



NORTHERN DOWNS
SIZE, SHAPE & SUSTAINABILITY
PROJECT



ROSALIE SHIRE COUNCIL

Productive and Peaceful

PARTNERS IN PROGRESS

PRELIMINARY REPORT



SIZE SHAPE AND SUSTAINABILITY PRELIMINARY REPORT FOR NORTHERN DOWNS REVIEW GROUP OF COUNCILS

RELEASED

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PREPARED BY

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SSS PROJECT STEERING COMMITTEE

Mayor, Councillors and Chief Executive Officers of Rosalie and Crows Nest Shire
Councils

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Executive Summary

At a joint meeting of Rosalie and Crows Nest Shire Councils in June 2006, both Councils agreed to participate in a state-wide review process to examine their future Size, Shape and Sustainability (SSS).

The partnership was named the Northern Downs SSS Review Group for identification purposes and an Independent Review Facilitator (IRF), Mr Noel Playford was appointed to work with the Councils.

Guided by the SSS Review Framework, the Northern Downs Review Group completed all necessary tasks required in the initial review phase, the outcome being the identification of key sustainability issues focusing on:

- The resource base of the Councils
- A lack of services and local employment
- Management of growth and infrastructure coordination, and
- Risk management and accountability,

A comparative analysis of these key issues and four potential options for change indicates that a merger / amalgamation of Crows Nest and Rosalie Shire Councils is possibly the best option to address the long term sustainability issues facing both Councils.

In order to substantiate this preliminary finding, the Councils in the Northern Downs Review Group agreed to proceed to the comprehensive phase of SSS, so that a detailed assessment of the merger / amalgamation proposal could be undertaken.

In line with the key principles of the SSS Review Framework and so that a fully informed decision can be made at the end of the process, the Northern Downs Review Group also agreed to undertake a high level assessment of other possible scenarios for each of the other options for change, namely resource sharing either through service agreements or joint enterprise, and major boundary change.

A specialist consultant was engaged to carry out information gathering, research and analysis to determine the strengths and weaknesses of the merger/amalgamation option. This material was also used to assist in the assessment of the scenarios for the other options for change.

Section 3 of this Preliminary Report presents the strengths and weaknesses of the different options for change and provides commentary on how they will address the key sustainability issues identified in the initial review phase.

An important aim of this Preliminary Report is to obtain community input to the SSS Review for the Northern Downs Group. The views of the community on the potential options for change will assist in the preparation of a Final Report by the IRF.

Rosalie and Crows Nest Shire Councils encourage community comment on the contents of this Preliminary Report. Details for having your say are contained in the report's "Introduction" and "Summary" sections.

1. Introduction

Overview of Size, Shape & Sustainability

Across Queensland, Councils play a vital role in providing essential services to their residents as well as shaping the future political, social, economic and environmental needs of local and regional communities. The quality and range of services provided by Councils have a direct impact on the daily lives of all Queenslanders.

In recent decades, the environment in which Councils are expected to operate has changed significantly due to factors such as rapid growth, advances in technology, skill shortages, regulatory and compliance issues, and changing community expectations, to name but a few.

To ensure it is doing the best job it can with the resources available to it, your Council, along with many other Councils in Queensland, has been participating in an initiative known as Size, Shape and Sustainability (SSS).

SSS provides an opportunity for your Council to work in partnership with other Councils in the region to review their size and geographic dimensions; their management, organisation and operational arrangements; their financial and accountability practices; and their service delivery mechanisms.

Councils do this by following a Review Framework developed by the Local Government Association of Queensland, the peak body that represents all Queensland Councils. The Review Framework is essentially a step-by-step guide to assist Council in examining a range of possible options for the future.

These options include one or a combination of the following:

Resource Sharing through Service Agreements - where Councils as a group agree to allocate functions between themselves with an individual Council undertaking a function on behalf of the group;

Resource Sharing through Joint Enterprise - where Councils form a joint business unit to achieve economies of scale across a functional area of core business.

Significant Boundary Change – where Council boundaries are relocated to incorporate an area(s) in an adjoining Council(s); and

Merger / Amalgamation – where a new Council is created from two or more existing Councils.

Any other options that improve Councils performance and long term sustainability can also be explored.

To ensure that all options are considered in a fair and equitable manner and that all parties involved in the review have an opportunity to express their views, the Review Framework is based on the key principles that the review:

1. *is open and transparent;*
2. *provides for the objective assessment of the review options;*
3. *is not based on a preconceived outcome*
4. *does not commit any party to an outcome merely by agreeing to participate in a review; and*

5. involves appropriate levels of community engagement.

Your Council is currently part of an SSS review group consisting of Rosalie and Crows Nest Shire Councils. For the purposes of SSS, this group is known as the Northern Downs Review Group of Councils.

To assist the Northern Downs Review Group of Councils through the SSS Review Framework, an Independent Review Facilitator (IRF) was appointed in July 2006. This person is responsible for project managing the review process on behalf of the review group of Councils and ensuring that the key principles of the review are upheld. Most importantly, the IRF is responsible for drafting all documentation for the review, including comments from the community.

The IRF for this SSS review is Noel Playford, who can be contacted by phone on 54555324, mobile 0428796242, by email tonoel@bigpond.com.au, or by post at PO Box 971, Tewantin, Qld, 4565.

The State Government is a partner to the SSS initiative and is providing funding to all Councils who participate in reviews through the Regional Collaboration and Capacity Building Program.

The Queensland Treasury Corporation (QTC) is also assisting Councils with their investigations by examining their financial position.

The State Government in conjunction with the Local Government Association of Queensland also has a direct role in monitoring and reporting the progress of SSS reviews across the state.

The Preliminary Report

Knowing what you (the community) think about the future size, shape and sustainability of your Council is an important part of the review process.

So that all members of the community have an opportunity to express their views, the Northern Downs Review Group has developed a Community Engagement Plan. A key element of the Community Engagement Plan is the "Preliminary Report".

The aim of the Preliminary Report is to:

- 1. ensure that the community has a thorough understanding of the research results in relation to all the options for change and their documented strengths and weaknesses; and*
- 2. ensure that the community's issues are fully documented, understood and considered by the Northern Downs Review Group of Councils.*

Noel Playford, the Independent Review Facilitator for the Northern Downs Review Group of Councils, has drafted this Preliminary Report.

The Report contains a number of sections outlining the actions already undertaken by the Northern Downs Review Group of Councils, the options for change and the possible scenarios applicable to each as well as the anticipated strengths and weaknesses of each scenario.

Most importantly, the Preliminary Report seeks your response to a number of key questions.

The Preliminary Report can be accessed from the website www.councilreview.com.au, collected from Council libraries or Council Offices, or posted to you by your Council on request.

Open days and public meetings will be held in each Shire to provide information and answers to your questions. On each of these days residents are invited to call in between 11am and 4pm and meet with the SSS Facilitator one-on-one to discuss the Preliminary Report. Alternatively, residents can attend one of the evening public forums from 7pm – 9pm. Venues are as follows:

Monday 5th February – Community Hall, Old Homebush Road, Gowrie Junction
Tuesday 6th February – Memorial Hall, Munro Street, Cooyar
Wednesday 7th February – Council Office, Emu Creek Road, Crows Nest
Thursday 8th February – Cultural Centre, O'Brien Road, Highfields

Community comment must be in writing (post or email) so that community views can be properly considered prior to completion of a draft Final Report. In addition, all comments and suggestions properly received will be open for inspection at the Council Offices from the closing date until March 16th, 2007.

Comments can be provided on the web site www.councilreview.com.au, via email to response@councilreview.com.au, or by post to the addresses below. Closing date is Monday 19th February 2007.

Size Shape & Sustainability
Rosalie Shire Council
PO Box 50
GOOMBUNGEE 4354

Size Shape & Sustainability
Crows Nest Shire Council
PO Box 35
CROWS NEST 4355

The Final Report

Once the IRF has gathered all information from the community, a draft Final Report will be developed.

Based on the research findings and the community's response to the options presented in the Preliminary Report, the draft Final Report will include a comprehensive set of recommendations about the best options for Councils to pursue.

Once again, you (the community) will have an opportunity to express your views on the information contained in the draft Final Report.

At the same time, the Councils in the Northern Downs Review Group will also be given an opportunity to consider the recommendations in the draft Final Report and develop a formal "right of reply".

The IRF will then document all comments received by the community and Councils and include this as an addendum to what will be the *Final Report on the Size, Shape and Sustainability of the Northern Downs Review Group of Councils*.

The Review Group of Councils will then make a decision as to whether or not to implement any of the recommendations contained in the Final Report.

Did you know?

Even if Council believes a merger / amalgamation or major boundary change is the best option(s) to pursue, by law a public referendum will need to be held on the matter.

2. The Initial Review Phase

2.1 Process Overview

The Initial Review Phase aimed to identify a number of key issues that would impact on the current and future sustainability of the Councils in the Northern Downs Review Group and consider how the options for change could possibly address the issues identified.

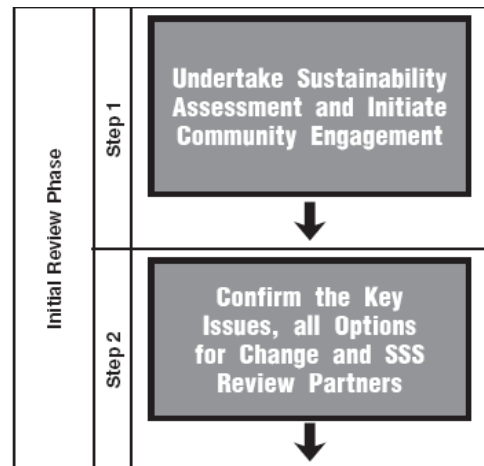
This was achieved by each Council undertaking a sustainability indicator assessment to identify where each Council had potential vulnerabilities, opportunities and strengths.

The four categories of sustainability indicators against which Councils were assessed focused on:

- financial and resource base
- community of interest
- planning
- standards of governance

To assist with the assessment of financial and resource indicators, the Queensland Treasury Corporation (QTC) carried out a Financial Sustainability Review (FSR) for each Council based on historical financial data and future forecasts.

As it was essential to keep the community informed about the SSS Review, a Community Engagement Plan (CEP) was also developed early in the initial review phase.



2.2 Outcomes

2.2.1 QTC Financial Sustainability Reviews

QTC has given Rosalie Shire Council a financial sustainability rating of "Weak" with a positive outlook. While a weak rating has been assigned, the QTC acknowledges that the Council's financial position is a borderline Moderate.

QTC defines 'Weak' as "a local government with an acceptable capacity to meet its financial commitments in the short- to medium-term and a limited capacity in the long-term. It is unlikely to be able to manage unforeseen financial shocks and any adverse changes in its business and in general economic conditions without the need for significant revenue or expense adjustments. It may experience difficulty in managing core business risks."

QTC stated: "The rating outcome has been primarily constrained by insufficient rates revenue (general rates charges rank the third lowest in Queensland) to recoup all of Council's operating expenses (including depreciation). In addition, Council has experienced a reduction in its General Purpose - Financial Assistance Grants. The combination of the above has led to an increased dependence on external revenue sources to support Council's operations. This has reduced its financial flexibility and impacted upon Council's ability to invest and maintain its infrastructure in a timely manner."

QTC has assigned Crows Nest Shire Council a financial sustainability rating of "Moderate" with a developing outlook.

QTC defines 'Moderate' as "a local government with a high capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term. It is expected to be able to manage unforeseen financial shocks and any adverse changes in its business and in general economic conditions with minor to moderate revenue or expense adjustments. Its capacity to manage core business risks is acceptable".

According to the QTC "moderate rating primarily reflects Council's ability to meet all its financial obligations whilst strengthening its cash position. Council has maintained and improved its existing services to ratepayers. The rating is primarily constrained by Council's inability to generate sufficient operating revenue to meet all operating expenses. A developing outlook has been assigned for the next two-year period given a significant capital program, review of the Borneo Barracks location, and likely significant upward asset revaluation, circumstances which would directly affect Council's financial sustainability."

2.2.2 The Sustainability Assessment

In early August 2006, elected members and senior staff of each Council, assisted by the Independent Review Facilitator, carried out sustainability assessments. The process involved discussion and subsequent scoring of a number of sustainability indicators, leading to the identification of key issues that the Northern Downs Review Group would look to investigate further in the comprehensive review phase. Scoring details are contained in Attachment A.

The sustainability assessment indicates that Rosalie Shire Council is vulnerable in the following areas:

- capacity to withstand financial shocks is constrained by low rate levels
- lack of services and employment within the Shire
- financial accountability aspect of governance

Rosalie Shire Council also has the opportunity to improve in the following areas:

- rating capacity
- resource base – asset sustainability/service levels/human resourcing
- planning – growth management and coordination
- decision making and management

The sustainability assessment indicates that Crows Nest Shire Council is vulnerable in the following areas:

- lack of services and employment within the Shire
- planning – growth management and coordination
- accountability aspect of governance

Crows Nest Shire Council also has the opportunity to improve in the following areas:

- rating capacity
- resource base – asset sustainability/service levels/human resourcing
- decision making and management

2.2.3 Community Engagement

Community engagement was designed to keep the community informed of the progress of the review during the initial phase. This was achieved through a number of media releases at key points in the process, through details of progress in Council Newsletters distributed to households, by explanation on Council websites, by keeping Council staff informed at meetings and by including details of progress with Council pay slips.

2.2.4 Preliminary Assessment of Issues and Options for Change

A joint meeting of both Councils in early September 2006 considered the outcomes of the individual Council sustainability assessments, and determined that the key sustainability issues facing the Northern Downs Review Group were:

- Resource base issues
Issues are the capacity to manage and sustain infrastructure assets (asset sustainability), the capacity to supply and match the level of service provided by assets with the expectations of the community (service levels), and the ability to attract and retain qualified staff in key positions (human resourcing).
- Lack of services and employment locally
There is a very significant use of health, education and shopping facilities in Toowoomba, which also provides employment for many Crows Nest/Rosalie residents.
- Management of growth and efficient infrastructure coordination
Adjacent growth areas in the two Shires provide opportunities for coordinated planning and provision and management of infrastructure to maximise efficiencies.
- Governance – risk management and accountability
Options for change should examine the potential for improved governance arrangements, particularly in the areas of risk management and internal control, including audit processes.

