Introduction

In late December 2018 Southern Downs Regional Council (SDRC) received a copy of the document prepared by the Granite Belt Community Association (GBCA) entitled “A new Granite Belt Council: A proposal to separate from the Southern Downs Regional Council”, hereafter referred to as “the proposal”.

The proposal documents background information, describes the region, and provides a brief rationale for de-amalgamation. It then moves on to note how the proponents seek to meet the Local Government Regulation Criteria for de-amalgamations, outlining financial viability and, finally provides an overview of proposed transitions arrangements and conclusion.

SDRC must exercise due diligence in ensuring that that the proposal is thoroughly reviewed and that as a related party to the proposed new local government entity that all costs, impacts and operational considerations are fully considered. Ultimately the proposal argues for the de-amalgamation of the existing SDRC and the creation of two new local government entities being

1. Granite Belt Regional Council; and
2. Southern Downs Regional Council.

The proposal seeks to the use the Queensland Government’s boundary change process outlined in Local Government Act 2009 and makes use of process outlined in the Queensland Local Government Regulation 2012, Chapter 2, Part 2. The later piece of legislation is currently neither repealed, nor referenced in the relevant Act, being the 2009 Local Government Act.

The proposal also contains a letter from Minister for Local Government, Minister for Racing, Minister for Multicultural Affairs Hon Sterling Hinchcliffe MP dated 30 May 2018 which states the policy of the Queensland Government local government boundary change as requiring a number of criteria to be met prior to referral under the Act to the Change Commissioner including:

- A request from the local communities affected by the proposed change;
- Resolutions supporting the proposed change from the affected Local Government(s), in this case the SDRC;
- Assessments demonstrating the future financial sustainability of all proposed new Local Government areas, including an agreement on the transfer of assets and liabilities and the impacts on existing Council employees, if such a proposal were to go ahead; and
- If a Local Government Change Commission recommends the proposed boundary change should go ahead, a referendum of all residents in the affected Council area will take place before the recommendation is implemented.

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.

The GBCA’s proposal to de-amalgamation the existing SDRC can be summarised into three interrelated themes:

- That the Local Government Reform Commission erred in its decision to amalgamate Stanthorpe Shire Council and Warwick Shire Council
- The proposed de-amalgamated councils fulfilment of criteria for changing a local government area, name or representation under Queensland Local Government Regulation 2012, and
- The financial viability of the proposed de-amalgamated councils.

The GBCA argue the 2007 Local Government Reform Commission (2007 Reform Commission) erred in its recommendation to amalgamate Stanthorpe Shire Council and Warwick Shire Council. The GBCA argues:

- the Commission was mistaken in the grouping of Southern Downs and Granite Belt communities as being of ‘like interest and character’
- the amalgamation did not consolidate regional natural resource management areas, and
- improved financial sustainability has not been achieved.

Key observations and comments:

- It is evident that the Granite Belt community, as represented by the GBCA, self-identify as a unique community with different cultural and social values to that of the Southern Downs community. A significant portion of the report is dedicated to providing qualitative and anecdotal evidence to support this position.

- The proposal provides insufficient evidence to support claims of:
  - each communities response to and outcomes provided by different Local Government business models
  - closure of large numbers of tourism related businesses in the Stanthorpe Region over the past two years
  - termination of effluent re-use agreements for the Stanthorpe Scheme
  - disproportionate allocation of funding between Southern Downs and Granite Belt communities, and

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1 A New Granite Belt Council. A proposal to separate from the Southern Downs Regional Council, Granite Belt Community Association, December 2018, p20
2 A New Granite Belt Council. A proposal to separate from the Southern Downs Regional Council, Granite Belt Community Association, December 2018, p24
3 A New Granite Belt Council A proposal to separate from the Southern Downs Regional Council, Granite Belt Community Association, December 2018, p31
4 A New Granite Belt Council A proposal to separate from the Southern Downs Regional Council, Granite Belt Community Association, December 2018, p35
QTC assessment of Gympie Regional Council as having the highest level of financial sustainability.5

The amalgamation of the Southern Downs and Granite Belt regions did not result in the consolidation of a single natural resource management area. The existing SDRC spans both the Queensland Murray Darling Natural Resource Management Plan (Stanthorpe Region) and Condamine Alliance Natural Resource Management Plan (Southern Downs Region).

The 2007 Reform Commission considered local government reform to be about much more than the issue of financial viability. It also emphasised that councils must be of a size and scale sufficient to:

- attract and retain management and other expertise
- remove inefficiencies resulting from duplication and sub-optimal use of assets;
- enable growth of knowledge, development of capacity and fostering of innovation; and
- provide effective political leadership to, and advocate for, communities facing fast-paced change.6

In the period since amalgamation, many corporate functions of Council have been consolidated including, finance, information technology, community housing, human resources, corporate governance, procurement, and asset management. It is likely that there will be further consolidation to reduce cost.

The 2007 Reform Commission was guided by the Terms of Reference to create local governments with improved financial sustainability.7 Improvements in a local government’s financial sustainability do not necessarily correlate to:

- reduced rates and improved services, or
- better and cheaper services.

The decisions taken by the Councillors and Management team in the period post-amalgamation (2008 to 2018) directly impacted on the financial performance of the SDRC. It is challenging to attribute the financial performance of the amalgamated Council in the period post-amalgamation to the consequences of amalgamation alone.

Financial performance is influenced by a number of factors with the primary factor being the development and adoption of the budget by the Mayor and Councillors, noting that for the bulk of the existence of Southern Downs Regional Council, the majority of Councillors have come from Stanthorpe.

Financial Sustainability Ratings and Credit Ratings provide a snapshot of an organisation at a point in time. It is problematic to extrapolate ratings beyond their intended point in time use due to:

- the methodology used to calculate ratings changing over time, and

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5 A New Granite Belt Council A proposal to separate from the Southern Downs Regional Council, Granite Belt Community Association, December 2018, p63
ratings inability to capture and reflect unknown risks and costs that are later identified as material, particularly in relation to long life infrastructure assets.

Change Commission Requirements

The GBCA proposal asserts that all criteria for changing a local government area, name or representation under Queensland Local Government Regulation 2012, Chapter 2, Part 2 (the Regulation) can be satisfied.8

Key comments and observations:

- The Regulation outlines the elements to be considered when Local Government Change Commission (Change Commission) is assessing proposals for changing a local government area, name or representation. However, the Regulation does not provide criteria for the de-amalgamation or creation of a new local government area.

- The process for the assessment of a proposal to de-amalgamate a local government area by the Queensland Department of Local Government, Racing and Multicultural Affairs, and Change Commission is currently unclear.

Financial Viability Analysis

The GBCA proposal includes financial modelling and analysis supporting the assertion that both the new Granite Belt council and new Southern Downs council would be financially sustainable in the future.

Key comments and observations:

- 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 including:
  - Population apportionment
  - Residential and Non-residential rateable properties apportionment
  - Staff assumptions, including the additional costs associated with an executive structure
  - Transition costs for the new Southern Downs council
  - Build-up of income and expenses where a combination of apportionment by project/location and population has been used
  - Inclusion of Capital Projects addressing known infrastructure issues including (but not limited to) Stanthorpe Water Treatment Plant and Stanthorpe Waste Facility.
  - The make-up of the business operational savings of $720,000 in FY2019 rising to $922,000 in FY2028.
  - The assumptions in the capital works expenditure are incorrect, especially in relation to funding from State and Federal Governments and noting the difference between competitive and non-competitive funding and grants.

- In considering the financial viability of de-amalgamation sensitivities on the following assumptions should be considered (as a minimum):

8 A New Granite Belt Council A proposal to separate from the Southern Downs Regional Council, Granite Belt Community Association, December 2018, p56
Impact of recruitment and redundancies for both councils.

- De-amalgamation would create the need for the new Southern Downs council to review its organisational structure and services to ensure its financial sustainability and success. It is unlikely that all staff transferred would have the necessary skill sets and redundancies would be required. Any financial analysis of de-amalgamation should include costs associated with redundancies.

Impact of transition costs for both councils.

- A smooth de-amalgamation transition would require a significant investment of resources by both councils. As a point of reference, Noosa Shire Council employed a transition team of at least 6 people for a period of 8 months to ensure a smooth transition.\(^9\)

Impact of reduction in grant funding, noting that the majority of grant programs are competitive.

- The current council has been exceptionally good at securing funding. These are competitive grants and should not be forecasted into future budgets. Given the success of the funding applications, a future council may not seek additional funding; rather, a future council may seek to focus on the delivery of the funding that has already been secured.

- Additionally, two future councils may not have the level of matching funding required to access funding.

Impact of apportioning cost by rateable properties for whole-of-council costs.

- The proposal needs to demonstrate the apportionment of costs in relation to per head of population or rateable properties.

The proposal appears to hold several areas that are flawed in findings, analysis and in fact.

Those of most significant note are summarized below:

1. The Change Commission as defined by the Local Government Act 2009 is a body designed to consider local government authority electoral boundary changes prior to the facilitation of elections. The process outlined in the proposal is significantly more than a boundary change. It is in fact a complete de-amalgamation of the functions of one local government authority and the creation of two separate local government authorities. The proposal wrongfully concludes that changing electoral boundaries is akin to creating a new local government entity. This is a flawed interpretation of the complexity of the requirements for the creation of new local governments.

2. Matters such as delegations, local laws, planning instruments, legal proceedings, contractual agreements, and industrial / employment related conditions have not been given sufficient due consideration or are largely omitted from the document. This lack of information and detail results in an underestimation of financials, unclear delegations, and risks related to industrial provisions that could potentially negatively impact on employees.

3. Additionally, the proposal does not demonstrate the capacity of the new organisation to undertake the business and services of a modern local government authority in a timely manner, or identify the human or physical resources required.

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4. There are assertions within the proposal which are contradictory and only loosely explained. For example it is suggested that a community committee will undertake the role and functions of economic development. There is a staff member in Stanthorpe that undertakes the role of economic development. The proposal states there will be no redundancies. The proposal does not identify the future of staff in existing roles. Additionally, there is a Building Services Coordinator based in Stanthorpe. If this role is to be retained in Stanthorpe, then an additional role will need to be established in Warwick. The income currently received from the Coordinator role will need to be accessed to accommodate two roles, more than likely junior roles. This type of scenario is not explained and would need to be managed through the Enterprise Bargaining process, which means that redundancies cannot be ignored.

5. The proposal suggests that both the new and remaining local government authorities will be financially sustainable, but it does not describe in detail the level of financial sustainability that will be achieved. The proposal also does not indicate if one local government authority is likely to be more financially sustainable than two stand-alone local government authorities. For example, will one local government authority have an increased capacity to renew and deliver new infrastructure and deliver services to the community, compared to smaller local government authorities.

6. The proposal does not deal with the implications of the new proposed council being a Category 1 local government authority, except in relation the allowances allocated to the Mayor and Councillors. There are other implications for the new and remaining councils, especially in relation to funding of services that eventuate from a re-categorization and are likely to increase costs to ratepayers.

7. Within the proposal it is submitted that the standard and quality of the Southern Downs Regional Council Asset Management Plans is of a high standard. This is incorrect and the current Council is seeking to have these Plans updated to reflect the real costs of renewals and the liabilities associated with assets across the municipality. Asset management planning has been identified as a major short fall of the Southern Downs Regional Council by the Queensland Audit Office and the current and former Audit and Risk Management Committees. The proposal does not determine the level of commitments that will be available for asset renewal should the cash reserves be re-allocated to a new local government authority, or provide a rationale as to the level of restricted cash reserves to be allocated or preserved.

8. The financials are incorrect in relation to the capital expenditure assumptions in relation to Works4Queensland, Local Government Grants and Subsidies Program, Roads to Recovery, Financial Assistance Grant, Cycle Networks and Transport Infrastructure Development funding. The assumptions ignore the competitive nature of the grants or funding, the term or life of the funding program, as well as the conditions of the funding, especially in regard to the capacity to deliver programs, under Transport Infrastructure Development funding and compliance with a Traffic Management Registration Scheme licence as requested by the Department of Transport and Main Roads.

9. The proposal does not identify, recognise or reallocate developer contributions or highlight the responsibilities for a local government authority in relation to the adopted Southern Downs Regional Council Local Government Infrastructure Plan which covers the existing and future trunk infrastructure for water supply, wastewater, stormwater drainage, transport, as well as parks and land for community facilities. The percentage division does not apply to the Local Government Infrastructure Plan which is predicated on site specific growth or development.
10. In broad terms the proposal does not 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.

11. The proposal appears in some instances to be focused on the decisions made by the elected officials over the current term of this Council. It is noted that there is little reference made to the decisions of the previous elected bodies that were in place post 2008. It therefore can be suggested that there is a level of politics involved in the issues that have been identified that have the potential to relate to the forthcoming local government elections in March 2020.

12. There are a number of issues and statements that require further investigation and clarification. Many of the issues and statements will be identified and addressed in detail through the combined review being undertaken by the Queensland Treasury Corporation and the Department of Local Government.

A small group of officers from the Southern Downs Regional Council have been involved in a review of the proposal. The review provides feedback and clarification where appropriate in relation to the information that has been put forward as part of the proposal.

Where possible and appropriate the officers have provided feedback on each part or section of the proposal, and each page of the proposal.

