cloud systems. We have used contemporary information based on the main software supplier and the Noosa experience.