Following determination of these key issues, a preliminary assessment of all four options for change was undertaken.

A joint meeting of the elected members and senior staff of the Councils conducted this assessment. Potential advantages and disadvantages of each option were identified and assessed on a numerical scale, based on the circumstances of the Northern Downs Review Group and the key issues outlined above.

The assessment of the four options for change was comparative, and did not indicate how much benefit might flow from the changes considered.

Details of the scoring of the advantages and disadvantages of each of the options for change can be found at Appendix B.

The outcome of the preliminary assessment showed that a merger of Rosalie and Crows Nest Shire Councils would likely be the best approach to addressing the key sustainability issues for the Review Group.

To ensure Rosalie and Crows Nest Shire Councils could be confident in pursuing the merger option, both Councils agreed to proceed to the comprehensive review phase of SSS. This would enable the strengths and weaknesses of the merger option to be more fully investigated and compared with possible scenarios for the other options for change.

3. The Comprehensive Review Phase

3.1 Process Overview

The comprehensive review phase aims to undertake detailed evaluation of the strengths and weaknesses for each of the options for change, document the results and invite feedback from the Review Group of Councils and the community.

The outcome of the comprehensive review phase will be a Final Report containing a set of recommendations about the best course of action for Councils to pursue.

To better determine strengths and weaknesses and quantify available benefits where appropriate, the Northern Downs Review Group has undertaken a detailed assessment of the merger option. Specifically, this assessment has been carried out by comparing the current situation of the two Councils with a possible single Council across the areas of finance and resources, organisation and services and community and representation.



Benchmarks for a possible single Council were obtained from comparable Queensland Councils as well as industry standards and averages.

As the merger option is the most complex of all the options for change and in reality incorporates all possible resource sharing and boundary change scenarios, the Review Group agreed that only a broad assessment of the other options for change was warranted.

In line with this approach, specific scenarios for resource sharing either through service agreements or joint enterprise as well as a boundary change have been evaluated at a strategic level and are presented for consideration and comment by the community also.

No other scenarios with the potential to address the key issues were identified, including any involving Councils in neighbouring review groups. Potential boundary or resource sharing issues with adjacent Councils (that are not the initial focus of the Northern Downs review) can be dealt with either as part of a neighbouring review where appropriate, or separately.

To undertake all assessments, the Review Group engaged a specialist consultant to carry out information gathering, research and analysis to determine the strengths and weaknesses of the merger option. This material was also used to assist in assessing the other options for change.

3.2 Resource Sharing through Service Agreements

3.2.1 Explanation of Option

Resource sharing through service agreements exists where two or more Councils agree to allocate a function of the Councils to one Council to undertake on behalf of the others. In effect the function is outsourced to another Council.

Service agreements between Councils typically involve the provision of professional services such as environmental health, or of specialised functions like waste collection. They could however cover most of the wide range of functions carried out by local government.

3.2.2 Scenario for Consideration

The preliminary assessment outlined in 2.2.4 above considered the advantages and disadvantages of a service agreement scenario where a total of 14 functional areas were shared between the two Councils. The list of functions is contained in Attachment B.

This scenario was chosen so that the maximum possible benefit from resource sharing through service agreements would be assessed. In practice, each function would need to be considered singly to see whether there would be a net benefit from allocating it to one Council.

3.2.3 Analysis of Scenario

A service agreement dealing with professional services typically involves a number of small Councils agreeing to share the cost of a specialist employee who is employed by one of the Councils and shared with the others. In other cases, smaller neighbours who only require part time services can purchase spare capacity from a larger Council. These types of agreements are usually driven by cost pressures and the need for part time capacity only.

The size of Rosalie and Crows Nest Councils justifies full time specialists in most relevant areas, though the potential does exist for a service agreement between the Councils to share a specialist human resource officer. This was recognised as a minor positive for the service agreement option in the preliminary assessment during the initial phase, as it would assist to address the human resourcing issue identified by the Review Group.

Another minor positive was considered to be the potential for one or both Councils to specialise in a particular function, and to extend that expertise to the other Council. While no current examples were identified, future employees could bring particular expertise that could be shared through a service agreement. This could assist in addressing the key resource base issue of service levels and perhaps governance issues.

A potential advantage of service agreements that may help to address the key sustainability issues of Rosalie and Crows Nest Councils is the possibility of cost savings through economies of scale, reduced duplication and resource utilisation efficiencies. Cost savings could significantly improve the Councils' capacity to manage and sustain their infrastructure assets.

The works area is by far the largest functional area considered for service agreements in the preliminary assessment. This could include maintenance and construction, including parks and gardens, together with management of plant and equipment. Given that a large proportion of the Councils' expenditure occurs in the works area, this is where cost savings could be substantial with a single operation.

Attachment C at 1.11 and 1.12 (pages 39-40) estimates potential savings of \$500,000 per annum from the works area with a merger of the two Councils. Cost savings of that order would be possible with economies of scale, rationalisation of facilities and equipment, and improved plant utilisation as a result of a service agreement, and would help address the resource base issues identified by the Review Group.

Such a service agreement would need to be very long term for a Council to take the risk of gearing up to take on the other Council's employees, plant and equipment, as well as expanding their operational facilities for maximum efficiency. And the longer the term, the greater the likely concerns from both the community and elected members about lack of direct control over a fundamental community service that affects everyone in the Shire. In addition, the number of employees involved means that the key issue of a lack of local employment could be worsened for the purchaser Council.

The same concerns are likely to apply to a service agreement covering water and sewerage system management, the next largest functional area after works.

In many of the other areas that service agreements might cover, such as rates calculation, billing and collection, payroll services, strategic and town planning, and information technology management, labour savings are often possible by combining small units. The increased size of the combined units can also result in more depth of expertise, which can help to deliver an improved service.

Any savings would need to be offset by the additional management time typically involved with service agreements. Service agreements need to be negotiated, documented and agreed. Management time can also be consumed by disputes, given the fact that employees must effectively serve two employers, with the real potential for the purchaser Council to feel a lack of direct control.

Strengths of the potential service agreements above include:

- operational economies of scale
- access to part time professional expertise
- operating cost savings

Weaknesses include:

- need to develop service agreements with service levels
- potential for agreement disputes
- requires long term certainty to gear up
- concerns over lack of control of service provided by another Council

3.2.4 Key Questions for Community

- Do you believe your Council should pursue service agreements where they provide cost savings or access to special expertise at a reasonable cost?
- Should your Council consider entering into service agreements so that another Council carries out major functions like works or water and sewerage?

3.3 Resource Sharing through Joint Enterprise

3.3.1 Explanation of Option

Resource sharing through joint enterprise involves Councils forming a joint business to achieve operational savings and improve service delivery across a functional area of their core business.

While joint enterprise arrangements can be applied to a range of Council functions, the setting up and separate management costs of the new structure usually mandate that consideration is given only to large operations with significant potential for gain. A focus on minimising costs can also mean that the joint enterprise is created with a commercial focus rather than the more usual service delivery focus of local government.

3.3.2 Scenario for Consideration

In the Northern Downs SSS Review Group situation, the requirement for scale means that only the works function and perhaps water and sewerage management could seriously be considered for joint enterprise arrangements.

While there are undoubtedly efficiencies to be gained in coordination of the provision of water and sewerage in the adjacent growth areas of Rosalie and Crows Nest Shires, experience has shown that a service culture as opposed to a commercial culture is preferable at the interface between service delivery and the ratepayer. That is why a Council may be part of a joint Water Board for provision of bulk water or may contract with a commercial entity to operate their treatment plants, but will maintain control of customer interface functions such as supply, complaints and billing.

For this reason a joint venture scenario for water and sewerage management has not been considered further by the Review Group, even though it would help address the issue of efficient infrastructure coordination. It is noted that the benefits of coordination can also be captured through joint planning mechanisms and agreements, by boundary change, or by a merger of the Councils. None of these options result in loss of direct control by the responsible authority at the customer level.

The works functions of the two Councils have the most potential for operational savings and improved service delivery through a joint enterprise arrangement. The following analysis therefore considers the establishment of a joint enterprise arrangement by Rosalie and Crows Nest Councils to provide both Councils with works maintenance and construction (including parks and gardens) on a commercial basis.

The exact form that such a joint enterprise may take would need to be based on an examination of a range of issues, including taxation, risk and future strategy for the operation.

Implementation would involve a rationalisation of plant, equipment and facilities, transfer of relevant operating assets and liabilities, and the provision of working capital and staff from both Councils.

The joint enterprise would require a separate management structure, with a commercial charter, corporate goals and operating principles agreed by the two Councils. It would probably be directed by a Board, with membership from both Councils and perhaps external specialist expertise.

A service agreement would need to be developed to define issues such as the range, quality, quantity and price of work done for each of the Councils.

3.3.3 Analysis of Scenario

The most significant operational savings could come from improved plant utilisation and rationalisation of facilities such as workshops and depots.

The scale of combined works operations of the two Councils would provide the ability to increase plant usage and reduce external plant hire. If a commercially focused joint venture could achieve benchmark plant utilisation of 1200 hours per annum, up to \$500,000 per annum could be saved in operating costs, mostly through reducing existing levels of external plant hire. This would help address the resource base issues identified by the Review Group. Details are contained in Attachment C at 1.11 and 1.12 (pages 39-40).

Currently the Councils each have a major works depot, Rosalie Council at Goombungee and Crows Nest Council in the town of Crows Nest. A joint venture could look to operating with a single major depot and workshop, logically at Goombungee as the town closest to the geographical centre of the area to be serviced. This would improve the efficiency of the joint operation, which would come at the initial capital cost of rationalising facilities.

The major strengths of such a joint enterprise could include:

- it would provide operational economies of scale
- opportunity to operate on a fully commercial basis
- rationalisation of operating infrastructure such as depots, plant and equipment
- potential cost saving of up to \$500,000 per annum

Significant weaknesses could include:

- it would require the creation of an additional management structure and separate management entity
- it requires implementation of a joint enterprise agreement between the Councils, including service levels
- loss of direct control of policy and management decisions by elected members
- costs of a separate organisational structure with separate compliance and reporting costs
- costs of integrating current separate operations could take a number of years to recover from efficiency gains

3.3.4 Key Questions for Community

- Do you support the principle of your Council creating a joint enterprise with a commercial focus to provide a service currently delivered by the Council?
- Would you support Rosalie and Crows Nest Councils forming a joint business as described above in 3.3.2 to provide works maintenance and construction for both Councils?

3.4 Significant Boundary Change

3.4.1 Explanation of Option

A significant boundary change occurs when a boundary between Councils is adjusted so that a significant area and/or population are then included in the adjacent Shire.

3.4.2 Scenario for Consideration

One of the key issues for the two Councils is management of growth and efficient infrastructure coordination, and this could be addressed by a major boundary change. The significant growth areas in the south of both Shires are adjacent, and could be included in one of the Shires to achieve single management.

Given the much larger population and extent of infrastructure of the Highfields area of Crows Nest Shire, the scenario to be considered consists of changing the Rosalie-Crows Nest boundary so that the growth area of Rosalie Shire containing the towns of Kingsthorpe, Gowrie Junction and West Meringandan is included in Crows Nest Shire.

It should be noted that two public submissions have called for the inclusion of the Yarraman area in the northern part of Rosalie Shire into the adjoining Nanango Shire. It is claimed that the community of the Yarraman area has an affinity with the community of the South Burnett. It is expected that this issue will be addressed during the South Burnett SSS Review in which Rosalie Shire Council is participating.

3.4.3 Analysis of Scenario

The Council sustainability assessments undertaken in the initial phase of the review revealed that a key issue that should be addressed is the need for coordinated planning and provision and management of infrastructure for the adjacent growth areas in the south of both Shires.

The boundary change scenario in 3.4.2 above would result in a single planning authority for the whole growth area, together with efficiencies in the provision of infrastructure. For example, West Meringandan could be seweraged as part of the existing Highfields system, which would be much cheaper for those residents than indicative costs of a stand-alone system.

While such a boundary change would certainly have the potential to improve management of growth and coordination of infrastructure, there would be other effects that need to be considered. One of the issues that a Local Government Electoral and Boundaries Review Commission must have regard to when investigating local government external boundary changes is the resource base sufficiency issue. In other words, a Commission must consider whether the resource base of a Council after an external boundary change is sufficient to enable the Council –

- a) *to be able to exercise efficiently and effectively its jurisdiction and operate facilities, services and activities; and*
- b) *to be flexible and responsive in the exercise of its jurisdiction and the operation of its facilities, services and activities*

Rosalie Council's gross general rates from the area that would be included in Crows Nest Shire in the boundary change under discussion total approximately \$1,200,000, while the total estimated gross general rates from the whole of Rosalie Shire is \$2,805,000. So under this scenario, Rosalie Council would lose almost half of its general rate revenue, and may not be left with a sufficient resource base to operate facilities, services and activities at the current level or standard.

Nor would the situation be improved if the growth areas were included in Rosalie Shire instead of Crows Nest Shire, as the loss of population and revenue by Crows Nest Shire would also greatly diminish the sufficiency of that Shire's resource base.

Significant strengths of this boundary change scenario include:

- Coordinated town and infrastructure planning for the major growth areas of the Shires.
- More efficient provision of infrastructure through scale and integration across the growth areas.

The significant weakness:

- Rosalie Shire would lose almost half of its general rates, and its remaining resource base may not be sufficient to provide current facilities, services and activities to its community.