Executive Summary (Page 5)

- There is no indication as to the level of sustainability that will be achieved by the exiting council or the remaining council, or a comparison to the financial sustainability of the existing council.
- The question needs to be asked is would the existing SDRC offer a greater level of financial sustainability compared to two new local government authorities; this question is not investigated.
- It is stated that the transition costs will be affordable for the new Granite Belt Regional Council (GBRC), there is no reference made to the transition costs for the remaining council, nor a definition of “affordable.”
- It is stated that the there is no connection between Stanthorpe and Warwick besides a road connection. It is noted that there is a rail connection and there are a number of local businesses that have a presence in both areas, such as Spanos IGA, Go Vita, Elders, etc.
- There is very little evidence to indicate that forecasted negative outcomes of amalgamation have occurred, this is subjective.
- There is no evidence provided to support increased levels of efficiency resulting from de-amalgamation.
- Issues relating to equity are not provided, 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.
- If a local government authority cannot support two population centres, how could a State Government member support three.
- There appears to be no linkages established in relation to accountability, noting that for the bulk of the last 10 years the Southern Downs Regional Council has had the majority of its Councillors from the Stanthorpe Region.

- Chapter 1 (Page 5)
  - No Comment
• **Chapter 2 (Page 5)**
  - The business models put forward do not apply and there is very little discussion about their practical implementation or where they have been sourced from.
  - In local government the word “dysfunction” is usually applied to the elected members and their behaviour in the chamber or decision making processes. Issues are noted in the report, but very few or if any relate to “dysfunction,” rather these are issues that have been publicized.

• **Chapter 3 (Page 6)**
  - The Italian settlement pattern is reflected across Queensland and can be found in areas in close proximity such as the Lockyer Valley.
  - In Lockyer Valley area the Italian community is heavily involved in horticulture.
  - Water catchments are not relevant in this process.
  - Community assets and infrastructure exists across the local government area.
  - Emu Swamp Dam has been driven by a section of the community for over 20 years.
  - The former Stanthorpe Shire Council and SDRC have expended over $5 million on studies and land purchases.
  - SDRC has resolved not to proceed with the Dam as the business case is not supported and Council does not have the level of funds to invest in the project regardless.
  - Tourism exists across the Southern Downs. Warwick was recently named in the Wotif 2019 Top 10 Aussie Towns to visit. Killarney also experiences strong visitation.
  - Tourism is not a strong factor that is relevant to the argument for de-amalgamation.
  - There are many and varied reasons why businesses have been closing in Stanthorpe that are unrelated to amalgamation.
  - Issues with high rents and skilled staff shortages.
  - Young people and older people from the Southern Downs Region who play representative sport progress to playing for the Border Rivers Region and then the Darling Downs Region. There are sporting fixtures in the recent past between Warwick and Stanthorpe in sports such as basketball, soccer and cricket.
  - This sports argument has little bearing on the case for or against de-amalgamation.

• **Chapter 4 (Page 6)**
  - The arguments from Stanthorpe and Warwick Councils prior to amalgamation have not been substantiated by evidence.
  - There is little to be gained by publicly criticizing the Local Government Reform Commission.

• **Chapter 5 (Page 6)**
  - No comments

• **Chapter 6 (Page 6)**
  - The location of service centres and depots does not necessarily create efficiencies.
  - This is a simplistic approach to service delivery and does not differentiate between the types of services provided to communities.
  - The proposal indicates that the remaining council will be in an even stronger financial position, but this is not demonstrated. Does this mean that it will be in a stronger position than the existing SDRC? This is not proven.
  - The long term capital works have not been included in the proposal.
  - The proposal indicates that the major capital works will be considered by a future Council.
  - The officers do not agree with the allocation of assets and liabilities would be straightforward.
  - There is heavy plant and machinery that is shared between the two depots on a regular basis for example.
All commentary around no need for redundancies is superficial and incorrect.

There is no acknowledgement of the enterprise bargaining agreements or the skills sets of the existing staff.

There is a significant level of concern in the expenditure estimates that have been provided for transition.

The utilization of cash balances ignores cash reserves for infrastructure renewal, as well as specific funds for developer contributions.

There is no definition of a “healthy surplus” provided. A comparison needs to be undertaken in relation to the financial position of the existing Council and related rating, compared to the new council and the remaining council in relation to rating.

The average ratepayer from the new or remaining council should not be disadvantaged.

Risks and opportunities have not been identified in this proposal in any detail, nor is there any reference to future Audit and Risk Management Committees.

Chapter 7 (Page 7)

It has not been substantiated that each local government authority would have sufficient resources and be financially sustainable.

Is it good enough to be financially sustainable or should a local government authority be aiming to be more than that? Should a local government have the capacity to respond to natural disasters or financial crisis?

The current Council has no role or responsibility in referring this proposal to the Change Commissioner.

It is suggested in the proposal that the name “Southern Downs Regional Council” be retained.

It is noted that there is no community consultation proposed around this recommendation and that in other parts of the report there is considerable commentary about “Southern Downs Regional Council” being a failed “brand name.” There is no basis to this.

The independent panel has not been appropriately costed, nor is it applicable in the Queensland local government environment.

Additionally, following a discussion with Mr Franks there are concerns that Mr Frank’s advice has not been put forward in its entirety.

Chapter 8 (Page 7)

The Minister has indicated that the review was to be undertaken based on the boundaries of the former Stanthorpe Shire Council.

Dalveen was not included in the former Stanthorpe Shire Council, but has been included into the new Granite Belt Council.

Chapter 9 (Page 7)

No comments

Introduction

Page 8

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 last four years.

Additionally, not all costs have been identified and the capital expenditure assumptions in the spreadsheets are incorrect.

The proposal argues that a new Council will provide “high quality and more responsive governance and administrative support.” There are very few instances of identified issues
relating to governance and administrative support.

- Furthermore, if there were issues of governance and support, these would normally be changed or challenged as part of an election process.
- It is unlikely this will change through the organisation or staff, as the proposal has indicated that there will be no redundancies.
- The proposal highlights a lack of “accountability,” this needs to be quantified, accountability to whom and in what regard. There is a democratic process for the election of Councillors that relates to all aspects of accountability.
- A clear explanation needs to be provided on how the remaining Council’s financial circumstances are improved, compared to which benchmark, identifying is there, or has there been, any opportunities lost, the impact of changed staffing, fleet and heavy plant, etc.
- 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.

- Page 9
  - It is noted that the inclusion of Dalveen is “likely to have a minimal impact on the financial calculations.” It should be noted that the Dalveen reticulated water system requires a $300,000 upgrade, the Dalveen CED requires a $300,000 upgrade and the Dalveen Hall, which is leased out at no charge requires between $50-$100,000 to upgrade the facility.
  - Directions from the Minister were to only consider the boundaries of the former Stanthorpe Shire in this review.

**Background Information**

- Page 12
  - It is important that relevant reports and studies are recognised, but quoting reports from 1928 does not contribute to the current review.
  - The business models presented are poorly explained and do not reflect the modern operations of local government.
  - There are many examples of local government authorities delivering services to population centres that are distinctive, with their own set of characteristics.
  - The word “dysfunction” is usually used in the local government context of the decision making process in the chamber.
  - There is no evidence put forward that relates to “dysfunctionality” in the chamber. There have been some difficult decisions made, as is the case with any local government authority.

**Ten Years of Challenges 2008-2018**

- Page 15
  - The proposal states that there has been a “high turnover of executive staff.” The Director Engineering Services left the organisation in the first quarter of 2018 after 10 years’ service with SDRC.
  - The Director Planning left the organisation in the second quarter of 2018 after 10 years in the role.
  - The current Chief Executive Officer has been in the role for 4 years. The average tenure of a Chief Executive Officer in Queensland local government is approximately 2 years.
  - There is not an issue with high turnover of executive staff.
  - It is noted that the alleged turnover is related to “structural problems,” but this is not defined
or clarified.

- The business models are not referenced.
- There is no author attributed to developing the models presented or examples of where these models have been implemented in other local government authorities.
- The application of the business models is subjective at best.
- The proposal notes throughout the document that Southern Downs Regional Council had and continues to hold a “top down” management model as noted in Figure 2.3.
- No current business model is based on this model and Council’s Corporate Plan, Operational Plan and endorsed structure do not support this model nor utilize it anywhere in corporate publications.
- The table is an imaginative and illustrative depiction of how the GBCA believes Council delivers its business.
- In fact it worth noting that SDRC is the only local government authority in Queensland that actively consults the whole community on each year’s operational and capital budget and seeks input and views prior to formal adoption. This kind of genuine input into yearly expenditure and Council priorities is referred to using the International Association of Public Participation (IAP2) scale as “involve” and clearly demonstrates that SDRC is well accustomed to using a business and financial model that is directly informed and influenced by local community members. This fact alone demonstrates that the table is inappropriate depiction of the manner in which Council delivers services and projects to the residents of the region.
- There are no defined or documented efficiencies or improved service delivery emanating from the models.
- The role of organizational culture is poorly linked to these models, without explanation.
- Whilst it is suggested that community groups are part of the model, there is no reference to the existing Council Advisory Committees.
- It would appear that the proposal is indicating that community groups will take on roles previously filled by officers. For example it is suggested that a community committee will undertake the role and functions of economic development. There is a staff member in Stanthorpe that undertakes the role of economic development. The proposal states there will be no redundancies. This type of scenario is not explained and would need to be managed through the Enterprise Bargaining process, which means that redundancies cannot be ignored.
- All disputes listed have been heavily promoted by the local media.
- Many of the issues listed have not been dealt with by previous Councils and have meant that specific groups have received real or perceived better treatment from previous Councils. This has been in the form of discounted services or in kind support.
- Additionally, these “disputes” have occurred as the level of community consultation has increased. The current Council has undertaken more community consultation than any other previous Council, especially to finalize some of these longstanding issues.
- It is noted that all those parties that have had or are having disputes with Council are the parties supporting de-amalgamation.
- The “impossible challenge” is not defined and is an emotive term.
- The increases in rates were not a result of amalgamation, but rather a decision of the Council of the time.
- The Council at the time chose to borrow for operational works and did not raise fees and charges appropriately.
- Additionally, the Council at the time expended substantial funds on Emu Swamp Dam and other projects.
The high turnover of staff is due to the average age of staff. The average age of employees as at:

- 31/12/2018 - 47.49
- 31/12/2017 - 48.23
- 31/12/2016 - 48.89
- 31/12/2015 - 48.59
- 31/12/2014 - 47.83
- 31/12/2013 - 46.52

It is likely that turnover will remain around 13-15% as the "baby boomer" employees continue to exit the workforce.

The proposal notes turnover as being high and this is not an entirely accurate reflection. According to the ABS, the turnover for the national workforce was 10.6% in 2012 (ABS 2012).

According to the Profile of Local Government Workers created by the Australian Centre for Excellence in Local Government (ACELG) Survey, total staff turnover in 2011/12 amongst the 108 centres for which this calculation is possible, ranged from 0% to 46.5%. The average turnover per centre was 12.7%, although the median was slightly lower at 10.3%.

SDRC’s annual turnover is approximately 14% which is only slightly above the National average and the age profile of the workforce must be taken into account, as SDRC has a considerably higher proportion of its workforce in brackets able to access retirement.

Feedback from staff indicates that a major cause of stress in the workplace is the unrelenting criticism of Council from the local newspapers.

In relation to “effects on staff” there is no evidence to back up these claims as there has been no communication with the staff.

Staff are disappointed that these claims and generalizations are made without consultation.

There needs to be some realistic recognition of the many challenges of a de-amalgamation. For one, it will have an enormous impact on staff and in the staff’s opinion it was disappointing that this has not been considered, let alone the fact that there was no recognition that SDRC staff are a key stakeholder within this process.

The proposal refers to the impact on staff morale and self-esteem from the amalgamation in 2008. While the GBCA have presented no evidence to back up this claim, regardless of its validity, the proposal has not considered that a de-amalgamation will also have a (potentially negative) impact on staff morale. Regardless of whether current staff support the de-amalgamation or not, it cannot be denied that all staff will be impacted.

All staff have access to the Employee Assistance Program.

The fact remains that in 2008 SDRC was flagged as Council of medium concern regarding finances and it has been well publicized that the elected representatives and the Executive Management over the past three years have repositioned the Council into a space of financial sustainability.

QTC are aware and supportive of the progress made in improved business and financial modeling at SDRC and are appreciative of these steps.

Responsible financial management is incumbent on local government authorities and the assertion that proper fiscal management “gives a picture of high internal stresses” is rejected.

Emu Swamp Dam has been driven by a sector of the community for over 20 years. Stanthorpe Shire Council and SDRC have expended over $5 million on studies and land purchases. SDRC has resolved not to proceed with the Dam as the business case is not financially viable and Council does not have the level of funds to invest in the project regardless.

There is no allocation of 450 ML high security urban water at no cost for the residents of Stanthorpe.

The project will not augment the urban water supply to Stanthorpe.
SDRC is involved in legal action with the Stanthorpe Waste Water Effluent Users.

The action relates to the validity and exclusivity of the contracts. It would be inappropriate to comment further.

The decision to redirect funding away from the Granite Belt Wine and Tourism was made by Council.

The decision to remove funding from Destination Southern Downs was made by Council and related to performance issues, financial management and human resource management.

It is noted that the former Executive Officer of Destination Southern Downs has not initiated the appropriate governance processes to allow approximately $20,000 to be returned to tourism operators or SDRC. This process should have occurred in 2016.

The first print run of the Visitor Guide omitted the name “Stanthorpe.” The first print run of Visitor Guide was never distributed to the community or visitors.

The omission was made public by the local media, Stanthorpe Border Post and Warwick Daily News, as these media publications were made aware of the mistake by the printing facility, which is an aligned business of newspapers.

It is important to consider the intent of making this omission public, despite no distribution of the Visitor Guide to visitors or the community.

It is noted that Council served Jacobs Creek Wine at a launch.

In asserting a case for distinct communities that require the creation of a new local authority the proposal relies on a series of “disconnects” that have occurred in the past ten years Figure 2.4.