3.4.4 Key Questions for Community

- Should a significant boundary change be pursued to allow coordinated growth management and provision of infrastructure in the southern growth areas of Rosalie and Crows Nest Shires?
- If the southern part of Rosalie Shire was added to Crows Nest Shire, should it form part of the adjacent Division 2 for electoral purposes? If so, should the number of Councillors be increased in line with the increased population, or should the current total number of 8 Crows Nest Councillors remain the same?
- Should the number of Rosalie Councillors be reduced from the current 8 if the population of Rosalie Shire is reduced through a significant boundary change?

3.5 Merger / Amalgamation

3.5.1 Explanation of Option

In the Northern Downs situation, either a merger or an amalgamation would result in a single Council in place of the two existing Councils. According to the Local Government Act, a merger occurs where one Council is abolished and merged with the other, while an amalgamation sees both Councils abolished and a new one created. So one existing Council's name survives in a merger, while an amalgamation results in a new Council name.

Rosalie and Crows Nest Councils met in June 2006 and acknowledged "there is significant potential for better service delivery and cost savings by considering a merging of the two entities into one". They were not using the word "merging" in a legal sense, and wish to confirm their preference that if a single Council is the eventual outcome of the SSS Review, it should be a new Council with a new name.

However, both Councils have on many occasions since then referred publicly to a "merger", and to avoid confusion this report uses the word "merger" when "amalgamation" may be the legally appropriate term.

3.5.2 Scenario for Consideration

The following section is a summary analysis of the amalgamation of Rosalie and Crows Nest Councils, referred to in this report as a merger. It involves the abolition of both Councils and the creation of a single new Council with a new name.

3.5.3 Analysis of Scenario

A detailed analysis of a merger of the Councils can be found at Attachment C. The following is a summary of key points from that analysis.

Finance and Resources

- Financial Sustainability Reviews carried out by Queensland Treasury Corporation shows that Rosalie Council has a weak financial status with a positive outlook, while Crows Nest Council has a moderate financial status with a developing (uncertain) outlook. A merged Council is likely to be financially stronger than the individual Councils.
- There are likely economies of scale from a merger, worth around \$1 million per annum after 5 years and increasing to \$2 million per annum after 20 years.
- Under the current distribution methodology, financial assistance grants from the Australian Government are likely to reduce by \$200,000 to \$300,000 per annum after 4 years if the Councils are merged.
- There are potential savings in plant costs of around \$500,000 per annum through integrated works management, improved plant utilisation and reduced external plant hire if the Councils' works functions are merged.
- Existing rates and financial assistance grants in Rosalie Shire are below the full cost of providing existing services and replacing assets. This is partly because rates are lower than in comparable Councils, and partly because the current methodology has resulted in general purpose financial assistance grants falling each year over a five-year period. A merger could reduce the extent of rate increases that would otherwise be necessary to maintain the financial sustainability of Rosalie Shire Council.
- Both Councils have reasonable debt levels that should not cause implementation issues

Organisation and Services

- Both Councils have a similar number of employees in the most common salary ranges. However both Councils are very under-resourced in middle management and specialist areas. Some of the identified savings of a merger could address this gap.
- Economies of scale with a merger should enable a single Council to provide the same level of services as currently provided with 24 fewer staff than currently exist in the two Councils, rising to 43 fewer employees for the population predicted in twenty years.
- Staff levels should be held at current numbers for a time to facilitate a merger of the two operations and fulfil a number of important functions not currently resourced.
- There would be no need for forced redundancies as a result of a merger because of an increasing population, retirements and voluntary resignations.
- A new Council would have several options for its administrative and operational centres upon a merger. One possible approach would see the Rosalie Shire offices and depot in Goombungee converted into the Operational Centre of the new Shire. The Administrative Centre could be at Crows Nest, with the water and sewerage and development related functions located in the growth area as soon as possible.

Community and Representation

- In most matters, both Councils have similar community characteristics and communities. Differences that exist are unlikely to be detrimental to a successful merger.
- Both Councils have similar development patterns with significant large lot residential development in the south and traditional rural areas in the centre and north. The pattern of communities of interest is:
 - the rapidly growing southern areas located close to Toowoomba, providing a choice of urban and rural residential lifestyles as an alternative to city living for people who work in Toowoomba
 - the central areas focused on primary production which are still within the Toowoomba economic catchment
 - the northern areas, which are part of the South Burnett catchment and relate to service centres such as Nanango and Kingaroy.
- The strategic directions of both Councils are very similar, with the main differences being that Crows Nest, with its larger residential population, has a greater focus on sport, recreation and cultural development, whereas Rosalie has a focus of providing services to its smaller townships. Both approaches can be accommodated in a merged Shire.
- Both Councils have 8 Councillors and a Mayor. Crows Nest has two electoral divisions, and Rosalie has none. Future electoral representation will have to be decided if a new Shire is to be created.
- Viable electoral arrangements to provide effective representation include either multi-member divisions or an undivided Shire. Each option has both advantages and disadvantages, and community feedback is likely to be critical in guiding the recommendation on this issue. (For further information about electoral arrangements, see Attachment C, sections 3.7.1 - 3.7.3, pages 67-70)

Significant strengths of the merger option include: -

- a new Council with a bigger resource base will be financially stronger than the current Councils, better able to manage and sustain infrastructure assets, meet the service level expectations of the community, and attract and retain quality staff in key positions
- a merger will produce operating cost savings from economies of scale and a reduced need for additional staff
- application of some of the savings to filling the gaps in middle management will create a more efficient and productive organisation, and allow the key issues of risk management and internal control to be addressed
- savings from rationalisation of operating assets including plant and equipment, depots and workshops, and administration centres
- coordinated planning and infrastructure delivery across growth areas

Significant weaknesses include: -

- financial assistance grants will decline after 4 years under the current methodology in the event of a merger
- organisational output would be disrupted during the implementation period of a merger
- cost of integrating the Councils can take two or three years to be recovered from efficiency gains
- smaller communities may feel they have less representation as part of a larger Shire

3.5.4 Key Questions for Community

- Do you support a merger of Rosalie and Crows Nest Shires?
- If a new Council is created: -
 - What name should it be given?
 - How many Councillors should there be?
 - Should it have electoral divisions, or should it be undivided?
 - If it is to have divisions, how many should there be, and what geographical areas should they cover?(Information relevant to this question can be found in Attachment C, sections 3.7.1 – 3.7.3, pages 67-70.)

4. Summary

4.1 Summary of Potential SSS Change Scenarios and Key Questions for Community

Potential Option Scenarios	Strengths	Weaknesses	Key Questions for Community
<p>Resource sharing through service agreements</p> <p><i>Rosalie and Crows Nest Councils agree to provide services to each other across a number of functions where savings can be made by having a single functional unit in place of the existing two units e.g. human resource services</i></p>	<ul style="list-style-type: none"> Operational economies of scale Access to part time professional expertise Operating cost savings, including up to \$500,000 pa from the largest functional area of works construction and maintenance 	<ul style="list-style-type: none"> Need to develop service agreements with service levels Potential for agreement disputes Requires long term certainty to gear up Concerns over lack of control of service provided by another Council 	<ul style="list-style-type: none"> Do you believe your Council should pursue service agreements where they provide cost savings or access to special expertise at a reasonable cost? Should your Council consider entering into service agreements so that another Council carries out major functions like works construction and maintenance or water and sewerage?
<p>Resource Sharing through Joint Enterprise</p> <p><i>Rosalie and Crows Nest Councils create a joint business enterprise to provide construction and maintenance services to the two Councils on a commercial basis.</i></p>	<ul style="list-style-type: none"> It would provide operational economies of scale Opportunity to operate on a fully commercial basis Rationalisation of operating infrastructure such as depots, plant and equipment Potential cost saving of up to \$500,000 per annum 	<ul style="list-style-type: none"> It would require the creation of an additional management structure and separate management entity It requires implementation of a joint enterprise agreement between the Councils, including service levels Loss of direct control of policy and management decisions by elected members Costs of a 	<ul style="list-style-type: none"> Do you support the principle of your Council entering into a joint enterprise with a commercial focus to provide a service currently delivered by the Council? Would you support Rosalie and Crows Nest Councils forming a joint business enterprise to provide construction and maintenance services to the two Councils on a commercial basis?

Potential Option Scenarios	Strengths	Weaknesses	Key Questions for Community
		<p>separate organisational structure with separate compliance and reporting costs</p> <ul style="list-style-type: none"> Costs of integrating current separate operations could take a number of years to recover from efficiency gains 	
<p>Significant Boundary Change</p> <p><i>Change the Shire boundary so that the growth area of Rosalie Shire containing the towns of Kingsthorpe, Gowrie Junction and West Meringandan is included in Crows Nest Shire.</i></p>	<ul style="list-style-type: none"> Coordinated town and infrastructure planning for the major growth areas of the Shires More efficient provision of infrastructure through scale and integration across the growth areas 	<ul style="list-style-type: none"> Rosalie Shire would lose almost half of its general rates, and its remaining resource base may not be sufficient to provide current facilities, services and activities to its community 	<ul style="list-style-type: none"> Should a significant boundary change be pursued to allow coordinated growth management and provision of infrastructure in the southern growth areas of Rosalie and Crows Nest Shires? If the southern part of Rosalie Shire was added to Crows Nest Shire, should it form part of the adjacent Division 2 for electoral purposes? If so, should the number of Councillors be increased in line with the increased population, or should the current total number of 8 Crows Nest Councillors remain the same? Should the number of Rosalie Councillors be reduced from the current 8 if the population of Rosalie Shire is reduced through a significant boundary change?
<p>Merger</p> <p><i>Abolish both Rosalie and Crows Nest Shire Councils and create a single new Council with a new name.</i></p>	<ul style="list-style-type: none"> A new Council with a bigger resource base will be financially stronger than the current Councils, 	<ul style="list-style-type: none"> Financial assistance grants will decline (up to \$3000,000 pa) after 4 years under the current 	<ul style="list-style-type: none"> Do you support a merger of Rosalie and Crows Nest Shires? If a new Council is created: - <ul style="list-style-type: none"> What name should it be

Potential Option Scenarios	Strengths	Weaknesses	Key Questions for Community
	<p>better able to manage and sustain infrastructure assets, meet the service level expectations of the community, and attract and retain quality staff in key positions</p> <ul style="list-style-type: none"> • A merger will produce operating cost savings (\$1 million pa after 5 years, \$2 million pa after 20 years) from economies of scale and a reduced need for additional staff • Application of some of the savings to filling the gaps in middle management will create a more efficient and productive organisation, and allow the key issues of risk management and internal control to be addressed • Possible savings (\$500,000 pa) from rationalisation of operating assets including plant and equipment, depots and workshops, and administration centres • Coordinated planning and infrastructure delivery across growth areas 	<p>methodology in the event of a merger</p> <ul style="list-style-type: none"> • Organisational output would be disrupted during the implementation period of a merger • Cost of integrating the Councils can take two or three years to be recovered from efficiency gains • Smaller communities may feel they have less representation as part of a larger Shire 	<p>given?</p> <ul style="list-style-type: none"> ○ How many Councillors should there be? ○ Should it have electoral divisions, or should it be undivided? ○ If it is to have divisions, how many should there be, and what geographical areas should they cover? <p><i>(Information relevant to this question can be found in Attachment C, sections 3.7.1 – 3.7.3, pages 67-70)</i></p>

4.2 Reminder – How to have your say

- **Process**

Community comment must be in writing (post or email) so that community views can be properly considered prior to completion of a draft Final Report. In addition, all comments and suggestions properly received will be open for inspection at the Council Offices from the closing date until March 16th, 2007..

- **Timelines**

The final date for comment on the report will be Monday, February 19, 2007, following a number of open days and public meetings in both Shires in early February.

- **Key dates**

January 12th 2007 – release of this report

February 5th, 6th, 7th, 8th, 2007 – open days and public meetings. On each of these days residents are invited to call in between 11am and 4pm and meet with the SSS Facilitator one-on-one to discuss the Preliminary Report. Alternatively, residents can attend one of the evening public forums from 7pm – 9pm. Venues are as follows:

Monday 5th February – Community Hall, Old Homebush Road, Gowrie Junction

Tuesday 6th February – Memorial Hall, Munro Street, Cooyar

Wednesday 7th February – Council Office, Emu Creek Road, Crows Nest

Thursday 8th February – Cultural Centre, O'Brien Road, Highfields

February 19th, 2007 – final date for community comment on Preliminary Report

- **Contacts**

Comments can be provided on the web site www.councilreview.com.au, via email to response@councilreview.com.au, or by post to the addresses below.

Size, Shape and Sustainability
Rosalie Shire Council
PO Box 50
GOOMBUNGEE 4354

Size, Shape and Sustainability
Crows Nest Shire Council
PO Box 35
CROWS NEST 4355

ATTACHMENT A

SSS Sustainability Indicator Scores – Rosalie Shire Council

Indicator	Score (1 – 5)	Vulnerabilities (Score 1 – 2)	Opportunities (Score of 3)	Strengths (Score 4 – 5)
Financial Forecasts	2	*		
Revenue Base	4			*
Rating Capacity	3		*	
Asset Sustainability	3		*	
Levels of Service	3		*	
Human Resourcing	3		*	
Cross Border Use of Council Services	4			*
Service Centre Location & Community Linkages	2	*		
Community Engagement	4			*
Service Coordination & Efficiency	3		*	
Growth Management	3		*	
Decision Making and Management	3		*	
Accountability	2	*		

SSS Sustainability Indicator Scores – Crows Nest Shire Council

Indicator	Score (1 – 5)	Vulnerabilities (Score 1 – 2)	Opportunities (Score of 3)	Strengths (Score 4 – 5)
Financial Forecasts	3		*	
Revenue Base	5			*
Rating Capacity	4			*
Asset Sustainability	3		*	
Levels of Service	3		*	
Human Resourcing	3		*	
Cross Border Use of Council Services	4			*
Service Centre Location & Community Linkages	2	*		
Community Engagement	4			*
Service Coordination & Efficiency	2	*		
Growth Management	2	*		
Decision Making and Management	3		*	
Accountability	2	*		

ATTACHMENT B

Preliminary Assessment of Options for Change – Northern Downs SSS Review Group of Councils

The options for change assessed were:

- Resource sharing through service agreements (RS-SA)
- Resource sharing through joint enterprise (RS-JE)
- Significant boundary change (BC)
- Merger/amalgamation (Merger)

Potential advantages and disadvantages of each option were identified and assessed on a numerical scale, based on the circumstances of the Northern Downs SSS Review Group Councils and the previously identified key issues.

Possible scores were:

- for potential advantages: - 1, 2 or 3 depending on the scale/value of the assessed effect
- for potential disadvantages: - -1, -2 or -3 depending on the scale/value of the assessed effect
- if the effect was assessed as neutral or insignificant: - 0

Before this numerical assessment could be undertaken, it was necessary to determine the potential functional changes for the first two options and boundary change for the third option that would maximise the advantages and minimise the disadvantages i.e. the optimal scenario for gains in the particular circumstances of Rosalie and Crows Nest Shire Councils. The merger/amalgamation option would of course capture all potential net benefits of the resource sharing options as well as of all possible significant boundary changes.

Potential functional changes considered were as follows:

RS-SA (Resource sharing through service agreements):

- works maintenance
- works design and construction management
- plant and equipment management, including workshops
- strategic and town planning
- health and environmental regulation and monitoring
- waste management
- water and sewerage management
- parks and gardens management
- management of community recreation and sporting facilities and programs
- rates calculation, billing and collection
- payroll services
- human resource services
- information technology system development and management
- community services and programs

RS-JE (Resource sharing through joint enterprise):

- works management
- plant and equipment management, including workshops
- strategic and town planning
- health and environmental regulation and monitoring
- waste management
- water and sewerage management
- parks and gardens management

- management of community recreation and sporting facilities and programs
- information technology system development and management
- other community services and programs e.g. libraries
- other commercial business ventures

The only significant boundary change that was considered to have the potential to address any of the key issues in a positive way involved the inclusion of the growth areas at the southern part of both Shires within one Council area e.g. the growth area of Rosalie Shire including Gowrie Junction, Kingsthorpe and West Meringandan being included in Crows Nest Shire could improve growth management and infrastructure coordination in the significant growth areas of the two Shires.

Results of Assessment

Details of the scoring are contained below.

Following the completion of numerical scoring, the relative indication of the value of each change option was obtained by the summation of individual scores.

The scores show that a merger of the two Councils would have a significant advantage over the other options.

Preliminary Assessment of Options for Change –Scoring details

Potential advantages/disadvantages of change options	RS-SA	RS-JE	BC	Merger
<u>Finance and Resources</u>				
Opportunity to achieve economies of scale and scope <i>RS-SA – A few opportunities for service agreements.</i> <i>RS-JE – Few opportunities for joint enterprises.</i> <i>BC – No advantage in a boundary change.</i> <i>M – Maximum advantage to achieve economies.</i>	1	0	0	3
Ability to attract quality & specialist human resources <i>RS-SA – Some advantage for service agreements.</i> <i>RS-JE – Not a huge advantage for joint enterprises.</i> <i>M – A significant advantage will exist.</i>	1	1	N/A	2
Allows a Council to specialise in a particular function/service <i>RS-SA – A slight advantage for service agreements.</i>	1	N/A	N/A	N/A
Potential efficiencies of operating on a fully commercial basis <i>RS-JE – A slight advantage for joint enterprises.</i>	N/A	1	N/A	N/A
Increase in resource base creates a stronger financial structure that spreads financial & business risks <i>BC – No advantage in a boundary change.</i> <i>M – Substantial increase due to increase in rate bases and assets and avoidance of duplication.</i>	N/A	N/A	0	2
Reduction in governance costs <i>M – Significant cost savings involved.</i>	N/A	N/A	N/A	2
Potential difficulty of employees serving two employers <i>RS-SA – Not a huge disadvantage for service agreements.</i>	-1	N/A	N/A	N/A
Requires creation of an additional management structure & separate entity <i>RS-JE – Some disadvantages.</i>	N/A	-1	/A	N/A
Requires injection of working capital into the joint enterprise <i>RS-JE – Will cost money to set up enterprises and in some cases that will be substantial.</i>	N/A	-2	N/A	N/A
Requires direction of the joint enterprise through a joint Council <i>RS-JE – Some disadvantages in direction through joint Council.</i>	N/A	-1	N/A	N/A
Residents exposed to assets/liabilities of other Council <i>BC – No disadvantage in a boundary change.</i> <i>M – No financial trouble with either Council.</i>	N/A	N/A	0	0
Difference in rates between areas <i>BC – No disadvantage in a boundary change.</i> <i>M – Can be solved through differential rating.</i>	N/A	N/A	0	-1
Potential reduction in general purpose component of Financial Assistance Grants <i>BC – No disadvantage in a boundary change.</i> <i>M – Some disadvantage but not a key issue.</i>	N/A	N/A	0	-1

<u>Organisation and Services</u>				
Operating cost savings, reduced duplication, resource utilisation efficiencies <i>RS-SA – Some savings in service agreements.</i> <i>RS-JE – Some savings for joint enterprises.</i> <i>BC – Savings to one Council offset by additional costs to other.</i> <i>M – Maximum savings in a merged situation.</i>	1	1	0	3
Allows Councils to continue differing levels of service <i>RS-SA – No significantly different levels of service exist.</i> <i>RS-JE – No significantly different levels of service exist.</i>	0	0	N/A	N/A
Opportunity for more flexible work practices <i>RS-JE – Some opportunity but not extensive.</i>	N/A	1	N/A	N/A
Increase in customer service focus & management autonomy <i>RS-JE – May be some increase in customer service.</i>	N/A	1	N/A	N/A
Provides a purchaser/provider split <i>RS-JE – Not a huge advantage.</i>	N/A	1	N/A	N/A
Rationalises operating infrastructure eg depots, offices, plant & equipment <i>RS-JE – Some rationalisation of significance but won't be big.</i> <i>BC – Insignificant in a boundary change.</i> <i>M – Not as pertinent in rural areas as urban areas.</i>	N/A	1	N/A	N/A
Addresses cross-border utilisation of Council provided facilities and services <i>BC – A small issue.</i> <i>M – A small issue but not a lot of advantage.</i>	N/A	N/A	1	1
Better basis to manage growth across area involved <i>BC – Significantly better for area involved</i> <i>M – Optimum for Shires.</i>	N/A	N/A	2	3
Opportunity to review customer service & efficiency & effectiveness of operations <i>M – Significant opportunity.</i>	N/A	N/A	N/A	2
Opportunity for improving the promotion of economic development of the area <i>M – Significant opportunities for economic development.</i>	N/A	N/A	N/A	2
Requires implementation of service or partnership agreement with service levels <i>RS-SA – Fairly significant investment in management required.</i> <i>RS-JE – Some disadvantages.</i>	-1	-1	N/A	N/A
Potential for lack of control/priority/contract disputes <i>RS-SA – Contract and priority disputes could be a problem.</i>	-1	N/A	N/A	N/A
Risk of gearing up staff/resources without long term certainty <i>RS-SA – A slight disadvantage.</i>	-1	N/A	N/A	N/A
Requires separate organisational structure with own reporting & compliance costs <i>RS-JE – Could be a disadvantage.</i>	N/A	-1	N/A	N/A
Costs of integrating relevant parts of the two Councils' operations <i>RS-JE – Some costs but not high because of our size.</i> <i>M – Some costs but not significant under circumstances that exist.</i>	N/A	-1	N/A	-1

Difficulties of integrating two Council cultures and disruption during implementation <i>RS-JE – Insignificant.</i> <i>BC – Some disruption during implementation.</i> <i>M – Significant disruption in a merger.</i>	N/A	0	-1	-2
Requires identification and adjustment for current community service obligations <i>RS-JE - Not a significant issue</i>	N/A	0	N/A	N/A
<u>Community and Representation</u>				
Can formalise communities of interest that are currently divided by boundaries <i>BC – A slight advantage in a boundary change.</i> <i>M – With some developments there is some advantage.</i>	N/A	N/A	1	2
Larger population base can increase political lobbying power <i>M – Not of great significance.</i>	N/A	N/A	N/A	1
Opportunity for fulltime Mayor/Councillors with increased population & revenue base <i>M – A good thing for community with full time Councillors but precludes some people from office.</i>	N/A	N/A	N/A	2
Concerns over lack of control of service provided by another Council <i>RS-SA – Concern to community a big issue.</i>	-1	N/A	N/A	N/A
Loss of direct control by Councillors over shared operations <i>RS-SA –Concerns for recipient Councillors</i> <i>RS-JE – Some concern for all Councillors</i>	-1	-1	N/A	N/A
Increased number of electors per Councillor dilutes levels of representation <i>BC – No disadvantage in a boundary change.</i> <i>M – Not a real issue given the size of Rosalie/Crows Nest.</i>	N/A	N/A	0	0
Smaller communities may lose locally based representation <i>M – Smaller community issue – will feel some disadvantage.</i>	N/A	N/A	N/A	-1
TOTALS	-2	-1	3	21

- Key:**
- RS-SA = Resource Sharing through Service Agreements eg payroll services, planning, works maintenance, human resources
 - RS-JE = Resource Sharing through Joint Enterprise eg works construction and maintenance
 - BC = Significant Boundary Change eg southern Rosalie to Crows Nest
 - Merger = Merger or amalgamation of Councils

- Scoring:**
- Neutral/Insignificant 0
 - Advantageous 1, 2 or 3
 - Disadvantageous -1, -2 or -3

ATTACHMENT C

Detailed Analysis of Merger Option Technical Assessment by Orion Consulting Network

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1. Finance and Resources

1.1 Rosalie Shire Council Financial Sustainability

The Queensland Treasury Corporation (QTC) has set a financial sustainability rating for Rosalie Shire Council (RSC) of "Weak" with a positive outlook. While a Weak rating has been assigned, the QTC acknowledge that Council's financial position is a borderline Moderate.

QTC defines 'Weak' as "a local government with an acceptable capacity to meet its financial commitments in the short- to medium-term and a limited capacity in the long-term. It is unlikely to be able to manage unforeseen financial shocks and any adverse changes in its business and in general economic conditions without the need for significant revenue or expense adjustments. It may experience difficulty in managing core business risks."

QTC defines a 'Positive Outlook' as follows: "as a result of a foreseeable event or circumstance occurring, there is the potential for enhancement in the local government's capacity to meet its financial commitments (short and/or long-term) and resultant change in its rating. However, it does not necessarily indicate that a rating change may be forthcoming."

QTC stated: "The rating outcome has been primarily constrained by insufficient rates revenue (general rates charges ranks the third lowest in Queensland) to recoup all of Council's operating expenses (including depreciation). In addition, Council has experienced a reduction in its General Purpose - Financial Assistance Grants. The combination of the above has led to an increased dependence on external revenue sources to support Council's operations. This has reduced its financial flexibility and impacted upon Council's ability to invest and maintain its infrastructure in a timely manner. Council's management and staff are to be commended for working within these financial constraints to provide services with limited resources. We assigned a Positive outlook for the next two-year period as management has forecast an improvement in its operating capacity and have sufficient flexibility to increase general rates. This would improve Council's ability to withstand financial shocks in an escalating cost environment."

In addition, QTC made the following comments with regard to general rates:

"Real increases in general rates for ratepayers equate to 2.9 per cent per annum, after CPI (3 per cent) and population growth of 1.7 per cent per annum. General rates per property are historically 40 per cent below comparable RAL Local Governments.

Council forecasts 29 per cent real growth in general rates over the over forecast period FY2006 to FY2016. It should be noted that this is sufficient to produce operating surpluses by the year FY2012 whilst still being below comparable local governments in the Rural Agricultural Large (RAL) group. However, it is not enough to negate larger operating deficits from FY2007 to FY2011.

Following review by the Grants Commission, contributions from grants, donations and subsidies are forecast to fall by 6.1 per cent in FY2008. After this period revenues from this source are expected to remain stable over the forecast period increasing on average by 2.5 per cent per annum. [The Grant Commission's FY2004/05 report notes that under the previous grants methodology from 1994-95 to 2002-03 Rosalie experienced above state average grant increases. The phased-in reduction in grants for Rosalie will be completed by FY2008.]"

1.2 Crows Nest Shire Financial Sustainability

The Queensland Treasury Corporation (QTC) has set a financial sustainability rating for Crows Nest Shire Council of "Moderate" with a developing outlook.

QTC defines 'Moderate' as "a local government with a high capacity to meet its financial commitments in the short to medium term and an acceptable capacity in the long term. It is expected to be able to manage unforeseen financial shocks and any adverse changes in its business and in general economic conditions with minor to moderate revenue or expense adjustments. Its capacity to manage core business risks is acceptable".

QTC defines 'Developing' as "a current situation exists that could have a direct impact (positive or negative) on the financial sustainability of a local government but the impact of that situation is uncertain".

According to the QTC "moderate rating primarily reflects Council's ability to meet all its financial obligations whilst strengthening its cash position. Council has maintained and improved its existing services to ratepayers. The rating is primarily constrained by Council's inability to generate sufficient operating revenue to meet all operating expenses. A developing outlook has been assigned for the next two-year period given a significant capital program, review of the Borneo Barracks location, and likely significant upward asset revaluation, circumstances which would directly affect Council's financial sustainability."

1.3 Rate Levels

As noted by QTC, Rosalie has very low rates compared to all other comparable Councils and groups, and their general rates are the third lowest in the State. As will be seen in relation to grants and the QTC Financial Sustainability Review, the current level of Rosalie rates is not financially sustainable. Moreover, the Shire's cost-structure contains some factors that make Rosalie a more expensive area to service than most comparable Councils. This includes black soil conditions that reduce road and pipe lives and therefore greatly increases Council operating and replacement costs. In addition, the numerous small townships create diseconomies of scale in service provision and duplication of facilities. Therefore, Rosalie Shire Council's low rate status cannot be justified by its cost-structure and is detrimental to its financial sustainability.