It is worth noting the disconnects find fault only in the last four years of the decade that has passed since 2008. These stated disconnects rely predominantly on print media coverage of community issues.

Media portrayal of issues may not always be a reliable source and evidence this is seen in the matter pertaining to the map. In actuality, the map mentioned on page 18 was never printed or released for public distribution without all towns, including Stanthorpe referenced. This clerical error was detected early and corrected, but unfortunately not before being leaked to media and subsequently publicly discussed after the fact, in an effort to generate “newsworthy” material.

The table also lists the 2018 greeting signs the Department of Main Roads removing a sign is an issue to be referred to that department. Council is undertaking a review and replacing of tourism signage across the region with consistent branding.

The following errors of fact are also noted in this table:

- Business closures and website hits are completely separate issues and should not be confused. Modern marketing is heavily web dependent and campaigns designed to accordingly.
- Competitive tendering processes and expressions of interest for leasing is standard and reasonable business practice to ensure equity and parity in decision making.
- In relation to the Stanthorpe Sporting Association (SSA), the standardization of lessee / lessor service levels for sporting or community leased facilities is an issue which affected many amalgamated Council’s in Queensland.
- Finding equity and parity in service levels within this heavily Council subsidized environment is often fraught with difficulty from lessees who in many cases have volunteer bases, limited finances and varying understanding of the management, roles, and responsibilities of complex facilities and leased environments.
- It is a matter of public record that SDRC has a long and proud history of supporting the continuation of many community groups and sporting associations who lease facilities through such activities as; peppercorn rent, waiving of water and sewerage charges, volunteer support, grants, subsidies, infrastructure development, and promotion. SSA has enjoyed many of these same benefits for many years.
- As this matter is now legal in nature SDRC is not in a position to make public comment on this and cautions against its inclusion in the proposal as public discourse may adversely impact on legal processes. The GBCA is advised to remove this.

- Council refutes the accuracy of this assertion that it rejected the community’s feedback on the relocation of the library as “shortsighted”. This statement is inaccurate and should be retracted for accuracy of the public record.

- SDRC undertook community consultation in good faith on the proposed library redevelopment and took on board the feedback.

- The service remains in the existing Council facility and continues to strive to achieve high levels of service, despite the fact that the facility that does not meet State Government library standards for floor space ratios and the limited circulation and programming space hinders the types of activities that could potentially be delivered by this service.

- The running of Australia Day Awards is a regional program for all residents of the SDRC. Maintaining two separate award program would have been a duplication of service.

- In regards to stall holder licensing the statements made are inaccurate. The laws in Australia hold each person responsible if one causes another’s loss, injury or damage. This is described as Legal Liability. Even with the best precautions and intentions, accidents can happen and by definition, accidents are unplanned, unintended and unexpected. Being held responsible can be very costly. Public and Products Liability protects against legal liability to customers, clients and members of the public, i.e. third parties (not employees) for:-

  1. Bodily injury, and

  2. Property damage.

Public liability insurance protects stallholders from the financial consequences of causing property damage or personal injury to other people at the market. It is a fundamental part of doing business and protecting your business or Not for Profit against claims. SDRC is simply taking due care and ensuring the reasonable steps are taken to protect stallholders and members of the public.

- Council welcomes all forms of sponsorships into the region, including the sponsorship of Brown Brothers for Jumpers and Jazz.

- It is noted that SDRC does not operate Jumpers and Jazz, this responsibility lies with an independent committee, as does the engagement of sponsors. This matter should be directed to that committee not SDRC.

- SDRC understands that a wine sponsor was sought from the Granite Belt, but a suitable sponsor was not identified.

- Jumpers and Jazz is not Warwick’s major tourism event, the Warwick Rodeo and Campdraft is the major tourism event.

- In relation to greeting signs, this is a project under the auspice of the Department of Transport and Main Roads. This is not a Council responsibility; however Council is seeking to deliver a new signage strategy for the whole region.

- There are many and varied reasons why tourism related businesses in the Granite Belt are closing. These relate to staff shortages, customer service levels, opening hours, age of operators, etc.
The Stanthorpe YMCA was operating the Stanthorpe Fitness Centre. The financials indicate that the business was not trading solvent. The Stanthorpe YMCA also undertook upgrades to the building that did not comply with building standards or fire codes. SDRC took over the management of the facility and will continue to manage the facility into the future. The facility returned a loss to the Stanthorpe YMCA and delivers a loss to Council.

Both the Stanthorpe Fitness Centre and the Stanthorpe Pool went through a procurement process, as is required under the Local Government Act and Regulations. The lease with the operators of the pool had expired with no further options to be activated. The appropriate procurement process was followed.

There was no aim or directive issued from Council to have the Killarney, Allora and Stanthorpe pools managed by one operator, and this is an inaccurate assertion by the GBCA.

Legal action has been initiated by the Stanthorpe Sports Association against SDRC. Council is confident that it has legally implemented the conditions of the lease.

Council undertook extensive consultation in regard to the future of the Library and the Art Gallery. Council will continue to ascertain how these important community services are delivered to the community and appropriately resourced.

Council revised its volunteer policy to ensure all aspects of occupational health and safety were covered. At Dalveen, the volunteer chose not to continue.

The Australia Day awards were changed due to a lack of nominations and to ensure that Council was not impacting on the events being undertaken by local service organisations.

Parties seeking to fundraise must have the appropriate approvals in place in relation to public liability.

It should be noted that all these issues have been highlighted by the Stanthorpe Border Post and are not necessarily a reflection of the Granite Belt Community. It may be that these issues are indicative of the beliefs of the staff at the Stanthorpe Border Post.

Additionally it should be noted that the administrative support provided to a number of groups is one person. This one person services the following:
- Stanthorpe Sports Association;
- Stanthorpe Community Reference Panel;
- Emu Swamp Dam Irrigation Pty Ltd;
- Stanthorpe and Granite Belt Chamber of Commerce;
- Granite Belt Community Association.

History of Local Government in the SDRC Area

During the period 2008-2012 the SDRC was made up of Councillors predominantly from Stanthorpe (5/4):
- Blundell, Gow, Ingram, McMurtrie, Pennisi
- Bartley, Bellingham, Meiklejohn, Shelley (subsequently replaced by McNally)

Councilor representation from Stanthorpe was the majority.
During this period Council debt increased from $19 million to approximately $28 million.

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Total Debt Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>19,682,912</td>
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<tr>
<td>2009/10</td>
<td>18,992,406</td>
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<td>27,940,000</td>
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<tr>
<td>2016/17</td>
<td>23,753,000</td>
</tr>
<tr>
<td>2017/18</td>
<td>22,253,000</td>
</tr>
</tbody>
</table>

The New Council Initiative

- Page 20
  - There is no evidence presented to indicate that the current local government model is not serving the needs of the local community, nor is the model defined.
  - The minutes fail to indicate a vote of no confidence in the Chief Executive Officer and Council that was put and agreed to. It is noted in the proposal that the GBCA is very satisfied with the financial management of SDRC. These aspects of the commentary appear to be in conflict.

Community Support

- No comments

The Granite Belt Region

- Page 25
  - In 2016 those with Italian ancestry made up 4.2% of the Southern Downs population. This compared to 41% with English ancestry, 14% with Irish, 10.9% with Scottish and 7.3% with German. Between 2011 and 2016 the population of those with Italian ancestry dropped from 1,501 to 1,480.
  - There are many factors that have placed Stanthorpe in its current position. Decentralization of State Government services, negative media, minimal population growth, debt levels, ageing population and one of the lowest median incomes (in the top 10 of the State at $34,000pa).
  - To attribute blame and responsibility on the local government structure is incorrect.
  - Additionally, there are few examples of dysfunctionality provided from an organizational or a governance perspective.

History of the Granite Belt

- Page 26
  - Lockyer Valley has 1.4% of its population with Italian ancestry, the same as Stanthorpe, therefore this is not fundamental characteristic of the region.
Geography and Land Use

- The assertion that the geomorphology, topography and natural resources of the two areas are incompatible and distinct and therefore require different local government entities is rejected as being valid. SDRC also rejects the assertion that consolidating natural resources and grouping "geographic areas" was a driver / aim of the 2008 amalgamation agenda.
- Many local governments in Queensland and Australia span geographically diverse country and the system of government at the local level is not dictated nor created by landscape alone.
- For example Sunshine Coast Council governs landscapes that include RAMSAR wetlands, through to hinterland communities and dense urban populations. The Southern Downs region contains a diverse natural landscape and governance and leadership is provided to the community regardless of natural attributes. The system of governance in the Federation of Australian States and Territories relies of three levels of government, each providing rule, leadership, service and representation, depending on constitutional responsibility, and is most certainly not based solely on the management of natural assets.

Water and Associated Infrastructure

- Page 31
  - There is not the opportunity for the Stanthorpe and Granite Belt Chamber of Commerce to offer 450ML to the Stanthorpe community as this amount is not recognised in the existing State Government Water Plan.
  - The Chamber has been informed that it should not be making this offer but has chosen to ignore this advice.
  - There has been no discussion as to how the water would be connected to the reticulated water network.
  - A newly formed Granite Belt Council would have the option to purchase water from a number of sellers and would be required to go through an appropriate procurement process, not just the Stanthorpe and Granite Belt Chamber of Commerce.
  - Section 3.4 states that "There is no council owned infrastructure (including civic, administrative and service buildings and other fixed assets such as roads, water, and sewerage) spanning the Southern Downs and Granite Belt.
  - This means that creating a separate GBRC would not have infrastructure impacts.
  - This statement is inaccurate and should be removed as an error of fact.

Community Infrastructure and Roads

- Page 32
  - The proposal does not demonstrate an understanding of assets or the current asset management planning.
  - There is not a comprehension of the shared usage of heavy plant and machinery.

Demography and Economic Activity

- Page 33
  - Please refer to the commentary in Appendix 1
• Page 35
  o Investment has occurred across the region.
  o Investment has been influenced by negative media.
  o Outside of Warwick there has been investment in Allora, ($22 million chicken hatchery), Pratten and Elbow Valley poultry production, as well as expansions planned at Dennys and Jenco in Allora for manufacturing.
  o Lyra Vinegar and Red Hill Berries have also invested in Stanthorpe and Applethorpe.
  o Please note that the following list of businesses that have locations in both Warwick and Stanthorpe:
    ▪ McDonalds
    ▪ The Physiotherapy Centre
    ▪ Granite Belt Dental
    ▪ Ensbye’s Electrical
    ▪ Go Vita
    ▪ IGA
    ▪ Commonwealth Bank
    ▪ National Bank
    ▪ Heritage Bank
    ▪ iHear
    ▪ Best Employment
    ▪ SDIEA
    ▪ APN
    ▪ Neato
    ▪ Southern Downs Employment
    ▪ Border Electrical
    ▪ Anglican Church
    ▪ Catholic Church
    ▪ Eastside Hire
    ▪ Howards Timber and Hardware
    ▪ Aldi
    ▪ Rose City Removals
    ▪ Crisps Buses
    ▪ Baguley Freight
    ▪ Walls Sand and Gravel
    ▪ Griffith University Medical Practice (Warwick & Stanthorpe Hospitals)
  o In addition to these, the both towns are in the same territories for sales representatives from Queensland and into Northern New South Wales.

• Page 36
  o There are no wide demonstrated differences between the two areas, this is an assertion.
  o The most recent investments in Stanthorpe have been in aged care and retail services, which do not link back directly to water infrastructure, as is the case with horticulture.

• Page 37
  o All local government planning schemes cover a diversity of land use functions and it would be inappropriate to suggest that a local government authority cannot manage a planning scheme.
  o There is also no evidence provided.
  o It is noted that later in the proposal (page 60) it is submitted that due to the “stagnant” nature of the economy in Stanthorpe there is no need to revise the Planning Scheme.
Population projections and demographic data sets used in the document appear to be incorrect or misinterpreted.

The apportionment of populations in the proposal does not align with SLA’s and collector districts used in the most recent census. Importantly, the breakdown of data does not provide sincere analysis on the profile and composition of the community.

The demographic profile of the GBRC has a significant proportion of aged and elderly, a high SEIFA index rating and low levels of children and young people.

Likewise the interpretation of data set related to languages other than English and country of birth are extrapolated incorrectly. In Queensland the most ethically and culturally diverse community is Logan City Council with 219 different cultures represented in Origin of Birth, and Languages spoken at home.

The age profile of the new LGA causes concern in terms of future rates, growth and therefore financial viability in the longer term.

**Key Economic Drivers**

- Please refer to Appendix 1

- Page 41
  - There are more visitor beds in Warwick than Stanthorpe.
  - The cost of the Jumpers and Jazz Festival is not paid for by Council. As noted on page 18 there are sponsors (Brown Brothers) that assist with the cost of the Festival.
  - Each of the major festivals in the Southern Downs is supported by Council.

- Page 42
  - Officers reject the assertion that the linkages in marketing between the two areas have failed, and there is no evidence of this failure.
  - Major events continue to be attracted to the region and there appears to be more film production being attracted to the region.

- Page 43
  - The proposal submits that “Southern Downs” is a failed brand and then suggests it should be retained for the remaining Council.
  - It is noted that 48% of those that participate in the survey cited in the GBCA report had no awareness of any of the names of any of the destinations.
  - The data suggests that the Granite Belt branding requires additional work to make it recognizable.

- Page 45
  - Operators in the Granite Belt have not accepted visitor numbers supplied by the Regional Tourism Organisation, SDRC, the State Government and the Federal Government.

**Social, Sporting and Community Organisations**

- Page 46
  - As indicated previously, SDRC has followed appropriate procurement processes to identify businesses to manage recreational facilities.
  - Council will not conduct business with organisations that cannot demonstrate a level of
financial sustainability or are unable to prove that they are financially solvent.