Although Crows Nest rates are about 45 percent higher than Rosalie, Crows Nest still has relatively low rates compared to other comparable Councils and groups.

1.4 Benchmarking Analysis

The following analysis is a comparison of Rosalie and Crows Nest Shire Councils with comparable Councils. The data is sourced from annual returns provided by each Council to the Department of Local Government Planning Sport and Recreation (DLGPSR), with the most recent publication being for 2004/05 results. The analysis looks at a range of indicators for corporate overheads and each major function.

For each indicator, Rosalie and Crows Nest have been compared with a simple averaging of both Councils (ND or Northern Downs Review Group Councils) as well as comparable Councils and groups of Councils, as follows:

Burnett Shire (BSC)

Burnett was a merger of Woongarra and Gooburrum Shires in the mid-1990's. It currently has a population of nearly 30,000 and is on the fringe of Bundaberg City, albeit with a very different nature of development. In this regard, Burnett is a good benchmark for a combined Rosalie and Crows Nest Shire that will have a similar urban/rural mix and will grow towards Burnett's population in the near future. Moreover, since it was created as a result of a merger of two smaller Councils it provides an excellent case study for a merged Rosalie and Crows Nest.

Livingstone Shire (LSC)

Livingstone also has a similar composition to a combined Rosalie and Crows Nest Shire with a population approaching 30,000. It is also close to a major city (Rockhampton) but with a different type of development. Livingstone has a number of townships such as Marlborough and some urban areas adjacent to Rockhampton.

Maryborough City (MCC)

Maryborough has also been included for comparison since it has a population in the high 20,000's and has a mixed urban and rural population. It is also close to a major growth City (Hervey Bay City Council). However it is an older city with urban development and a traditional CBD, making it less comparable to a merged Rosalie and Crows Nest Shire.

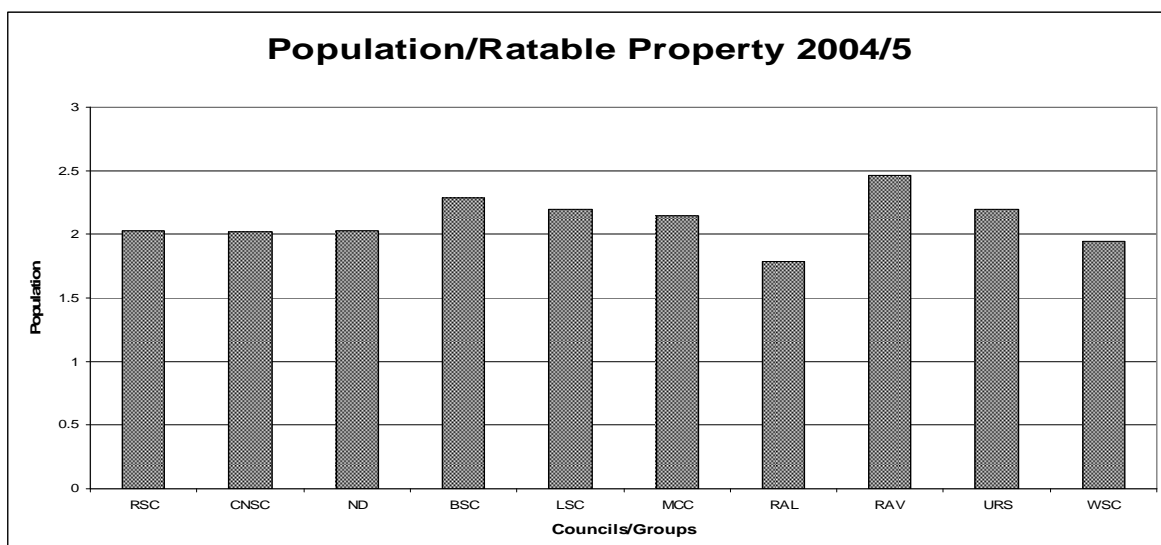
Warwick Shire Council (WSC)

Warwick has been included for comparison since it was also a merger of Councils in the mid-1990's, and has a population in the low 20,000's. However, like Maryborough, it has a tightly settled urban centre with a traditional CBD.

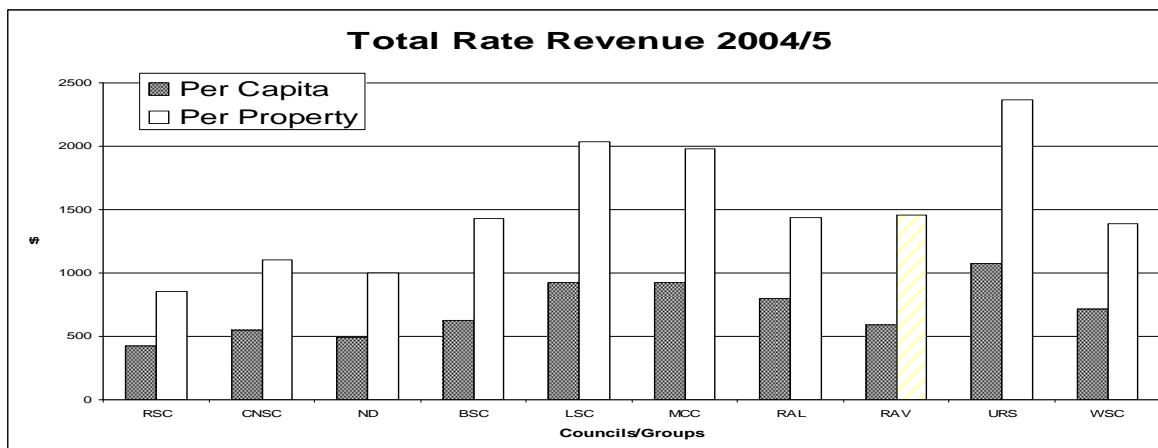
1.5 Other Comparisons

The benchmarking analysis (see **Figure 1-1** and **Figure 1-2**) also compares Rosalie, Crows Nest, and a merged Northern Downs Review Group Council with the Local Government classification groups to which these Councils currently belong or would belong if merged. Rosalie is currently part of Rural Agricultural Large (RAL) and Crows Nest is part of Rural Agricultural Very Large (RAV). However, the population limit for RAV is 20,000, therefore a merged Rosalie and Crows Nest would be likely to be incorporated in Urban Regional Small (URS) or Urban Fringe Small (UFS).

- **Figure 1-1 Population per Rateable Property**



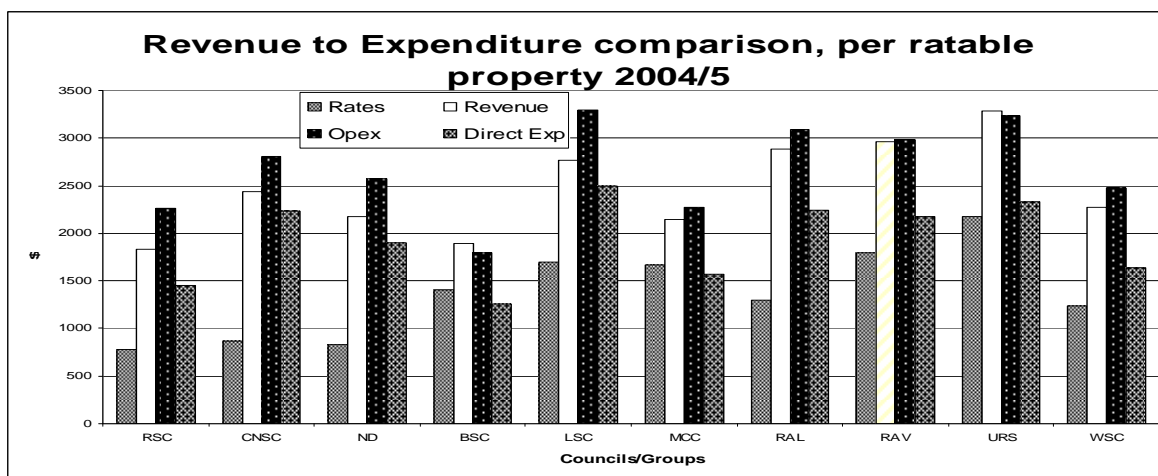
• **Figure 1-2 Total Rate Revenue per Rateable Property**



1.6 Revenue and Cost Structures

Figure 1-3 compares the main elements of each Council’s revenue and cost structure. A particularly useful comparison is between rate revenue and direct operating expenses (i.e. excluding interest and depreciation costs). It is prudent to ensure that rates at least cover the direct operating expenses, as occurs in Burnett and Maryborough. However, both Rosalie and Crows Nest have rate incomes well below the level of direct operating expenses. This means they are more reliant on external revenue and this affects their long-term financial sustainability.

• **Figure 1-3 Revenue to Expenditure Comparison, per Rateable Property**



1.7 Grants

Figure 1-4 shows that the difference in rate levels between Rosalie and Crows Nest Shires is attributable to the higher level of grants received by Rosalie Shire Council. Even though Rosalie Shire has lower rates than Crows Nest Shire, the total of rates and grants for Rosalie Shire is higher than Crows Nest Shire’s, but Rosalie has a much higher proportion of grants than Crows Nest and therefore has had less need to increase rates.

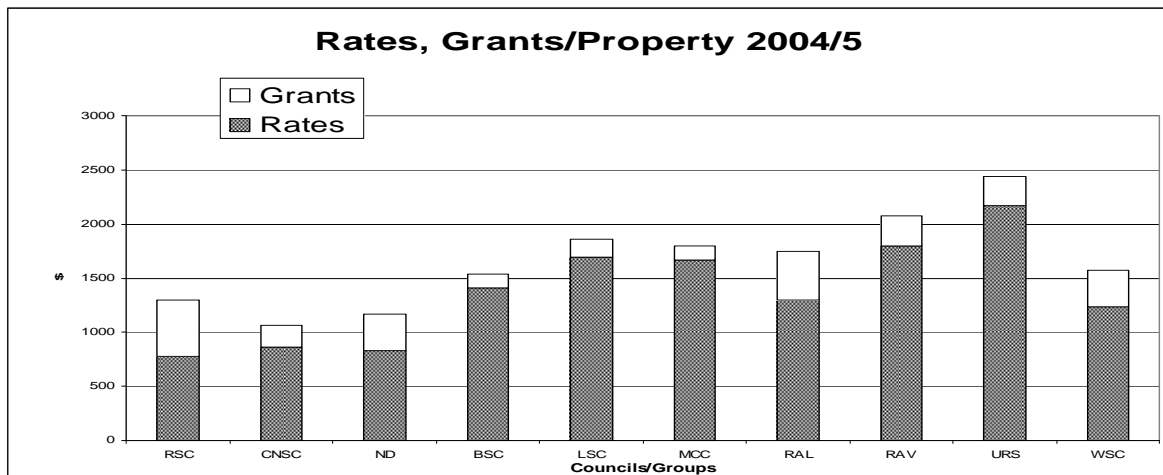
However, this issue is a major cause for concern. The 2004/05 Annual Report by the Queensland Local Government Grants Commission (pg20) which stated:

“The Commission limited the reduction of Grants to the councils of Broadsound, Clifton and Rosalie as they would have the greatest relative decrease in Grants.

The Commission considered the reductions to be too high for the councils to reasonably absorb in one year. It was predicted in the Methodology Review Final Report of January 2003 that each of these councils would receive lower Grants under the new methodology. The three councils also experienced above state average percentage Grant increases under the previous methodology from 1994-95 to 2002-03. By limiting the annual Grant reductions for these councils the Commission has extended their phase-in period."

This indicates that Rosalie's rates will need to increase to a higher level, closer to those of Crows Nest, unless costs can be reduced significantly.

• **Figure 1-4 Rates, Grants per Rateable Property**

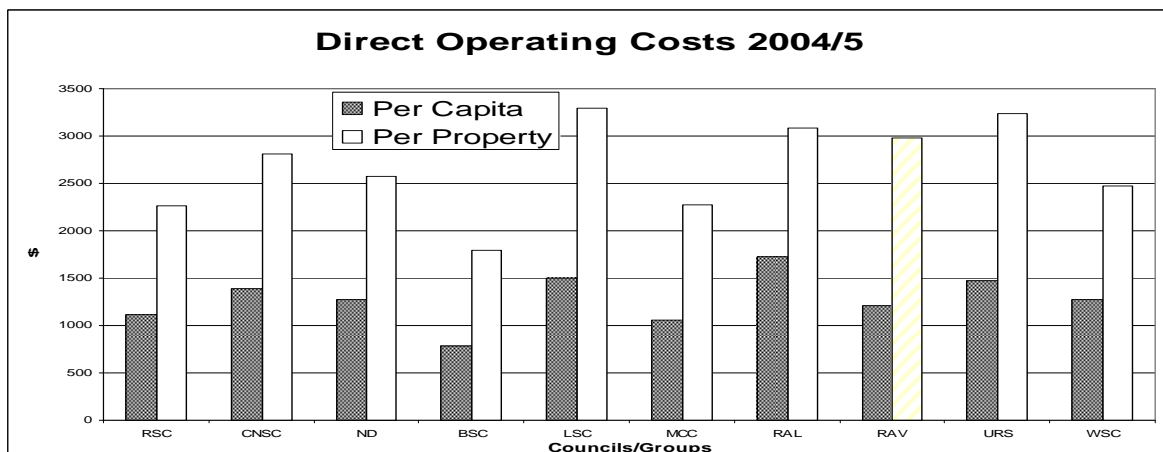


1.8 Direct Expenses

Figure 1-5 shows the level of direct expenses in comparable Councils and groups. Direct costs refers to Council operating costs excluding interest costs and depreciation. This shows that Rosalie has relatively low direct costs while Crows Nest's are relatively high. As will be shown in the following figures, much of this can be explained by different levels of service and recoverable works.

If a merger occurs there will be a range of implementation costs. The extent of these costs depends on Council decisions. Implementation costs would be eligible for a 50 percent subsidy under the Regional Collaboration and Capacity Building Program (RCCBP). These costs are addressed in more detail in Section 2.

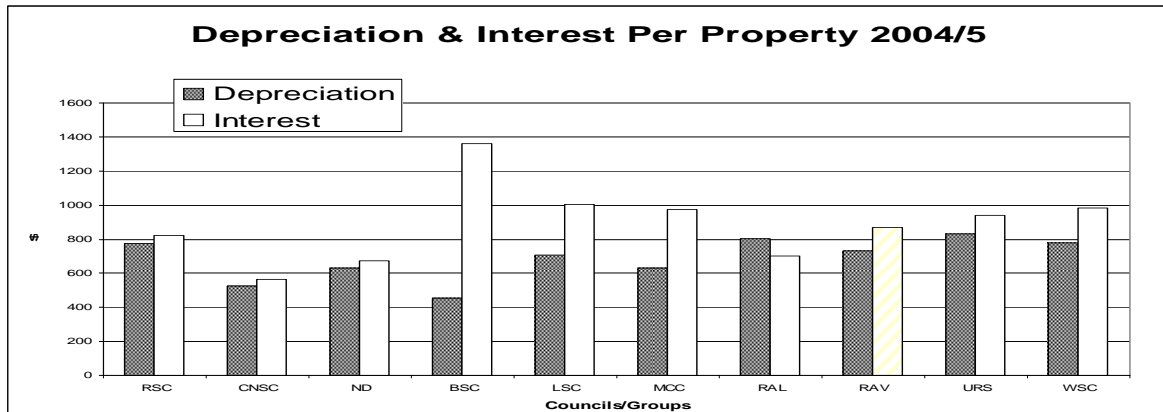
• **Figure 1-5 Direct Operating Costs per Rateable Property**



1.9 Interest/Depreciation

The previous **Figure 1-5** looked at differences in direct costs, while **Figure 1-6** looks at the remaining operating costs, namely depreciation and interest. This shows that while Rosalie has lower direct costs than Crows Nest, it has much higher depreciation expenses. This is likely to be due to the significant road network managed by Rosalie Shire, compared to its lower number of rateable properties, and the black soil conditions which cause faster deterioration of roads than the red soil which predominates in Crows Nest Shire. These factors are not likely to be affected by any structural change. However, it indicates that the underlying cost structure warrants rate levels, which are more consistent with similar Councils.

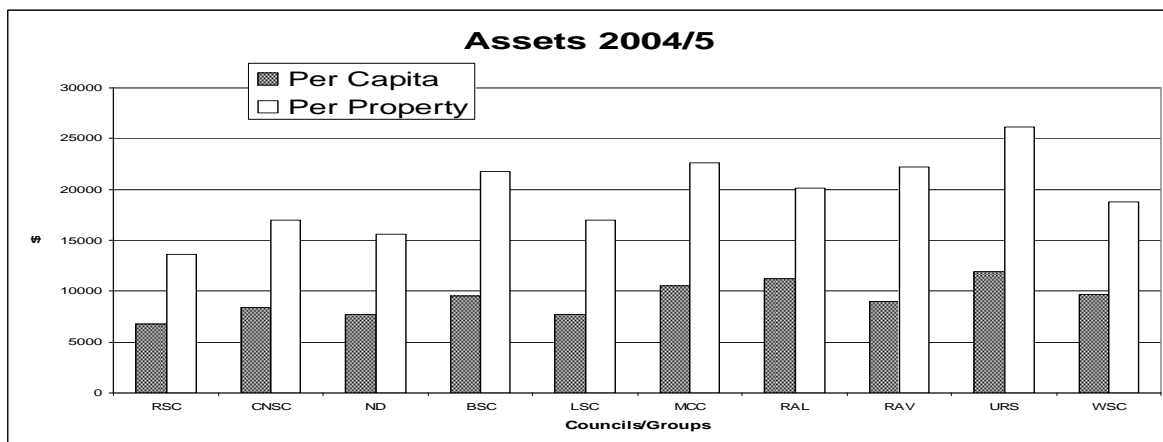
• **Figure 1-6 Depreciation & Interest Per Rateable Property**



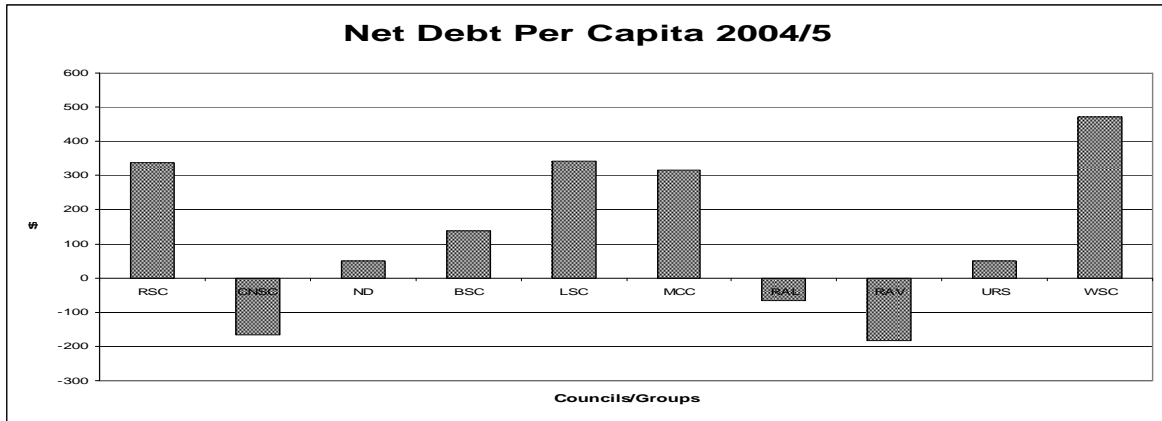
1.10 Assets

The following graphs (see **Figures 1-7 to 1-10**) compare the written down asset values, debt levels and asset related costs (such as debt and operating costs). The difference in value of assets of Rosalie and Crows Nest is affected by the higher level of investment by Crows Nest in urban facilities, such as water, sewerage and community facilities. Crows Nest also has net financial assets rather than net debt, mainly because of the additional developer contributions held, and Rosalie's more constrained revenues. Both Councils have similar operating costs as a ratio of their assets, but Crows Nest has less relative debt on its assets.

• **Figure 1-7 Assets (WDV) per Rateable Property**



• **Figure 1-8 Net Debt Per Capita**



• **Figure 1-9 Operating Expenses & Debt as a Proportion of Asset Value (WDV)**

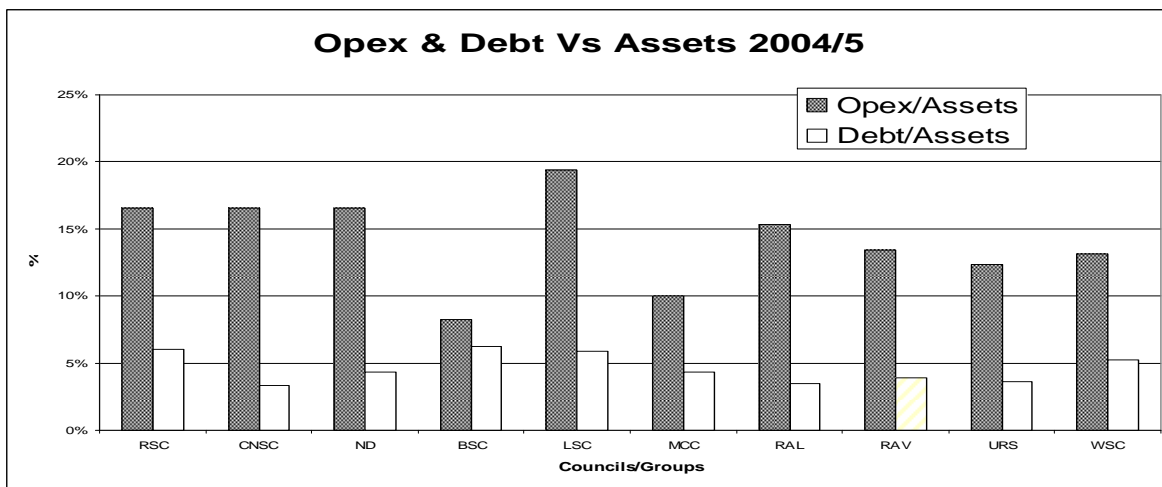
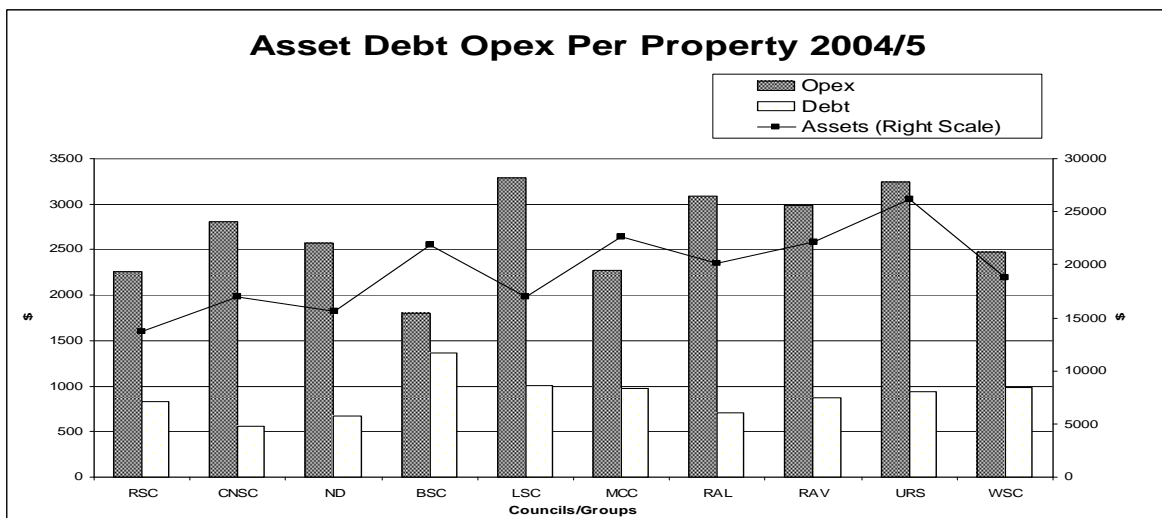


Figure 1-10 combines the previous graphs (see Figures 1-7 to 1-9) to give an overall picture.

• **Figure 1-10 Asset Value (WDV), Debt & Operating Expenses per Rateable Property**



1.11 Council Facility Requirements

Rosalie currently has a depot and workshop at Goombungee, while Crows Nest has its main depot in Crows Nest township. Each Council has its main office and Council Chambers in the same towns. Crows Nest also has an office presence and other Council facilities in Highfields, which is its growth centre.

If the Councils merge, these facilities can be rationalised and improved. From an operational perspective, the ideal location for the depot and workshop for now and into the future would be the geographic centre of the road network, making Goombungee an ideal location. This would allow the Crows Nest depot to be closed, since it is under-sized and in a residential area.

Rosalie has ample room to expand its depot and workshop facilities, which would be required to service the combined area. This might be able to be funded from the RCCBP funding (50%) and the Council's contribution could come from the sale of the Crows Nest Shire depot site. The value of the land if subdivided into housing blocks could yield up to \$500,000, depending on the cost of rehabilitating the site and subdivision costs. Much of the depot facilities could be relocated to Goombungee. Therefore, up to \$1 million might be available to develop a very efficient and effective operations centre in Goombungee without the need for debt or rate funding.

Rosalie also has some small depots in a few townships but this is unlikely to need to change.

Crows Nest has an office in the Highfields Cultural Centre and this should be retained while the Council Chambers is not in the main populated area. If the Goombungee office were converted into the Operational Centre of a merged Shire, the Council chambers and administrative centre for a new Council would be best located in the current Crows Nest Shire offices in Crows Nest.

It could however be sensible to locate the Development Services Department in the southern growth area as soon as possible after a merger. This is where most of the development activity is occurring and the move would provide improved responsiveness and customer service. Similarly, the water and sewerage operations naturally focus on the southern growth area and would be better relocated to that area.

These and other implementation costs identified in Section 2 would be eligible for 50 percent subsidy under the RCCBP Program.

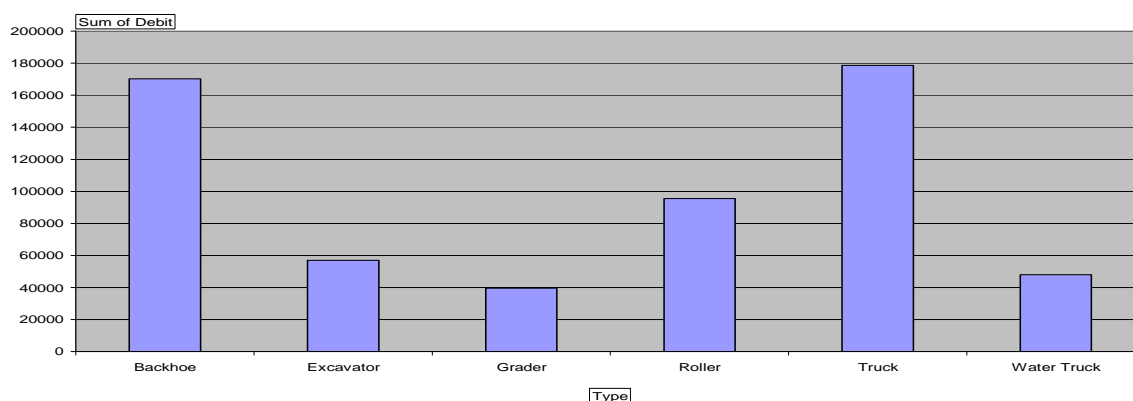
1.12 Plant and Fleet Rationalisation

The two Shires have different approaches to managing their plant and equipment. Rosalie Shire has a more traditional approach, whereas Crows Nest Shire has a more sophisticated process which aims to maximise plant utilisation. This is supported by its Enterprise Agreement, which virtually eliminates overtime costs and encourages better plant usage. In addition, Crows Nest keeps its plant levels to a minimum to avoid becoming dependent on variable external works. Therefore it uses around \$600,000 per year of external plant hire on major plant items, as shown in **Figure 1-11**.