- Council already has a percentage or weighting dedicated towards local content in the procurement process.
- Council will not award business to an organisation just because it is a local business.
- The proposal is almost suggesting that procurement processes should not be followed; rather only local businesses should have the opportunity to undertake works or management on behalf of Council.
- This is not the intent of the sound contracting principles in the Local Government Act and the Regulations and will not provide best value for ratepayers.
- In relation to sporting links between the two areas, young people playing any level of Representative sport qualify for the Border Region, which includes Warwick and Stanthorpe, the level up from this is Darling Downs Representative, which includes sporting people from across the region.
- Last year Warwick and Stanthorpe had teams in the same basketball competition; there are also linkages through cricket, rugby and golf.

- Page 47
  - It is irrelevant if the name “Southern Downs” is in a community group’s title or not.
  - The proposal wrongly assumes that the purpose of the 2008 local government reforms and amalgamations was to merge or amalgamate sporting groups and clubs and states that the lack of merged or joint clubs is “one of the most telling pieces of evidence that can be used to make the point that the Granite Belt is and still remains entirely separate from the Southern Downs”.
  - This is a grossly inaccurate and inadequate understanding of the policy intent and drivers for the 2008 local government reforms.
  - At no point were sporting club mergers or local recreation participation legislated or regulated policy intent of the State Government’s full scale reform of 176 local government authorities through amalgamations. Local sports are still played a local level all around Queensland, with different State Sporting organizations governing local fixtures, regional level play and tiered competition feeding into semi and professional sports. It is simply inaccurate to suggest that this is evidence of failed amalgamations intents and demonstrates the need for creation of entirely new local government authority.

Critique of 2007 SDRC Amalgamation Rationale

- No comment.

Critique of LGRC Analysis against the Criteria

- Page 48
  - The proposal states, “In relation to financial sustainability, the experience from 2008 until 2015 was that the amalgamated Council was in much worse financial state than either of the former Councils”.
  - It should be noted that this was the period of time during which the majority of Councillors were Stanthorpe based.
  - On page 68 the proposal explicitly suggests 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 to be hyperbole. This statement also goes against the outlined process recommended by the Minister in May 2018.
Critique of LGRC Predictions vs Reality

- Page 49
  - The proposal states “the amalgamation does not provide adequate representation of that discrete community since it will always be in minority on the Council under any electoral arrangement.”
  - This is incorrect. From 2012-2016 Cr Peter Blundell was Mayor of SDRC, based in Stanthorpe
  - During the period 2008-2012 the SDRC was made up of Councillors predominantly from Stanthorpe (5/4):
    - Blundell, Gow, Ingram, McMurtrie, Pennisi
    - Bartley, Bellingham, Meiklejohn, Shelley (subsequently replaced by McNally)

- Page 50
  - Arguments about representation are incorrect, during the 10 years different people have been voted on to Council for different reasons.
  - In regard to the financial sustainability of Council, the large debt was incurred when there were a majority of Stanthorpe based Councillors.

- Page 51
  - The local media has supported and encouraged de-amalgamation, as have some current and past Councillors, creating a de-stabling impact on the local economy and the SDRC.
  - If the business plan for connecting Connolly Dam and Storm King Dam is completed there is a high likelihood that the water supplies will be connected.
  - The Waste Management Strategy adopted by Council indicates that each town will not manage its own hard waste facility.
  - The Stanthorpe landfill has reached capacity and all waste will be taken to Warwick and Yangan.
  - The economies of scale are appropriate in the water and waste water areas in relation to the training of staff, the bulk purchasing of chemicals, the procurement of professional services, the investment in technology and the equitable pricing of water and waste water across the region.
  - There is not an extra layer of administration to manage water and waste water.

- Page 52
  - Travel between depots has been reduced through the use of audio visual equipment and technology.
  - There is no mention of the effective use of heavy plant or machinery in achieving efficiencies in road management.
  - It is noted that the main depots share equipment and key staff.
    - Warwick Depot
      - 5 x HR truck and dogs (Used often)
      - 1 x prime mover/float/semi tipper (Used often)
      - 1 x 24t excavator (Used as required)
      - 1 x loader (Used often)
      - 1 x loader/zipper stabilizer (Used as required)
      - 6 x backhoes (Used as required)
      - 2 x 24t multi tyre rollers – reseals (Used as required)
      - 3 x HR tandem drive water trucks (Used as required)
      - 3 x MR single drive water trucks (Used often)
• 1 x skid steer MR tuck/trailer combo (Used often)
• 1 x Crane truck (Used often)

Stanthorpe Depot
• 2 x HR truck and dogs (Used often)
• 1 x 24t excavator (Used as required)
• 2 x 24t multi tyre rollers – reseals (Used as required)
  o Usage will depend on funding and the condition of infrastructure

• Page 53
  o The management of gravel supplies is not an indicator of the overall performance of Council.
  o A number of consultants’ reports have been undertaken on this issue.
  o Issues exist in relation to the procurement of the gravel, the quality of the gravel, the transportation of the gravel, as well as occupational health and safety issues.
  o The populations of Mareeba and Goondiwindi are not the same size as the Southern Downs Region.
  o Goondiwindi is a category 1 Council (10,770) and Mareeba (21,833) is a category 2 Council and SDRC is a category 3 Council (35,500). The population of the Southern Downs is greater than the other two local government authorities.
  o The population comparison does not prove that the economy of scale argument applies, nor does it inform corporate overheads.
  o It has been noted previously that the turnover in staff is due to the large number of staff retiring, not dysfunctionality as stated.
  o As previously noted there are many businesses that have a presence in Stanthorpe and Warwick.
  o It should be noted that during this so called period of “dysfunctionality” SDRC has been awarded record levels of grant funding and facilitated over 1,000 jobs into the region, as well as Council staff winning state and national awards.

• Page 54
  o The assumption that the journey to work data is made up of primarily Council staff is incorrect and does not match up with information held by Council and the ABS data does not ask for end of journey details so this is a total assumption.
  o The proposal states “The tourism industry in the Southern Downs is comparably very small, mostly relying on a few events such as rodeos and motor sports.” It is noted that the Morgan Park Motor Sports facility is booked 48 weeks of the year with different events.
  o It is noted that there are more visitor beds in Warwick than in Stanthorpe and the surrounds.
  o 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
  o The proposal states “Stanthorpe has the Queensland College of Wine Tourism (QCWT) which is co-funded by the University of Southern Queensland. Warwick has no equivalent facility.”
  o It is noted that Warwick has South West TAFE based in Warwick, and the Griffith University Medical Practice is located at both the Warwick and Stanthorpe Hospitals.

Local Government Regulation Criteria
• No comment
**Checklist of Current Change Commission Requirements**

- No comment

**Communities of Interest**

- Page 57
  - It is noted again that the other physical connection is the railway which has existed for decades.
  - It is noted again that Council staff do not make up the majority of trips in the journey to work data, for example John Dee has 18 employees based in Stanthorpe, as do other businesses.
  - The proposal wrongly states on page 57 that the only significant physical connection between Warwick and Stanthorpe is the New England Highway. This assertion omits the reality that there is a railway line which has historically and contemporaneously joined the two communities for many years.

- Page 58
  - Increased representation does not necessarily lead to better outcomes in relation to decision making or efficiencies.
  - It is noted again that the other physical connection is the railway which has existed for decades.

**Joint Arrangements**

- Page 59
  - SDRC already has joint arrangements in place with Tenterfield Shire Council.

**Planning**

- Page 60
  - Under State Government legislation a planning scheme is required.
  - Development is described as "stagnant" in the proposal. This observation combined with the recent data indicating that two of the statistical local areas of Stanthorpe are classified in the top 10 of the lowest median income in Queensland creates some real issues around levels of disadvantage and affordability.
  - Additionally, it also means that any proposed rate increases or reductions in service are likely to have a significant impact on the Stanthorpe community.
  - The proposal supports the Goondiwindi model for Granite Belt Regional Council and the Mareeba model for the Southern Downs Regional Council.
    - The Goondiwindi senior management model has costs of $1,782,300
    - The Mareeba model has costs of $2,242,300
    - The current SDRC model has costs of $2,692,163
  - The increased cost for management would be $1,332,437 per annum.
  - There are legislative requirements in relation to the delegation of Planning, Plumbing and the delegations within the Chief Executive Officer's Office.
  - The proposal states, “Staffing levels for GBRC and its financial structure have been benchmarked on the highly successful adjoining Goondiwindi Regional Council, and the new SDRC on Mareeba Shire Council. The aim is to create two local councils that are not burdened by layers of administration supervising activities in multiple sites, but which each has a lean and focused team of staff with pride in, and a close connection with, their local communities.”
o On what basis are the other local governments deemed successful? Is it inferred that existing staff do not currently take pride in their work?

o Improper consideration is given to the planning environment of the former and new Council’s.

o The proposal notes that the population growth rate is low and that development has been “stagnant” (page 60). However the proposal also states on page 36 that the Granite Belt has the potential to “grow its population and economy” directly, contradicting this statement.

o The proposal states that all growth will happen away from the proposed boundaries and there will be no “urban overspill”. This is inaccurate as the existing scheme accommodates for growth in Stanthorpe and surrounds accordingly.

o The proposal omits any information on what instrument or steps to legally assess development the new Council would be putting in place. The last planning instrument prepared for Stanthorpe Shire Council was written in 2004 and was superseded in 2012 by the new Southern Downs Regional Planning Scheme. The previous scheme does not meet current State planning legislation, regulations, policies or guidelines and would need to be prepared in accordance with these.

o The new GBRC would need to ensure that the current planning scheme is utilized in making decisions until such time as the new Council has budgeted and prepared and adopted a new compliant planning scheme. The proposal does not specify the process for a development application being made, but not decided, before the 2020 (Changeover Date) de-amalgamation date. No guidance is provided in the proposal on which Council – the continuing regional council (Continuing Council), or the new shire Council (New Council) – will be the decision-maker for applications? Nor is there sufficient detail provided in the submission on what system for infrastructure payments and bonds transfers will be in place during transition and formation of the new Council.

o The amendments to SPA also contain a number of provisions aimed at assisting a New Council that becomes the decision-maker for an application. If the New Council is required to take a step within a certain period, and, at the date of becoming responsible for the application, has not taken that step, it receives an automatic 10 business day extension or risks becoming a “deemed approval”.

o For example, if the new Council would, on the date it becomes decision-maker, have 8 business days to make a decision, then it instead has 18 business days. No information is provided on what system will be in place to ensure equitable treatment of planning applications, compliance notifications and efficient processing of DA’s within relevant statutory timeframes. This poses a significant risk to the current applications submitted.

o A number of practical issues are likely to arise where a New Council is to replace a Continuing Council in a proceeding. For example, in Planning and Environment Court proceedings, it is not clear whether the New Council should file and serve an Entry of Appearance, to put on record that it is replacing the Continuing Council and its address for service. If the New Council intends to use different solicitors, it would also need to file a Notice of Change of Solicitor. The proposal is silent on these matters and as such poses a significant risk to SDRC.

o De-amalgamation will affect a number of contracts currently in place for the supply of services across the current local government area.

o Waste collection services have recently been tendered for the whole SDRC region and an agreement would need to be brokered to ensure that no negative impact on contractual obligations is caused by either local government entity.

o Additionally, no allowances or analysis on the impending changes to waste levy and policies at a State or Federal Government level is made within the proposal despite this being a significant issue affecting the SDRC community at present.
Resource Base

- Mareeba Shire Council has a Chief Executive Officer, two Directors and eight Managers for 21,000 residents.
- This is a significant amount of management positions and would not be described as “lean.”

Financial Viability Analysis

- No Comment (see overview).

Financial Sustainability

- No Comment (see overview).

Service Area Cost Structures

- Page 63
  - The service area cost structures are not described.
  - The mobile library service is under review and likely not to be continued due to the age of the vehicle.

SDRC Financial History

- Page 64
  - The proposal states “The large deficits in 2012-2015 are understood to be mostly associated with substantial flood recovery works which were not eligible for reimbursement under the disaster recovery guidelines. These flood works were in the Southern Downs area.”
  - It is noted that this is also during the timeframe where there were majority Stanthorpe representation in Council and there was significant expenditure related to engagement of consultants for Emu Swamp Dam, the purchase of land for Emu Swamp Dam, and the purchase of Applethorpe TAFE.
  - Amalgamation and its benefits or otherwise are influenced by the decisions of the elected Councillors.
  - Staff numbers have not changed substantially. Proper budgeting, proper procurement, removal of discretionary expenses (such as councillor travel) and increased revenue (user pays) and successful funding have been key to restoring better financial management.
  - The assertion that the proposal makes in regards to disproportionate allocation of funding between Southern Downs and Granite Belt communities is fundamentally not substantiated by evidence provided in the body of the report. A decade of service delivery, shared operational activities, programming, capital works and contracts by SDRC has been spread across the region and the premise of unjust allocation is rejected as having no prima facie case established in the proposal.
  - The premise that the proposal suggests that financial performance of SDRC over the past ten years has been based solely on the effects of amalgamation is not substantiated by the evidence provided in the report. Financial management and viability of SDRC is a matter that QTC are very familiar with and SDRC’s credit rating and financial sustainability rating provide a better base for any analysis of financial matters concerning the present SDRC.
Operating Revenues and Costs

- No Comment (see overview in Appendix 3)

Capital Works

- Page 65
  - The assumptions in the capital works are incorrect

Assets and Liabilities

- Page 66
  - The proposal ignores the need for cash reserves to fund infrastructure replacement.
  - The proposal indicates the Asset Management Plans are well progressed, this is incorrect. Council is currently undertaking considerable work to develop adequate Asset Management Plans.
  - The proposal states “allocation of assets and liabilities should be relatively straightforward, as there is no inter-connected Council infrastructure”. This is not correct in all circumstances.
  - The waste infrastructure is connected with the Stanthorpe Landfill, reaching capacity in less than 12 months, requiring future waste to be transported to Warwick.
  - The community housing infrastructure is connected across the whole region.
  - The proposal does not deal with the different levels of equity (financial) in the community housing assets and the operation of the service.
  - There is the opportunity for water to be linked in the future, which will provide future water security for both Warwick and Stanthorpe, subject to funding.
  - There is no rationale to support the distribution of cash and investments based upon population.
  - Loans should not be based on population rather the loans should be based on the purpose of the borrowing and linked back to location.

Staffing

- The issues of staff liabilities are not recognised, nor are potential redundancies.
- Staffing levels have reduced by 3 EFT since amalgamation.
- Staffing roles and responsibilities have changed significantly since amalgamation.
- The proposal does not recognise the different skills sets in the indoor or the outdoor staff.
- Changing the location of workplaces would need to involve consultation with staff and unions.
- The proposal does not understand that specific staff are linked to specific plant to deliver services.
- It would appear that the Goondiwindi model is simply an organisation structure.
- The Goondiwindi structure has a CEO and two Directors, there are no demonstrated cost savings, in fact it may be the opposite.
- The 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.

- Page 67
  - The proposal states that there will be no redundancies and in the same paragraph states that community groups will replace staff in areas such as economic development. The redeployment of Stanthorpe based economic development staff is not explained.
The use of community groups will impact on delegations and procurement, and in some ways would question the role of Councillors.

The staffing model proposed lacks detail and does not take into consideration full transitional arrangements required by both proposed new Council’s, industrial instruments or agreements and wrongfully claims the costs that will be incurred due to redundancies and recruitment processes.

The proposal is based on the notion of no forced redundancies and the flawed assumption that all roles remain unchanged since the point of amalgamation in 2008.

The proposal provides no organizational structure, scant information on the types of roles to be transferred and the services offered, simply a mention on the need to negotiate on staff between the two entities. Reallocation of staff would be far more complex as Council does not have mirrored rates in both Warwick and Stanthorpe, eg all six revenue officers are in Stanthorpe with none in Warwick.

There is no mention of required management staff, and no information provided on costs of contracts.

When preparing for de-amalgamations Noosa Shire Council employed a transition team of six employees for a period of eight months.

The costings associated with the proposed transitional arrangements are underestimated and relate only to GBRC, and do not take into account the costs and impacts that would fall to SDRC in the process.

The proposed service model utilized in the new Council is based on Goondiwindi Council and mentions several services / operations that are not currently offered by SDRC and would require resourcing.

It is assumed all current industrial instruments and protections, individual contracts award conditions, employee entitlements will be maintained as no alternative workplace policies or procedures were contained or outlined within the proposal.

As the proposal only considers “no forced redundancies” in relation to staffing, it is noted the that new local government would need to give much greater consideration to staffing matters and should be mindful of anti-discrimination, freedom of association and general protections laws when making decisions in this regard, as presently this area is omitted from the documentation. Without certainty or details of such measures being provided in the proposal, it is not possible to fulfil the stated policy of the Queensland Government for SDRC to understand the impacts of staff and therefore protect the rights of staff.

Selection processes to identify staff or appoint independent transition panel members will be subject to close scrutiny from the unions and employees and so must follow a transparent and defensible process.

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.

In particular, CEOs and Transfer Officers should be able to defend their selection processes in the event of any claims of discrimination or breach of the freedom of association provisions of the Industrial Relations Act 1999 (Qld) or the general protections provisions of the Fair Work Act 2009 (Cth). The general protections provisions will apply if the relevant local government is considered a trading or financial corporation, which will depend on the activities undertaken by it.

The proposal notes no costs associated with recruitment activities but no information is provided on how transparency and equity will be assured in the recruitment process.

The proposal fails to recognise the difficulty in attracting staff to the region. Southern Downs Region Council regularly needs to advertise for staff on 2-3 occasions to attract suitable candidates and at times pay above the market rate.
One-Off De-Amalgamation Costs

- Page 67
  - The proposal presumes that the cost of de-amalgamation exists in only one year of reporting, this is not correct.
  - A “neutral/balanced transfer process” needs to be defined.
  - There appears to be confusion in the proposal as to how redundancies are dealt with or avoided. In one scenario the proposal claims there will be no redundancies, in other parts it claims that the cost of redundancies will need to be reduced.
  - Redundancies will be applied as per the enterprise bargaining agreement.

- Page 68
  - The information technology costs are incorrect.
  - The comment is made that all transition costs can be funded from “transferred cash balances,” this is not correct.
    - The cash balances represent funds for:
      - infrastructure renewal in water, wastewater, community buildings, roads, drainage;
      - development contributions;
      - staff entitlements;
      - bonds, etc.
  - The following table was provided to the group in relation to information technology transition:

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Setup Cost</th>
<th>Annual Cost Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 Staff PC's</td>
<td>$72,000.00</td>
<td></td>
</tr>
<tr>
<td>9 Councillor Laptops</td>
<td>$18,000.00</td>
<td></td>
</tr>
<tr>
<td>Mobile Phones, Smart Phones, iPads</td>
<td>$42,000.00</td>
<td></td>
</tr>
<tr>
<td>Network Infrastructure</td>
<td>$100,000.00</td>
<td>$16,000.00</td>
</tr>
<tr>
<td>Server &amp; Network Consultancy</td>
<td>$40,000.00</td>
<td></td>
</tr>
<tr>
<td>Internet Connection</td>
<td>$4,000.00</td>
<td>$60,000.00</td>
</tr>
<tr>
<td>Safe City</td>
<td>$100,000.00</td>
<td></td>
</tr>
<tr>
<td>Building Security</td>
<td>$50,000.00</td>
<td></td>
</tr>
<tr>
<td>Information Security</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Microsoft Windows / Office Licensing</td>
<td></td>
<td>$50,000.00</td>
</tr>
<tr>
<td>Phone System</td>
<td>$60,000.00</td>
<td>$17,600.00</td>
</tr>
<tr>
<td>Mapping System</td>
<td>$40,000.00</td>
<td>$26,000.00</td>
</tr>
<tr>
<td>Financial and Property System</td>
<td>$200,000.00</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Electronic Document Management System</td>
<td>$200,000.00</td>
<td>$40,000.00</td>
</tr>
<tr>
<td>Telecommunication Fee’s</td>
<td></td>
<td>$31,000.00</td>
</tr>
<tr>
<td>Minutes and Agenda System</td>
<td>$20,400.00</td>
<td>$17,300.00</td>
</tr>
<tr>
<td>Website support, hosting - exclude Intranet</td>
<td>$35,100.00</td>
<td>$7,000.00</td>
</tr>
<tr>
<td>Miscellaneous software</td>
<td></td>
<td>$50,000.00</td>
</tr>
<tr>
<td>Free Library Wifi</td>
<td></td>
<td>$1,440.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,001,500.00</strong></td>
<td><strong>$436,340.00</strong></td>
</tr>
</tbody>
</table>
The transition costs require careful scrutiny, for example:

- Is the $50,000 allocated for Rebranding and Communications for one local government authority or two?
- Does the independent panel assume that there are two Chief Executive Officers employed?
- Is it realistic to have no funding for recruitment or redundancies?
- With no funding for recruitment does this mean that there will be no advertising, agency recruitment fees, medicals, criminal checks or testing?

It would be opportune to examine the transition costs in detail, for example, will there still be an Audit and Risk Management Committee in both the new Council and the remaining Council?

10 Year Financial Sustainability Indicators

- Page 70
  - Please note comments in Appendix 3

- Page 71
  - The population growth estimate is incorrect and is not qualified, i.e. Is the forecast for the Southern Downs or Stanthorpe? If it is for Stanthorpe, it is a lot less than stated.
  - Population growth at present is closer to 0.01% for the region. Rates have not been at 3.8%, this forecast is incorrect.
  - Rate rises will depend on Council decisions.
  - The proposal does not determine how much more financially stable SDRC could be compared to two separate Councils that are financially sustainable.
  - Does a single local government that is very financially stable, deliver a higher level of services and capital works, as well as lower rates, compared to two local government authorities that are financially sustainable? What is the opportunity potentially lost?

Risks

- Page 71
  - Natural attrition will not cover employee positions that are required under legislation (building surveyor, environmental health officer, town planner, etc.), therefore redundancies or recruitment costs will need to be included.
  - New "liabilities" will be placed into the LTFP as part of the budget process.
  - The Waste levy is not included in the calculations.

Opportunities

- Page 72
  - There are no savings to be made from a single service point that have been demonstrated.
  - The Stanthorpe Fitness Centre was operated by a community group previously. The group failed to deliver a surplus despite a significant subsidy from Council. It was likely that the group was trading in an insolvent manner. Additionally, specific groups and individuals were accessing the facility either at no cost or at a heavily discounted rate. It would be incorrect to list the Stanthorpe Fitness Centre as an "opportunity," rather it is a facility that the community expects to be delivered as a community "good."
Proposed Transition Arrangements

- After condemning the name “Southern Downs” the proposal then recommends that the name be retained for the remaining Council.
- This recommendation is made without consultation or an assessment of any of the liabilities associated with the name.
- On page 67 the proposal explains that it seeks a “transition manager and committee” on the advice of Mr Peter Franks, a former senior executive during the Delatite Shire de-amalgamation in Victoria. Upon reviewing the facts, it becomes evident that anecdotal and personal professional views as quoted in the document do not fully provide the facts of the Victorian situation. In fact, the Victorian Government introduced legislation to dismiss the Delatite Councillors from Office, and to create two new Shires (Benalla and Mansfield). It then appointed both independent administrators and interim CEO’s for both new Councils. Benalla was given the initial responsibility for ensuring service continuity for the two new council’s until all issues were resolved and each were running independently – they were provided a five month timeframe to achieve this. (Source: 2011 Discussion Paper: A potential model for establishing a new Noosa Council). This report goes into extensive details concerning the fact that Benalla and Mansfield had no Councillors for this five months period which resulted in a significant costs saving, timing with upcoming elections, challenges associated with sharing and transitioning resources and staff etc. No such costs savings would be relevant to the newly created GBRC or to SDRC if the proposal is timed to occur in line with the 2020 Local Government election cycle. The singular anecdote captured by the proposal may reflect the lived experience of Mr Franks, but the situation in Victoria at those two Council’s needs to be looked at in its entirety prior to consideration being given to adopting that model in the Queensland setting. It is also worth noting that in Queensland four more recent de-amalgamations were guided by regulation and implemented and this setting is more relevant to the proposal.
- The proposal assigns $0 cost to the “transition manager and staffing” and suggests this will be done by an “independent panel”. This is a fundamental error and demonstrates a lack of understanding roles, responsibility and delegations of authority of a transition manager.
- It is the role of a transition manager to appoint a CEO, who then is duty bound by the LG Act 2009, an independent committee is not permitted to exercise the same powers as Elected Representatives or the CEO.
- The proposal suggests the appointment of an independent panel but only attaches costs for this panel to the new Council at an estimate of $75,000. No costs to SDRC are taken into consideration in this process. It notes that this panel would need to report and work with the GBCA members in addition to the suggested “two part time members and administration Officer” on page 68 of the report. It is unclear how this ratio of membership is fair and reasonable.
- This proposal ignores the positive experience of Noosa Shire Council de-amalgamation process and wrongfully suggests that the 2014 De-amalgamation regulation was a flawed process and one that didn’t achieve results. The proposal recommends that the two new council’s be elected at the usual 2020 election timeframe, and states this will be a cost saving as it can all occur in the usual election cycle. This statement is incorrect in fact, as the proposal is actually to hold:
  - Plebiscite for the entire SDRC region on de-amalgamations,
  - Postcode (Dalveen) specific plebiscite and,
  - Whole of GBRC and SDRC usual election processes.
This represents a total of four separate voter engagements to be facilitated – one to ascertain support for de-amalgamation, one to ascertain support for local specific de-amalgamation and then one election for the newly created GBRC and one election for the newly elected SDRC. This sheer volume of work and cost associated with facilitating such activities within the next twelve months make this proposal unviable.

- IT costs associated with the operations of libraries, recreational facilities and contact service centers have not been included in the proposal. The stated IT system to be used provides some functionality but does offer a full suite of services for the provision of all transitioning services. Telecommunication services and computing equipment for the staff are also omitted in the estimates.

- Effective, ongoing communication is one of the keys to successfully managing any de-amalgamation process. Communication will not only provide clarity and certainty to employees throughout a potentially stressful process, it will also assist the new and continuing local governments to retain community confidence. SDRC notes the complete lack of information contained within the proposal related to transitional arrangements and the creation of the new GBRC and SDRC. As a fundamental matter of ongoing concern and import, media and communication being omitted from the proposal is viewed by SDRC as a significant flaw in the analysis.

**Dalveen Options**

- Page 75
  - The inclusion of Dalveen was deemed out of scope by the Minister.

- Page 76
  - Significant works are required at Dalveen to upgrade the CED, the reservoir and the community hall.
  - These works would be in the order of $1,000,000 which would have a material impact.

**Two Vibrant Communities – Two Vibrant Councils**

**Granite Belt Regional Council**

- Page 77-78
  - Reference is made to the use of private plant which has not been covered in the body of the proposal and has a financial impact.
  - Reference is made to the encouragement of professional development of staff which has not been covered in the body of the proposal and has a financial impact, especially noting that there are no forecasted funds for recruitment or redundancies.
  - Community based models are referred to but not defined.
  - The proposal moves between the micro and the macro, the establishment of a commercial bus to Wellcamp Airport?
  - Sustained criticism of the term “Southern Downs.”