● **Figure 1-11 External Plant Hire**

Type2 (All)

External Plant Hire 1 July 2005 to 30 June 2006



An analysis of Council plant data reveals around \$1.5 million (Written Down Value) of plant, which has usage below the benchmark 1200 hours per year. If utilisation could be increased to benchmark levels, up to \$500,000 in annual operating costs could be saved. Subject to a well developed plant scheduling process, much of these savings could occur through reducing the level of external plant hire.

These savings, however, would require application of a process based on the current CNSC plant programming systems and practices.

1.13 Summary of Advantages and Disadvantages

Advantages

The QTC Financial Sustainability Reviews showed that Rosalie has a weak financial status with a positive outlook, while Crows Nest has a moderate financial status with a developing (uncertain) outlook. A merged Council is likely to be financially stronger than the current two Councils.

There are likely economies of scale from a merger (refer Organisation and Services section), commencing at around \$200,000 p.a. increasing to \$2 Million p.a. after 20 years.

There are potential savings in plant costs of around \$500,000 through integrated works management improved plant utilisation and reduced external plant hire.

The merger will not require rates to increase, but existing rates in Rosalie are below the full cost of providing the services and replacing assets. This is predominately due to reductions in financial assistance grants that previously offset the need for large rate increases. A merger should reduce the extent of these rate increases and allow them to be phased in over a longer period of time.

Both Councils have reasonable debt levels, which should not cause implementation issues.

Disadvantages

Financial assistance grants will be capped for 4 years but could reduce by \$200,000 to \$300,000 p.a. after that unless the methodology is changed.

There will be implementation costs associated with a merger. The extent of these costs will depend on Council policies and are addressed in the next section. Implementation costs would be eligible for 50 percent subsidy from the Government.

Risks

The experience of mergers in Queensland shows that there is a risk that service levels and associated expenses will increase due to community pressure to equalise services to the highest current standard. This is addressed in the next section.

2. Organisation and Services

2.1 Council Employment

2.1.1 Staffing Levels

A commonly claimed advantage of mergers of Local Governments is the potential for reduced costs through economies of scale, particularly in relation to corporate overheads. Unfortunately, statewide information is not published for corporate overheads (General Public Services) in Queensland Local Government. However, employee levels are published by DLGPSR (2004/05). As the number of employees is a key cost-driver in Local Government, any economies of scale will be important.

- **Figure 2.1 Employees Per 100 Population to Population**

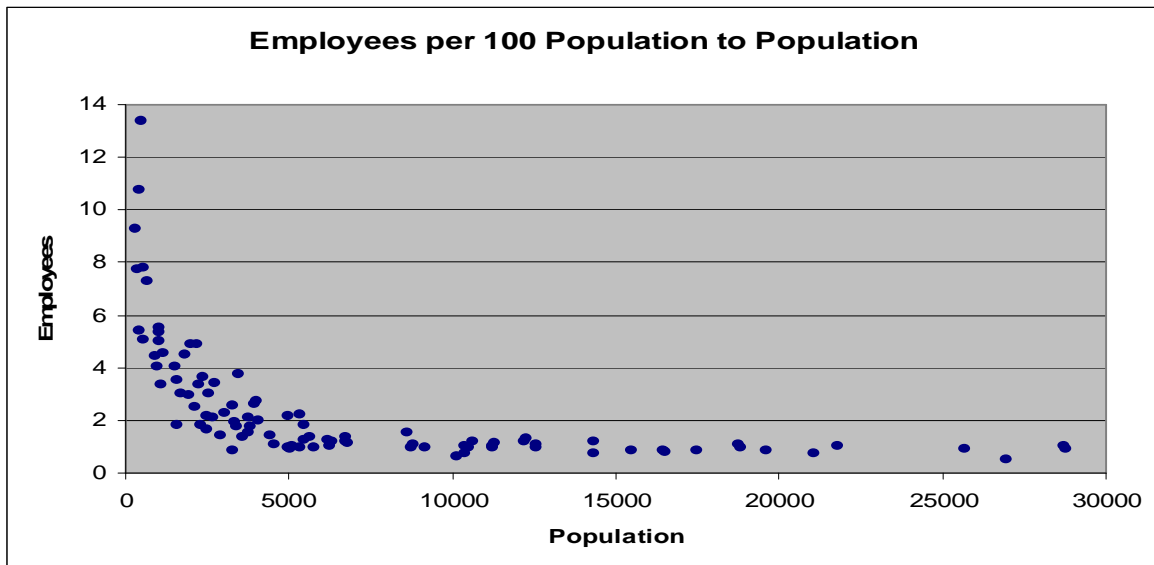
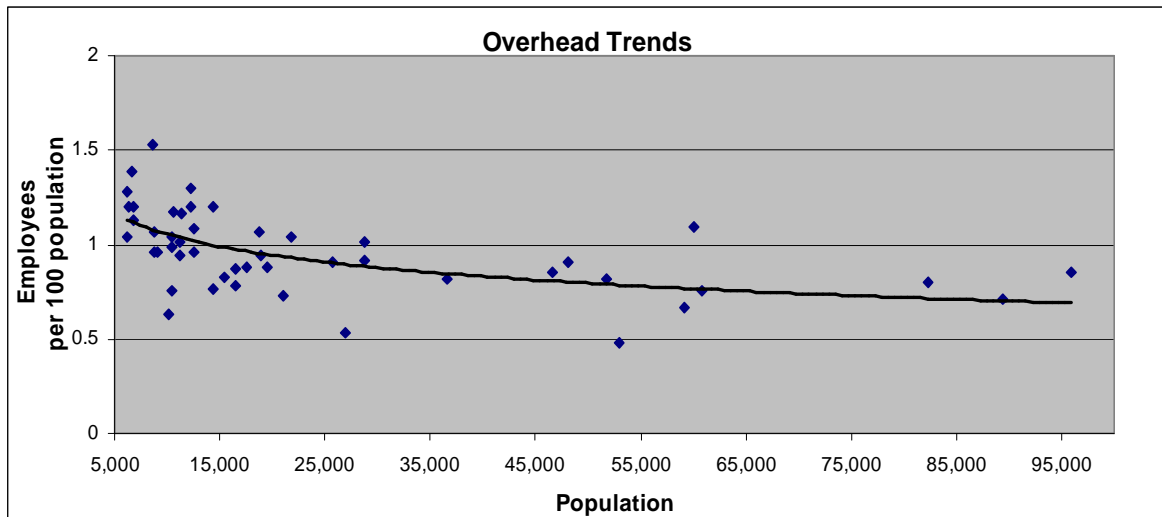


Figure 2.1 shows that there are significant economies of scale especially in the first 5,000 population range.

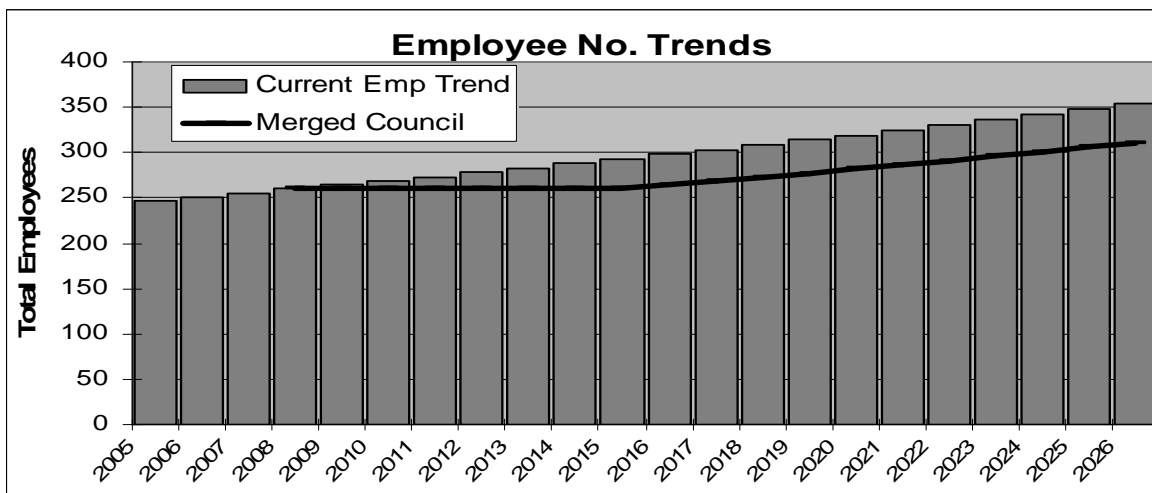
Figure 2.2 focuses on the population range of 6,000 to 100,000 and shows that employee economies of scale still exist in this range. The two higher results after 80,000 and one at around 60,000 could indicate potential diseconomies above that population range. However, all of these Councils are major regional centres (Rockhampton, Mackay and Toowoomba) which service a greater daily population and commercial sector than other Councils. Therefore, employee economies of scale still appear to exist at least up to the 100,000 population level.

• **Figure 2.2 Overhead Trends**



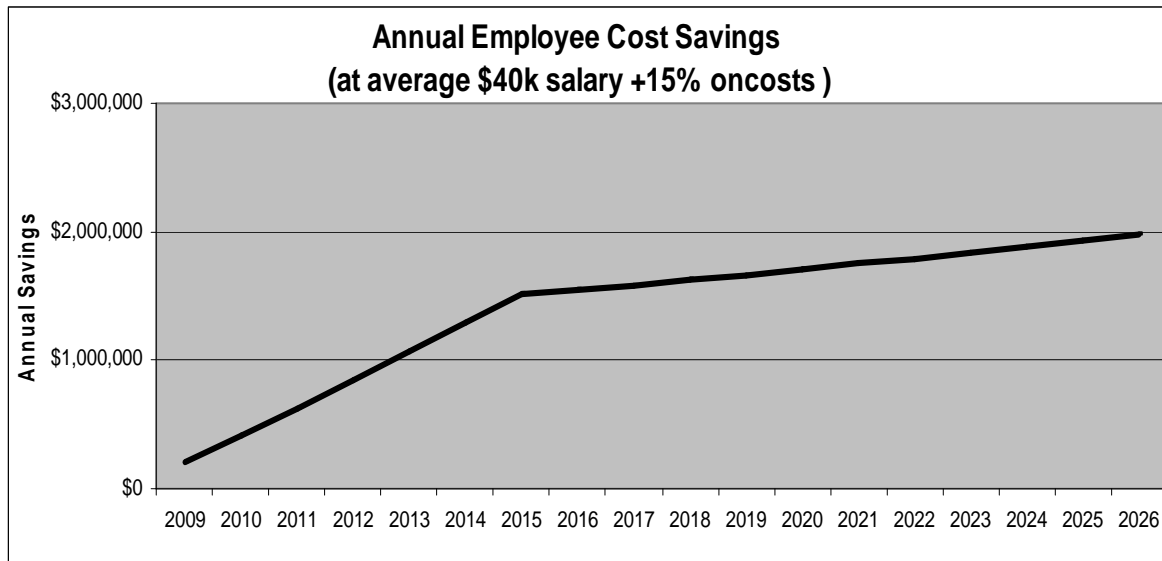
Based on the trendline in this chart, a combined Rosalie and Crows Nest Shire should be able to manage with reduced employee numbers compared with their combined levels. However, it will take several years before any merger would be completed. If a merger commences in 2008, these employee levels should be able to be held for around two years before growing again. However, future growth would be at a lower rate than for two individual Councils due to the economies of scale, and would have a cumulative effect. Based on a projected population of 25,000 for the combined area by around mid-2008, the combined Shire could be expected to operate with fewer employees than the two individual Councils. Once the merger is implemented, employee numbers would be able to be six percent below the current trends, and this could increase up to 12 percent by 2026 when the population would be approaching 34,000 (PIFU Medium series). Changes in population growth would affect these savings, with lower growth providing less savings, and faster growth generating more savings (as the fixed costs are spread over a greater population).

• **Figure 2.3 Employee No. Trends**



In dollar terms, this would provide considerable savings to the community. Current average salaries for both Councils are around \$40,000, plus superannuation and other overheads. Once the merger is implemented, this could provide \$200,000 in annual savings, increasing to \$2 Million per year by 2026, as demonstrated in the following graph.

• **Figure 2.4 Annual Employee Cost Savings**



However, extreme caution is needed in interpreting these savings. The savings are based on providing the same level of service and expertise as currently exists in the two Councils and applies the apparent economies of scale in other Councils in the forecast population range. However, it would be normal for Councils to apply much of the savings to increased service levels, additional functions and improved organisational capacity. In addition, the analysis below shows that the middle-management/specialist levels in both Councils appear under-resourced and some of these savings should be applied to developing this part of a merged Council. Offsetting the use of some of the savings in this way could generate other benefits to a new Council, by improving specialist advice to Council (eg. asset management etc), improving organisational performance, and reducing the need to hire in specialist skills.