**The New Southern Downs Regional Council**

- Page 78-79
  - The proposal argues that much of the issue relates to branding, this is not a valid or well supported argument for de-amalgamation.
Concluding Statement

- Stanthorpe is different, and unique. SDRC consists in fact, of a number of distinct townships and communities, each of whom are unique and different. Differences should be what unite us, diversity should strengthen us and the individuality of the towns and communities of the region should be what defines the Southern Downs, not what is used to divide it into two separate local government entities.

- SDRC is not alone in having towns that differ from each other. Many LGAs have towns and places that are distinct. Maleny is quite distinct from Caloundra or Beerwah in the Sunshine Coast Council. Kumbia, Kingaroy and Nanango are also very distinct towns within the South Burnett Local government area, each with their own cultural norms, environmental assets and economies and resources. Eungulla is quite different from Mackay. And yet, all of these towns all co-exist within the same LGA’s boundaries, and each with their own national parks, unique wildlife, wineries, local produce, tourist offerings and distinct rural and regional townships.

- In truth it is their very points of difference which add depth and character to regional and rural areas of Queensland. It is their differences that help define their region, and in many ways this is akin to the Stanthorpe difference. Stanthorpe is different, so is Maryvale, as is Allora, Leyburn, Dalveen and Warwick. Each of the parts should make up the whole, differences should be what unites and are celebrated about all of our unique communities, not a weapon used to divide them.

- In a modern Australia and Queensland, there is room for difference and tolerance for what makes each part of the whole unique. In the Southern Downs Region, there is room for Stanthorpe’s points of difference to be celebrated and recognised without the need for a creation of a second local government authority which the proposal has clearly not demonstrated an enduring need for.

Conclusion

The proposal for de-amalgamation has caused significance angst in the community and with the staff of the Southern Downs Regional Council. The proposal that has been presented is subjective and contains a high degree of emotion and sentiment, not all of which translates into creating a detailed and sustained argument for the de-amalgamation process to progress. It is important that information that is presented within the proposal can be validated or tested in a manner that will inform any future process, and ensure that facts and figures have direct application into a modern local government environment.

The proposal does not necessarily demonstrate the financial impacts of the proposed de-amalgamation, on either the residents of the new Granite Belt Council or the remaining Southern Downs Regional Council, rather the proposal focusses upon the strengths of the Granite Belt Region from a tourism and community perspective. The proposal should detail how ratepayers from either of the proposed local government authorities will be financially advantaged or disadvantaged. This is not apparent within the proposal and not covered in the financial modelling, noting that a number of the assumptions in the financial modelling are not sound.

Additionally, the proposal does not demonstrate or detail what makes or qualifies a local government authority as being financially sustainable. Being recognised as being financially sustainable is not simply having the capacity to deliver minimum services and returning a better than break even result to ratepayers, financial sustainability relates to the ability of the local government authority to manage the financial impacts of natural disasters, population decline, and ageing assets, as well as meeting the
aspirations of the community.

Absent from the proposal are references to the existing levels of service provided to the one existing region, compared to what the level of service would be provided to two municipalities. It would be important for ratepayers to understand how these levels of service would change. Additionally, it would be as important for ratepayers to understand the ramifications in relation to service delivery and funding that would result from the new local government authority being a Category 1 Council and the remaining Council being a Category 2 Council. Apart from the levels of remuneration associated with the elected members there has been very little review of these implications which impact on services such as libraries and more importantly recurrent funding levels.

As indicated, the report does not deal with important financial issues, such as the division of development contributions or the currency of funding programs; rather it simply seeks to split resources and funding 30/70 and apply that to the two organisations in the future.

It is interesting to note that the proposal realistically deals only with issues primarily associated with the current elected Council. There are few references to the former elected Councils noting that these former Councils incurred the highest level of debt. It is noted between 2008-2012 the majority of Councillors were based in Stanthorpe, with the 2012-2016 Mayor being from Stanthorpe as well. The proposal does appear to have a particular focus on the current Mayor and Councillors, which suggests that some parts of the proposal are potentially politically motivated.

With regard to the proposal’s author, David Spearritt, it is noted that he has prepared reports supporting de-amalgamation and arguing against de-amalgamation for multiple Councils. There is no concern is relation to the author undertaking these works, although it is noted that aspects of the previous reports, particularly in relation to costings, appear to be in contrast to what has been presented in the current proposal.

It is also noted that the author quotes parts of the Delatite Shire Council de-amalgamation in the proposal, but is silent on rate levels from the de-amalgamated Delatite. In work undertaken for Moreton Bay Regional Council arguing against a proposed and abandoned de-amalgamation (Redcliffe out of Moreton Bay https://www.moretonbay.qld.gov.au/uploadedFiles/common/publications/Analysis-Redcliffe-Deamalgamation.pdf), Mr Spearritt does outline the potential and actual rate increases that occurred as part of the de-amalgamation of Delatite Shire Council;

**Table 6 Proposed Rate Increases**

<table>
<thead>
<tr>
<th>Separation</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2006/006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delatite</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>New Benalla</td>
<td>12%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>New Mansfield</td>
<td>16.5%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Table 7 Actual Rate Increases**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benalla</td>
<td>12%</td>
<td>37.8%</td>
<td>10.2%</td>
<td>10.3%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Mansfield</td>
<td>16.5%</td>
<td>33.2%</td>
<td>8.2%</td>
<td>6.2%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Furthermore, in the Moreton Bay study, Mr Spearritt forecasts a rate increase of between 37% and 56% following the proposed de-amalgamation.
Additionally, in the report prepared for Moreton Bay Regional Council, the figures relating to information technology, change management and branding are significantly higher, noting the higher population level and that the report was completed in 2011.

The presented proposal ignores all corporate or organisation documentation that has been undertaken for the Southern Downs Region, including *Shaping Southern Downs*, the Southern Downs Corporate Plan, the Southern Downs Planning Scheme, the Economic Development Strategy and the Tourism Strategy. In undertaking the review of the region it may have been opportune to make reference to the strategic and corporate documentation.

As part of the model put forward by the Granite Belt Community Association in the proposal there is little reference made to the consultation processes to be undertaken with the staff of the existing new Granite Belt Council and the remaining Southern Downs Regional Council. It would appear that the review of the staff structure has been limited and as emphasized in the report there is a complete absence of reference to the role of Unions or the existing Enterprise Bargaining Agreement.

Potentially, the implementation of the proposal will have an enormous impact on staff and it is disappointing that this has not been considered, let alone the fact that there is no recognition that staff are a key stakeholder within this process. The proposal refers to the impact on staff morale and self-esteem from the amalgamation in 2008. While the proposal presents no evidence to back up this claim, even if true, there is no consideration that a de-amalgamation will also have a (potentially negative) impact on staff morale. Regardless of whether current staff support the de-amalgamation or not, it cannot be denied that all staff will be impacted and this is not recognised, rather it is simply stated in the proposal that there will be no redundancies or recruitment.

Council officers have undertaken best endeavours to provide a fair and reasonable assessment and review of the proposal that has been put forward. As indicated the proposal demonstrates the aspirations of parts of the Granite Belt community. Local government has changed a great deal over the past decade and it may be suggested that the proposal has not acknowledged this level of change or modernization.
Appendix 1

Economic Development and Tourism

The comments below pertain to the specific sections that the Economic Development and Tourism Department (ED&T) handles. These are limited to the section 3.5.

To undertake a detailed analysis of the GBCA’s submission the ED&T ran the same report from the Office of the Queensland Statistician referenced on page 33 of the GBCA Report. This report compared the Granite Belt, made up from the SA2’s of Stanthorpe and Stanthorpe Region against the ‘Southern Downs’, made up from the SA2’s of Warwick, Southern Downs East and Southern Downs West. To help with the analysis the ED&T also ran a corresponding report comparing the Southern Downs with the Granite Belt. The reason for this second report is that the format of the documents produced has finer detail on the first location than the second, which will provide a more accurate interpretation of some of the data sets. To complete the comparisons ED&T also compared the Granite Belt to Logan Central, once again to provide a wider view of some of the data provided.

On page 33 the GBCA state that the community’s largest group of residents born overseas from a non-English speaking background is Italian, while this is true the largest group of residents born overseas is actually English, which is the same as Warwick. The percentage of people born overseas residing on the Granite Belt is 14.2% and on the Southern Downs it is 8.5%, while in Logan it is 43.2%; these figures question the assertion that the Granite Belt is unique because of its ethnic make-up.

On page 35 the GBCA argue that the Council has focused on attracting investment to Warwick and not Stanthorpe. This is not the case. In recent years there has been new development in both centres and the SDRC has been instrumental in the development of both areas. Notable developments in Stanthorpe in the past number of years include but not limited to; Australian Vinegar, Churches of Christ Aged Care, Aldi and IGA. There has been more development in Warwick due to business factors not Council factors. Warwick is on the corner of two of the Nation’s major highways; it has relatively cheap land, access to supply chains and labour. SDRC continues to promote Stanthorpe as an area for investment.

The difference in the style and number of accommodation providers reflects a difference in consumer preference and product. Similarly highlighting that there are wineries and National Parks on the Granite Belt and none (wineries) on the Southern Downs is irrelevant. Good destinations provide a mix of product and experience, which is achieved through the current alignment. The fact that the product mix and range of experiences is different is not a strong enough case for splitting and consumers don’t know which local government they are visiting anyway.

The GBCA proposal points towards the seasonal workers’ spending as an economic boom. SDRC does know that these workers provide an important component of the economy but as a cohort they tend to spend very little money per day compared with ‘typical’ international visitors. The seasonal workers tend to stay for approximately 16 weeks but only spend approximately $30/day. The number of workers also affects the SDRC’s capacity to deliver infrastructure; over the growing season there are approximately 3000 seasonal workers in the Granite Belt at any one time, which will constitute approximately 25% of the proposed new Council.

These workers are not included in the FAGS calculations but they still utilize the water and sewer, waste services, roads and public spaces. How will GBRC account for the extra ‘residents’?

The GBCA asserts that there is more horticulture on the Granite Belt, there is. Does this provide a strong...
enough reason to grant de-amalgamation? The author referenced in the facts regarding horticulture is an active member of the de-amalgamation movement; can this be construed as a conflict of interest. Furthermore, many of the statements provided outline a ‘possible’ future. There is little hard evidence of increasing production, growing markets and growing incomes. The statements fail to demonstrate proof.

To bring the focus back to Tourism, the GBCA have asserted on page 40 that Tourism is more important to the Granite Belt than the Southern Downs yet there are no figures to verify this claim. The GBCA have provided figure 3.15 as evidence that there is more tourism infrastructure in the Granite Belt than there is in Warwick. 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.

The GBCA also state that Warwick relies more heavily on events and yet the Granite Belt holds the Apple and Grape Harvest Festival, Snowflakes Festival, the Johnny Cash Festival, a Rock and Roll event called Sounds of the Vines, which is going to be an annual event, Ballandean Estate and Robert Channon Wines hold concerts in the vineyards each year, U/12 Schools Rugby League State Championships every year, Orienteering State Championships each year, 20 days of racing at Carnell Raceway, Grazing the Granite Belt, and the National Busking Championships. These are all events that the Granite Belt relies on for custom.

On page 41 the GBCA asserts ‘amalgamation has damaged the tourism sector’ and that the SDRC is using a ‘one size fits all’ approach. There is no evidence that either statement is correct. SDRC now undertakes marketing which is industry best practice and measures the results, something not done prior to 2017. The GBCA refer to a number of earlier consultancies but do not mention the engagement undertaken by the current ED&T.

The GBCA have utilized a SDRC report and referred to it on pages 43 and 44. The findings have been taken out of context so much so that the argument they put forward is totally incorrect. A copy of the research is attached. Many of the statements made by the GBCA are incorrect, have no factual basis or have used outdated research and data. The National Institute of Economic and Industry Research (NIEIR) in their latest data suggest that the tourism sector in the Southern Downs and Granite Belt is currently producing output of $227.1m and provides employment for 1268 people. These figures are freely available on the SDRC website, as is a copy of the SDRC Tourism Strategy.

The main concern from the ED&T is the demographic future of the GBRC. The reports generated from the Office of the Queensland Statistician indicate that the Granite Belt community will continue to grow but at a very slow rate and the median age will increase to 54.5 years by 2041. The Granite Belt has a lower median income of $34,580 p.a. Approximately 43.3% of Granite Belt residents are in the most disadvantaged quintile as opposed to 36.2% on the Southern Downs. These figures are concerning, splitting the SDRC into smaller LG’s will not remedy the fact that the community is poor and aging. This will in fact make it more difficult to transition.

The SDRC ED&T have been working tirelessly to try to attract new investment, new jobs, new residents and new visitors across the entire Region. Many of the statements made in the report from the GBCA are emotive and cannot be backed up by current facts.
Appendix 2

Preliminary Comments from Independent Audit and Risk Management Committee Members

Committee Person 1

Of most interest to me in reading the documents is the lack of concurrence on the role of Council perceived by the State and that of the Community. The Act under s8 (1) seems quite clear, yet is ignored in favour of localized understanding of what the electors would like to see.

The weaknesses of the current model identified in the report, highlights the lack of community understanding and concern regarding the regulations and compliance applicable to Local Government in my opinion. One example of this is the tender for the Pool Contract and the belief that a Community Group should be supported in lieu of a transparent process. These risks will need to be managed in future if the proposal is approved.

The report does seem to highlight the need for more collaborative governance models to be implemented if the proposal is rejected, and could be a future focus of the current SDRC Council to try and manage their reputational risks.

The general complexity of complying with the legislative framework and the ability to adequately resource these functions is not clear in the report and would need to be considered a risk in any future process to de-amalgamate.

Committee Person 2

I tend to agree on the “community group” comment. It’s hard to believe it will get a start based on “our rocks are different to their rocks” etc. but there does seem community support on both sides. We grow apples, they grow pears. If only it was that simple.

From an Audit & Risk Management Committee perspective we should be across the risks (ability to deliver services, long term stability, QTC implications, etc.) and have processes to keep us and Council informed of emerging risks as the matter progresses.

I guess it’s really over to the State Government now to source the “alternate” view and then weigh up the emotive case and financial stability of both Councils. The Committee probably will need a long term financial plan from SDRC on what their sustainability looks like without the Granite Belt down the track.

Committee Person 3

Earlier this month I sent a draft letter (that was going to an external regulator to justify why a non-compliance finding should not be upheld) back to the coal-face because I felt that the author was trying to make their case the hard way, and that their arguments didn’t draw to a natural conclusion. This was my initial feeling on reading the proposal, as lots of information has been included, however I do not feel that the argument / rational leads to the conclusion that the author(s) are attempting to make. In fact, I feel that the author(s) have the solution / end result in mind (formation of a new Council) and are attempting to justify that solution in reverse.

From reading the proposal, I would say that there is not a “strong case” for de-amalgamation, but acknowledge that there may be strong community support from both sides. The proposal suggests several reasons for the need to de-amalgamate, but the strongest of these is that SDRC Council formed post-amalgamation is “dysfunctional” and that these dysfunctions / structural problems are the root-cause of many issues that the
author(s) perceive to not be working.

The author(s) intimate to high levels of controversy and community dispute; frustration and lost opportunities; high staff turnover; lack of connection with Council; investment inequities; Warwick-centric focus; demand for increased water; and a perceived reduction in services – none of which as an outcome are strongly evidenced (supported) through the proposal. The proposal does not put forward a strong case / rational for how all of these perceived barriers will be overcome by the formation of two new Councils. With the cited level of community support, I would have thought that the proposal would have been stronger around these points. The argument around Councillor representation and the perception of stacked voting has potentially been misrepresented in the proposal. Councillor numbers are regulated along with their responsibilities in advocating for the local area, but also for their role in advocating for the greater SDRC Council area overall.

With regards to the financial analysis, again the author(s) allude to an inability to improve financial sustainability. The discussion mentions variations to accounting standards; substantial flood recovery works; downturn in economic climate; and credit ratings. The proposal does not discuss how separate Councils (pre-amalgamation - SCC and WSC) would have dealt with these events individually or any differently, that could have potentially have produced a different outcome, nor does it propose how this could be done differently. The proposal does provide any information around how other Councils have worked through these (like) issues over the past ten years. The proposal does acknowledge that SDRC has vastly improved financial results due to a strong financial focus by management of SDRC. It should be noted that the financial predications within the proposal, are based on the current strong financial position.

Like most proposals, the process to de-amalgamate is perceived to be easy. I have not seen a government business case actually be able to predict with any relative sense of accuracy the right amount of effort as most inevitably run-over the anticipated forecasts due to unforeseen items. Most usually end up costing more than was originally anticipated and originally approved.

Looking forward, there is no reason that any of the opportunities that are proposed as only being capable of being able to be achieved by the GBRC, cannot be achieved by the current SDRC. With a little bit of consultation and negotiation the stated opportunities could be worked towards.

Drawing comparisons, if ethnicity, cultural, social, geographic differences and the location of investment form the basis for warranting the creation of a separate council, then Brisbane City Council should be split into several new Councils. BCC has huge ethnic variation, along with pockets of concentrated ethnic groups across greater Brisbane; cultural and social activities follow these segments, including social and sporting community groups that have never amalgamated; and the Brisbane Region itself, has vast differences in topography from river plains to open plains; lightly wooded and scrubby areas to rain forest catchments; to mountain ranges. Investment opportunities are spread across the BCC area with little to no thought given to equitable distribution between wards. All obviously necessitating the need for local management because of their unique differences.

On a final note, hopefully this will have progressed by the time of our next ARC meeting, and I agree with comments that as a Committee we should be looking at the risks associated with this proposal going forward and not going forward. Both scenarios have risks for SDRC that need to be prepared for. I would support this being a separate topic on the ARC Agenda from now until the matter is resolved, with the appropriate briefing paper being prepared for ARC that includes a discussion around progress, identification of risks and their potential treatments, and discussion around the longer-term impacts on Council’s financial sustainability.
Committee Member 4

The comments thus far certainly hit the points in respect to the role of the Audit & Risk Management Committee.

I agree with other members, Council should understand what the SDRC long-term sustainability looks like based on a stand-alone basis.

Currently I have not formed a conclusion on the merits of de-amalgamation versus business as usual, however I am interested to understand the success or otherwise of the four Councils that de-amalgamated a few years ago. I have tried to research the learnings from the four Councils that previously de-amalgamated. The learnings and success I note from QAO’s reports to parliament are mixed. Are you aware of any report issued assessing each Council’s achievement against their objectives and arguments for de-amalgamation. This report is quite critical of failing to meet amalgamation objectives. I wonder whether these Councils have also had similar experiences since their de-amalgamation.

When assessing the results of past de-amalgamations in the regional areas, care must be taken to understand the results. Being cash flow positive can be misleading. This can occur due to failure to maintain assets, an inability to attract quality staff, failure to deliver on planned projects.

The other Committee members note the argument around Councillor representation and the perception of stacked voting has potentially been misrepresented in the proposal. Councillor numbers are regulated along with their responsibilities in advocating for the local area, but also for their role in advocating for the greater SDRC Council area overall. Perhaps this is an issue irrespective of the current developments. I note one of the comments made in the report from a community volunteer was, “Since amalgamation, services to the Granite Belt have dropped off dramatically………….Council has lost their focus on priorities of serving the community and the councillors have given away their authority of why they were elected, to the CEO. We need a return to councillors being responsible to the voters”.

One of the strategies for sustainability appears to be the concept of the “bottom-up service delivery model”. Originally residing in rural Australia and currently a Board member relying on volunteers in the rural Queensland I am observing greater difficulty in the long term sustainability of relying on the Community to deliver services. I have observed the demographic of those who are active in the Community are ageing, and the younger generation is not as active in stepping up. Is the “bottom-up service delivery model” sustainable in the long term?
Appendix 3

Financial Statements prepared by the Granite Belt Community Association

Three workbook files were provided:

- Base Case
- Base Case but 2.5% rate increase sensitivity analysis
- Pre-amalgamation cost sensitivity analysis

The figures contained in the base case are founded on a recalibration of SDRC’s 2019 budget using SDRC’s 2018 actuals as reported in the annual financial statements. The base case forecasts that the New Council will have a cumulative surplus over the 10 year forecast period of $3.26m (1.34% of operating revenue) and the Remaining Council a cumulative surplus over the period of $71.8m (11.65% of operating revenue).

The New Council’s cash and cash equivalents will increase by $19.9m (124%) to $35.9m over the forecast period, and the Remaining Council’s cash and cash equivalents position will improve by $22.2m (66%) to $55.6m over the same period.

The Asset sustainability ratio for both the New and Remaining Councils remain above the target of greater than 90% for the first 7 years of the forecast period.

The Remaining Council’s net financial liabilities ratio is forecast to remain within the target range of less than 60% while the New Council’s ratio is forecast to exceed the target in 2027 (63%) and 2028 (80%).

The sensitivity analysis for a 2.5% annual rate increase for the New Council will result in the New Council returning a cumulative deficit over the forecast period of $92k.

The pre-amalgamation cost sensitivity analysis transfers $32.7m of employee, materials and services costs from the New Council to the Remaining Council with corresponding increase and decrease in the operating result of the councils over the forecast period.

**Base Case Analysis**

The base case covers 10 years (forecast period) commencing with 2019 and ending with 2028. There are three sections: Existing Council (SDRC), New Council and Remaining Council.

The Existing Council’s 2019 figures are calculated from SDRC’s 2018 actuals so the figures differ from SDRC’s published budget and long term financial forecast (LTFF) for the same period.

The ‘business as usual approach’ of basing projections on last year’s actuals is in contrast to the methodology used by SDRC to develop its annual budget. Each year SDRC develops a budget in line with the delivery of services and programs to the community in line with the ideals expressed in the Corporate Plan and detailed in the Operational Plan.

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10 See 4. ASSUMPTIONS tab in Base Case workbook.

Assumptions on preparing the forecasts and in particular the distribution of funding allocations between the new and remaining councils are provided on a separate tab within the base case workbook. These assumptions are flawed primarily on the basis that many of these grants have been awarded through competitive funding rounds and are not re-current revenue streams.

Additionally, for the funding streams that have previously been recurrent such as R2R, TIDS the level of funding is not guaranteed year on year. The GBCA proposal assumptions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>SDRC 2019</th>
<th>GBRC proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>R2R</td>
<td>$1,200,000</td>
<td>$405,600</td>
</tr>
<tr>
<td>TIDS</td>
<td>$1,100,000</td>
<td>$366,667</td>
</tr>
<tr>
<td>Cycle</td>
<td>$150,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Bridge</td>
<td>$1,000,000</td>
<td>$333,333</td>
</tr>
<tr>
<td>W4Q</td>
<td>$2,736,000</td>
<td>$912,000</td>
</tr>
<tr>
<td>LGS</td>
<td>$1,852,000</td>
<td>$617,333</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,038,000</strong></td>
<td><strong>$2,684,933</strong></td>
</tr>
</tbody>
</table>

**R2R**

With regard to Roads to Recovery (R2R), SDRC has received its funding notification for the RTR program from 2019-2024. This amount is $6,309,365. Council originally received $6,562,956 for the 2014-2019 programs.

In real terms Council funding allocation has reduced by $253,591. If Council does not receive any additional funds then this figure becomes a reduction of $3,706,363.

This means that the amount applicable for a new Granite Belt Regional Council should be $378,561.

**TIDS**

The Transport Infrastructure Development Scheme (TIDS) funding for a new Council has been estimated at 30% of the current funding. This is incorrect. The Roads and Transport Alliance is underpinned by the Transport Infrastructure Development Scheme (TIDS). Established under the Transport Infrastructure Act (2004) in the mid-1990s, TIDS enables the department to provide funding for local government road and transport-related initiatives which support state government objectives.

Each Regional Roads and Transport Groups receives an annual allocation of TIDS funds determined by the Roads and Transport Alliance Board. RRTGs are required to allocate their TIDS funding to the highest priority road and transport projects in their region, and to match TIDS funding 50:50 (at a minimum).

RRTGs have decision-making authority over their TIDS allocation and develop a two-year fixed/two-year indicative continuous works program. This is consistent with the department’s statewide four-year program development cycle. Projects eligible for RRTG works program consideration include local roads of regional significance, active transport infrastructure and safe school travel infrastructure. TIDS is a competitive process and based on identified need. It would be incorrect to simply apply a 30% allocation to these funds, and furthermore the funding must be matched in many cases.
Cycleways

In regard to the funding for cycle pathways and plans, the funding is available under a competitive grant scheme and cannot be treated as confirmed income in a capital works program. Additionally matching funding is required.

Bridge Renewal

The Bridge Renewal Program provides funding through a competitive grant scheme. It should be noted that the majority of bridges in the Southern Downs have been upgraded. Matching funding or a minimum funding contribution is required. It would be incorrect to simply apply a 30% allocation to these funds.

W4Q

The W4Q funding program has been confirmed up to 2021. At this point in time the Queensland Government has not committed any future funds towards W4Q.

LGGSP

The Local Government Grants and Subsidies is a competitive program. It would be incorrect to simply apply a 30% allocation to these funds. The funding received from LGGSP is available for delivery of specific projects and cannot be split on a percentage basis. Additionally, it cannot be treated as confirmed income for future years.

There are also separate tabs for information on transition costs, capex funding, cost adjustments and sustainability ratios.

Income, Expenditure and Operating Surplus

The starting position for the Existing Council’s Statement of Comprehensive Income is calculated on SDRC’s 2018 actuals. These figures differ materially from SDRC’s adopted budget. The Existing Council’s operating surplus for 2019 is $5.07m, SDRC’s adopted budget surplus is $146k. The Existing Council’s 2019 forecast increases operating revenue by $2.34m and reduces expenditure by $2.58m when compared to SDRC’s adopted budget.

This increase in revenue and reduction in expenditure is projected forward using the annual percentage increases incorporated into the base case calculations. The Existing Council’s cumulative operating surplus over the forecast period is $72.7m an increase of $41.4m (132.4%) over the accumulated operating surplus of $31.3m in SDRC’s LTFF11.

The Existing Council figures are distributed between the New Council and the Remaining Council. The New Council is allocated on average 28% of operating revenue and 31% of operating expenses with the rest being allocated to the Remaining Council.

Compound annual growth rates over the period are reasonably consistent when compared with SDRC’s LTFF:

<table>
<thead>
<tr>
<th></th>
<th>SDRC LTFF</th>
<th>Existing Council</th>
<th>New Council</th>
<th>Remaining Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>3.45%</td>
<td>3.36%</td>
<td>3.30%</td>
<td>3.38%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>2.48%</td>
<td>2.96%</td>
<td>2.93%</td>
<td>2.97%</td>
</tr>
</tbody>
</table>

The New Council’s projected operating expenses contain 3 additional lines not found in the Existing or Remaining figures:

11 See End Note 1 for summary of significant changes between Existing Council forecast and SDRC LTFF
• Extra Costs e.g. Councillors + Executives increasing costs by $1.82m over the forecast period,
• Business Op Savings reducing costs by $8.17m over the forecast period,
• Transition Costs being $4m in the forecast year of 2020.

The net effect of these line items is to reduce total operating expenses for the New Council over the period by $2.35m.

Taking into account this reduction in operating expenses of $2.35m, the New Council will have a cumulative surplus over the forecast period of $3.26m (1.34% of operating revenue) and the Remaining Council a cumulative surplus over the period of $71.8m (11.65% of operating revenue).

A note on Capital expenses included in the Statement of Comprehensive Income. The Existing Council includes $7.1m of capital expenses for the forecast period. The New Council is allocated $2.3m and the Remaining Council is allocated $3.1m over the period. $1.7m of the $7.1m is unallocated. The Remaining Council has a negative $3.3m entry for Capital expenses in 2020 this being the same year as the New Council incurs $4m in transition costs.

Cash Flow

As with the Statement of Comprehensive Income, the Existing Council's Statement of Cash Flows provided in the base case varies materially from SDRC's LTFF. There are also a number of errors in the statements that distort the cash position preventing closing cash and cash equivalents figures from reconciling with the balance sheet.

The Existing Council's closing balance of cash and cash equivalents at the end of the forecast period (2028) is $91.8m being $27.1m (40.2%) more than SDRC's LTFF closing cash position of $64.7m.

Contributing to this increase is the additional cash flow from operating activities resulting from the recalculation of the 2019 operating budget ($51.7m); additional cash flow from capital items: proceeds from the sale of property, plant and equipment ($11.5m) and additional grants, subsidies, contributions and donations ($59.3m); and a reduction in the repayment of borrowings ($9.8m).

Note, the allocation of Payments to suppliers and employees to the New and Remaining Councils exceed the total amount included in the Existing Council’s cash flow by $779k.

There is an error in the line item 'Payments for Intangibles' with the Existing Council showing $110m in payments for intangible assets over the forecast period. The LTFF shows $1.1m in payments over the same period. It appears that the $110m is taken from SDRC’s 2018 financial statements line for "Net Purchases of Investment Securities". As the base case financial statements includes investments within the cash and cash equivalents amount, this line item is not required.

The opening cash and cash equivalents (Fin year 2019) for the New Council is $16m being 33% of the Existing Council’s opening balance with the remainder ($33.5m) allocated to the Remaining Council.

12 Extra Costs and Business Op Savings assumptions are listed in the Cost Adjustment tab of the base case workbook and are reproduced in End Note 2 of this document
13 Transition costs are listed in the Transition Costs tab of the base case workbook as $975k and are reproduced in End Note 3 of this document. Worst case of $4m based on Douglas Shire costs are included in the modelling
14 See End Note 4 for details of cash flow errors
15 The LTFF 2019 opening balance for cash and equivalents was adjusted to match the 2018 audited financial statements closing balance
During the forecast period the New Council will increase cash and cash equivalents holdings by $19.9m to $35.9m and the Remaining Council will increase cash and cash equivalents by $22.2m to $55.6m. Note, the Remaining Council’s cash flow projections include the erroneous $110m in payments for intangibles.

The base case will provide the New Council with a net cash inflow from operating activities of $62.8m. $40.3m of this net cash inflow will be invested in property, plant and equipment and almost $2.7m will be used to repay borrowings. All investment in property, plant and equipment is assumed to be renewal.

The New Council will receive capital grants, subsidies, contributions and donations of $32.2m over the forecast period. This figure is based on these assumptions:

- Capital grants are based on continuation of current main grant programs:

<table>
<thead>
<tr>
<th></th>
<th>SDRC 2019</th>
<th>GBRC proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>R2R</td>
<td>$1,200,000</td>
<td>Pre-amalg Identified road grant % $405,600</td>
</tr>
<tr>
<td>TIDS</td>
<td>$1,100,000</td>
<td>1/3 $366,667</td>
</tr>
<tr>
<td>Cycle</td>
<td>$ 150,000</td>
<td>1/3 $50,000</td>
</tr>
<tr>
<td>Bridge</td>
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<td>1/3 $333,333</td>
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</tr>
<tr>
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<td>$1,852,000</td>
<td>1/3 $617,333</td>
</tr>
<tr>
<td><strong>$ 8,038,000</strong></td>
<td></td>
<td><strong>$ 2,684,933</strong></td>
</tr>
</tbody>
</table>

Copied from the Base Case, Capex funding worksheet.

- 'SDRC LTFP has varying capital grant revenue over the years - we have assumed straight line as we have on info on their assumptions. The Local Government Dept has the best knowledge of grant funding in the future.'

**Assets and Liabilities**

The opening balances for the base case Existing Council’s Statement of Financial Position match the figures from the SDRC audited financial statements for the year ending 30 June 2018.

The opening net community assets (Net Result) is $784.9m for the Existing Council, the New Council is allocated $241.5m (30.8%) with the balance $543.5m (69.2%) being allocated to the Remaining Council.

Over the forecast period, the New Council’s Net Result will increase by $30.6m (12.6%) to $272.1m and the Remaining Council’s Net Result will increase by $21.6m (3.9%) to $565.1m.

**Base case but 2.5% rate increase sensitivity analysis**

This analysis contains all the elements of the base case but with the assumption that rates will increase by 3.3% per annum: '0.8% growth +2.5%, 2.5% being the RBA midpoint of its target inflation rate.'

The reduced annual rates increase applies to the New Council only and commences in the 2021 financial year with 3.8% increase being applied in 2019 and 2020.
The cumulative impact over the forecast period on the base case of the lower rate increase on the New Council’s operating result is a deficit of $92k.

Pre-amalgamation sensitivity analysis

The assumption of this analysis is that ‘the only difference to the base case is that the split in Employee Costs and Materials and Services costs is the same as the pre-amalgamation %’ being employees 29% and Materials & Services 22%.

This change in the split reduces operating expenditure for the New Council by $32.7m over the forecast period increasing the cumulative operating surplus to $35.9m (14.8% of operating revenue) up from $3.26m in the base case. The Remaining Council’s operating expenditure is increased over the period by $32.7m reducing its cumulative operating surplus over the period to $39.1m (6.3% of operating revenue) down from $71.8m.

There will also be a similar increase and decrease in cash and cash equivalents over the forecast period.

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19 See Pre – amalgamation cost sensitivity analysis, 4.ASSUMPTION increase S note
End Note 1: Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>Item</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assumption:</strong> Recalibration of 2019 Budget based on 2018 Audited Results - Rates, Fees, Interest revenue &amp; Employee costs &amp; Materials &amp; Services, recalibrated to be based on 2018 Actuals rather than 2019 Budget (2018 Amounts multiplied by the % allocation determined from the operating budget split up).</td>
<td></td>
</tr>
<tr>
<td><strong>Impact:</strong> The recalibration of SDRC’s 2019 budget increases the budget surplus from $146k to $5.07m by increasing operating revenue by $2.34m and reducing expenditure by $2.58m.</td>
<td></td>
</tr>
</tbody>
</table>

**Assumption:** 10-year revenue and expenditure projections - as per SDRC LTFP projected % increase per item.

**Impact:** Compound effect from the LTFF projected % increases on the recalibrated 2019 budget figures over the 10 year forecast period is an increase in the cumulative operating surplus from $31.3m to 72.7m ($41.4m or 132.4%).

**Existing Council significant variations from SDRC LTFP**

<table>
<thead>
<tr>
<th>Item</th>
<th>Total change over forecast period from 2019 to 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fees and charges (revenue)</td>
<td>Increases by $18.4m (39.4%)</td>
</tr>
<tr>
<td>• Employee costs</td>
<td>Decreases by $29.6m (10.8%)</td>
</tr>
<tr>
<td>• Capital grants, subsidies, contributions and donations</td>
<td>Increases by $49.2m (157.6%)</td>
</tr>
<tr>
<td>• Capital expenses</td>
<td>Increases by $5.9m (494.2%)</td>
</tr>
</tbody>
</table>

**End Note 2: Cost Adjustments (base year 2019)**

<table>
<thead>
<tr>
<th>Extra Costs eg Councillors + Executives</th>
<th>SDRC allocation</th>
<th>GRC Actual</th>
<th>Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Councillor</td>
<td>$ 290,095</td>
<td>$ 373,989</td>
<td>$ 83,894</td>
</tr>
<tr>
<td>Directorate</td>
<td>$ 334,087</td>
<td>$ 416,574</td>
<td>$ 82,487</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$ 166,380</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Op Savings</th>
<th>SDRC allocation</th>
<th>GRC Budget</th>
<th>+Popn Adj</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building/Plumbing</td>
<td>$ 438,903</td>
<td>$ 266,960</td>
<td>$ 280,923</td>
<td>-$ 157,980</td>
</tr>
<tr>
<td>CEO</td>
<td>$ 769,472</td>
<td>$ 646,143</td>
<td>$ 646,143</td>
<td>-$ 123,329</td>
</tr>
<tr>
<td>Ec Dev</td>
<td>$ 471,469</td>
<td>$ 261,247</td>
<td>$ 274,911</td>
<td>-$ 196,558</td>
</tr>
<tr>
<td>ICT</td>
<td>$ 801,757</td>
<td>$ 600,000</td>
<td>$ 600,000</td>
<td>-$ 201,757</td>
</tr>
<tr>
<td>Planning &amp; Dev</td>
<td>$ 390,508</td>
<td>$ 332,828</td>
<td>$ 350,237</td>
<td>-$ 40,271</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-$ 719,895</td>
<td></td>
</tr>
</tbody>
</table>

46
### End Note 3: One Off Transition Costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Estimate</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plebiscite</td>
<td>$100,000</td>
<td>Mareeba x 1.5 (population adj)</td>
</tr>
<tr>
<td>Transition Manager &amp; staffing</td>
<td></td>
<td>Not required if independent panel</td>
</tr>
<tr>
<td>Independent Panel</td>
<td>$75,000</td>
<td>2 part-time members + 1 Admin Officer (Delatite de-amalg)</td>
</tr>
<tr>
<td>IT transition</td>
<td>$250,000</td>
<td>Douglas Shire Actual (Audited)</td>
</tr>
<tr>
<td>Redundancies &amp; Recruitment</td>
<td>$0</td>
<td>Self-recruit executives, No redundancies</td>
</tr>
<tr>
<td>Rebranding &amp; Communications</td>
<td>$50,000</td>
<td>Mareeba ($34k) (no other Council identified this)</td>
</tr>
<tr>
<td>Capital related items</td>
<td>$500,000</td>
<td>Douglas Shire Actual (Audited)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$975,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

### End Note 4: Cash Flow Statement

<table>
<thead>
<tr>
<th>Item</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing cash position in Statement of Cash Flows does not match</td>
<td>Variance ranges from $1.3m in “2018 Fin Stmts” column to $12.8m in the 2028 forecast year column. A number of errors of commission are included in the statements that explain the variances: The Statement of Cash Flows: • The opening cash and cash equivalents amount entered in the column titled “2018 Fin Stmts” is the closing balance from the 2018 audited financial statements: $50.3m was entered should have been $40.6m. • The line labelled “Payments for intangible assets” contained - $11m for each year. This amount is taken from the 2018 financial statements line for “Net Purchases of Investment Securities”. As the DLG financial statements includes investments within the cash and cash equivalents amount, this line item is not required. The Statement of Financial Position: • Formula error in the forecast columns for the line item “Cash and cash equivalents” returned the opening balance from the Statement of Cash Flows, it should return the closing balance amount.</td>
</tr>
<tr>
<td>Financial Position in each of the forecast years.</td>
<td></td>
</tr>
<tr>
<td>Assumption: Most items calculated from Income Statement</td>
<td><strong>Impact</strong>: increased cumulative operating surplus identified above has inflated the closing cash and cash equivalents figures when compared to SDRC’s LTFF.</td>
</tr>
<tr>
<td>Impact:</td>
<td></td>
</tr>
</tbody>
</table>
### Existing Council significant variations from SDRC LTFF

<table>
<thead>
<tr>
<th>Item</th>
<th>Total change over forecast period from 2019 to 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Closing cash and cash equivalents</td>
<td>Increases by $27.1m or 40.2%</td>
</tr>
<tr>
<td>• Borrowing costs and Repayment of borrowings</td>
<td>Repayment of borrowings over the forecast period is $9.8m (55%) less than SDRC forecast repayments of $17.9m. Reduction in repayments has increased borrowing costs by $4.4m (56%) above the SDRC forecast figure of $7.9m.</td>
</tr>
<tr>
<td>• Proceeds from sale of property, plant and equipment</td>
<td>$11.5m is estimated over the forecast period. SDRC has not included any proceeds from the sale of property plant and equipment.</td>
</tr>
<tr>
<td>• Capital grants, subsidies, contributions and donations</td>
<td>Increases by $59.3m (189.9%)</td>
</tr>
</tbody>
</table>

### End Note 5: Statement of Financial Position

<table>
<thead>
<tr>
<th>Item</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Council notable variations from SDRC 2028 forecast position</td>
<td></td>
</tr>
<tr>
<td>• Cash and cash equivalents</td>
<td>Increase of $11.6m (17.2%) but see notes on Cash Flow above.</td>
</tr>
<tr>
<td>• Trade and other receivables</td>
<td>Increase of $2.3m (30%)</td>
</tr>
<tr>
<td>• Property, plant &amp; equipment</td>
<td>Decrease of $9m (1.1%)</td>
</tr>
<tr>
<td>• Trade and other payables</td>
<td>Increase of $7m (78.4%)</td>
</tr>
<tr>
<td>• Borrowings</td>
<td>Increase of $5.1m (147.1%)</td>
</tr>
</tbody>
</table>