• **Figure 2.5 Workforce Age Profile**

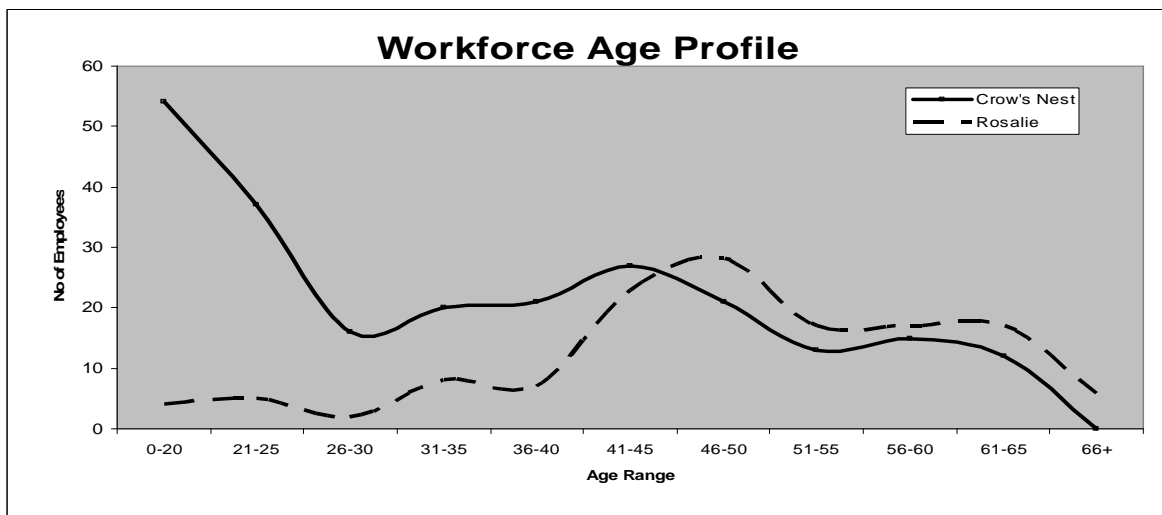


Figure 2.5 compares the age profile of the two Shires. The clear difference is that Crows Nest Shire has a relatively younger workforce than Rosalie Shire. However, both Shires have a high number of people approaching retirement. This means that, combined with the growth in the area, there should be no need for forced redundancies to achieve the potential economies of scale.

- **Figure 2.6 Salary Distribution Pyramid**

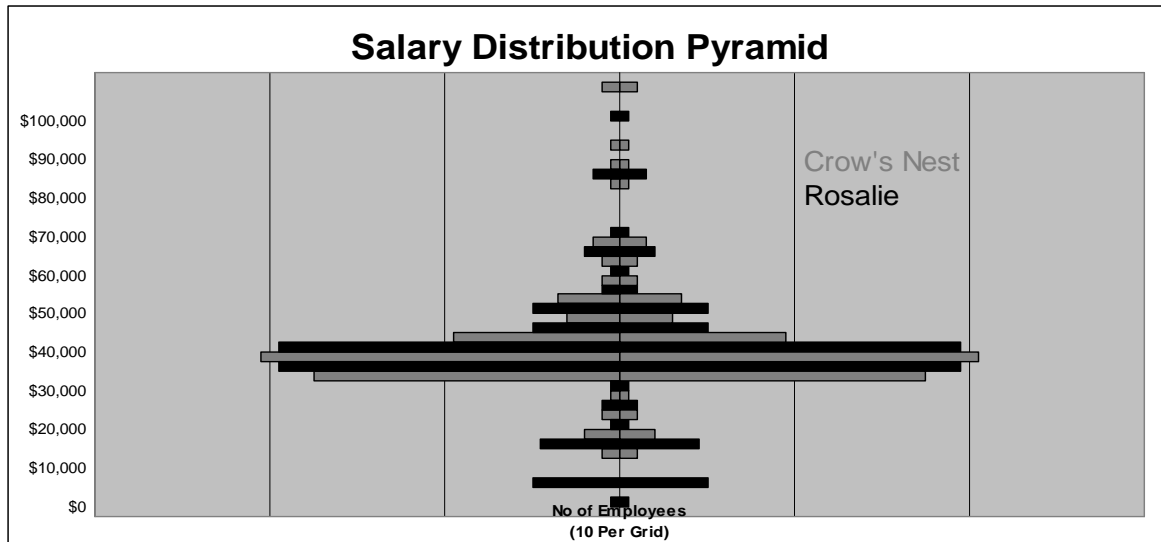


Figure 2.6 looks at the number of employees in \$5,000 salary ranges, and gives a picture of the 'shape' of each organisation. It shows that there is little difference in the 'shape' of both Councils; however, both Councils could be overly constrained in the lower and middle management and professional levels (salary range \$40,000 to \$60,000). This can be detrimental to organisational capacity, since front line supervision is limited and there are limited specialists to advise Council. A merger of the two Councils provides the opportunity to strengthen the middle management levels by applying some of the savings from reducing duplication into additional middle manager positions. Therefore, the later analysis of the organisation structure will take this into account. As noted above, there are potential economies of scale from a merger, and part of these savings could be applied to strengthening the middle management/professional component of a new Council.

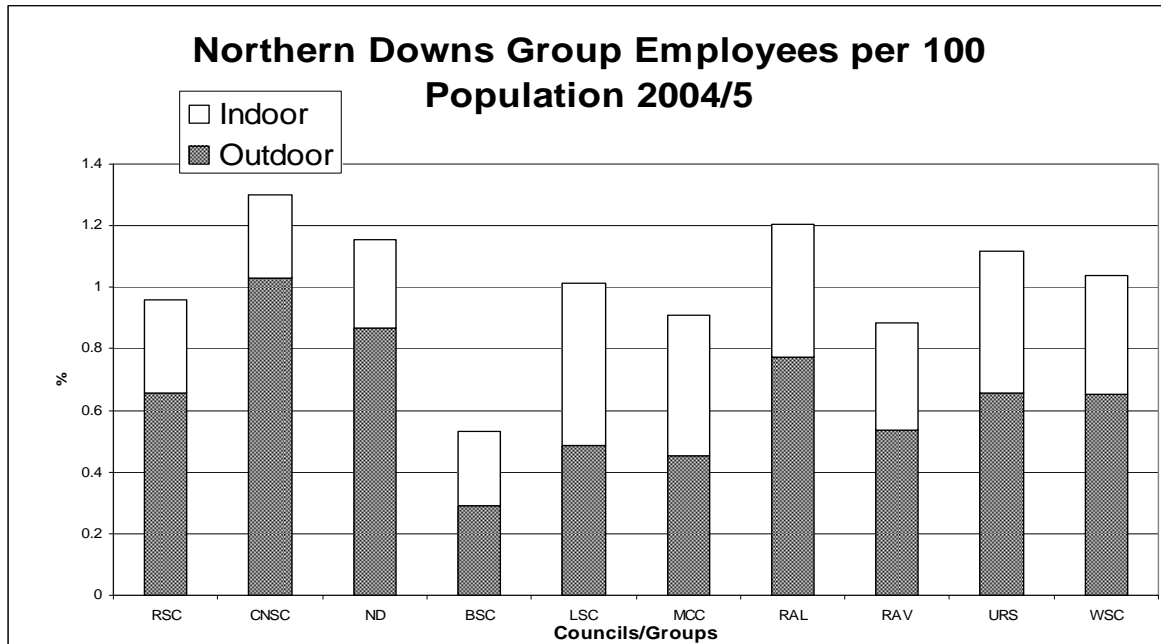
2.1.2 Employees

Figure 2.7 shows a comparison of Rosalie and Crows Nest Councils with similar types of Councils. Indoor staff refers to employees on the Federal Award and gives an indication of the level of overheads and professional staff. Outdoor employees refers to those on the State Award and gives an indication of employees providing direct services in the Shire, such as roads and parks. The above comparison shows that Rosalie has a lower outside employees per capita ratio, but slightly higher inside employees per capita. Rosalie's outside workforce ratio is around the average level for comparable Councils, but well above that of Burnett (BSC) and Livingstone (LSC). This indicates potential for economies of scale. Crows Nest's ratio is even higher, probably due to the higher level of services provided in its urban areas.

In relation to indoor employees, both Rosalie and Crows Nest have lower ratios than all comparable Councils other than Burnett. Livingstone and Maryborough have higher levels due to the additional professional services provided by those Councils. For example, Livingstone has greatly expanded its community services (although this has been scaled back since these figures were collated).

This information needs to be considered together with the next few graphs before a full analysis can be made.

• **Figure 2.7 Employees per 100 Population**



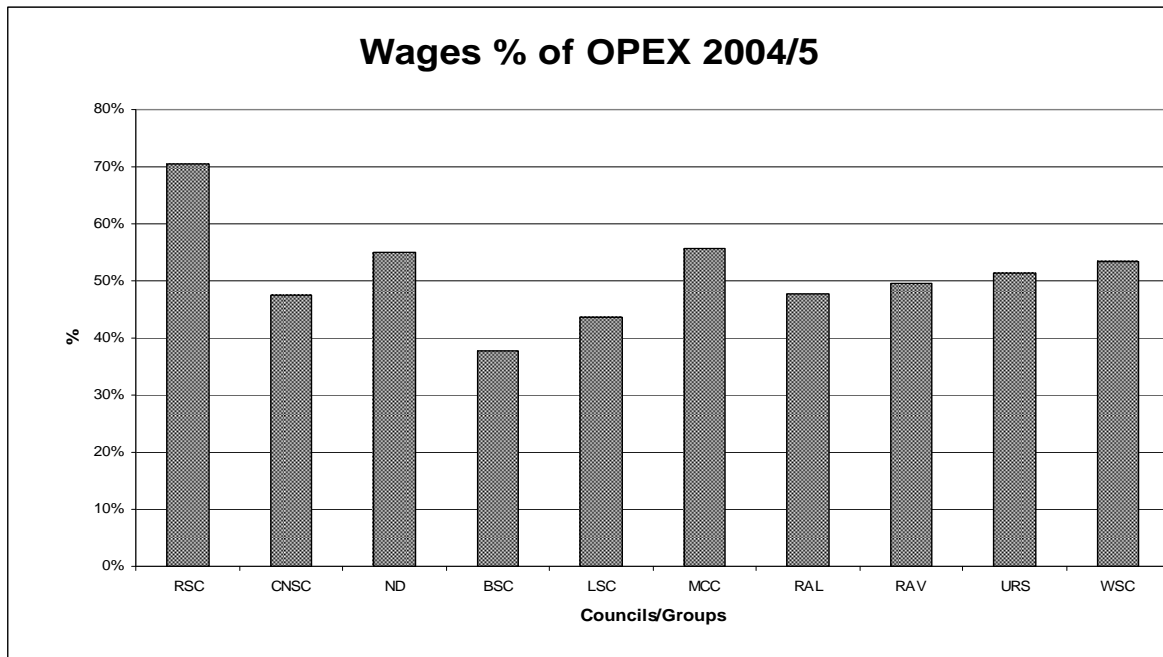
2.1.3 Salaries and Wages

Figure 2.8 shows the proportion of operating expenses that come from salaries and wages. It gives an indication of the level of Council provided services, versus those outsourced to other providers. Across Local Government in Queensland, the average is around 50 percent. Crows Nest's proportion is similar to that of comparable Councils and the Queensland average. Rosalie has a much higher proportion of day labour services than other comparable Councils. Burnett Shire has a lower level of day labour (i.e. more outsourcing), which would partly explain the reason it shows lower employee ratios in Figure 1. As we shall see later, Burnett has much less road responsibility per rateable property, which also helps reduce its expenditure and employment levels.

The higher proportion of day-labour in Rosalie compared to Crows Nest could cause cultural change issues that would need to be addressed by a merged Council.

There are also differences in the Enterprise Agreements (EA) between the Councils both in terms of conditions and salary levels. Generally Crows Nest salary levels are around five percent higher than Rosalie, however Crows Nest has negligible overtime costs due to the nature of its EA. Therefore, it may be possible to negotiate a new agreement for a merged Council that combines the best features of both and maintains the overall cost structure increases within comparable industry trends.

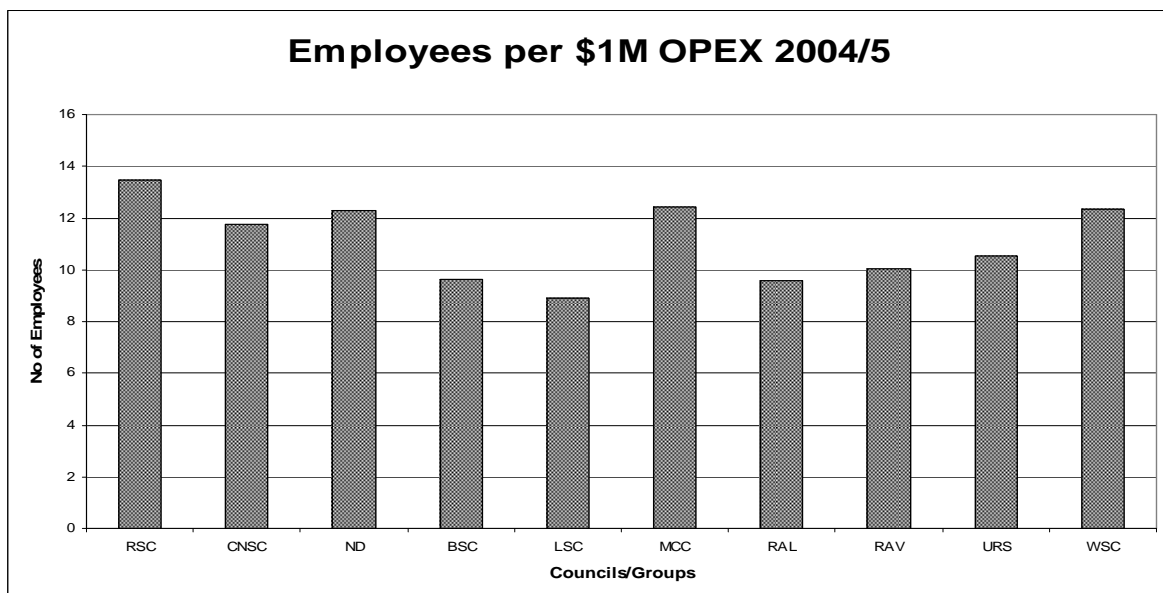
• **Figure 2.8 Wages % of OPEX**



2.1.4 Day Labour/Outsourcing

Figure 2.9 also shows that Rosalie has a higher proportion of salaries and wages as a proportion of its total costs than Crows Nest, again indicating that it is more day-labour oriented than Crows Nest, although this graph shows a smaller difference between the Shires than Figures 2.7 and 2.8.

• **Figure 2.9 Employees per \$1M OPEX**



2.2 Organisation Structure

Rosalie Shire Council currently has an organisation structure with four Departments, however one of those Departments has dual Managers in charge. The Departments and Managerial responsibilities are as follows:

- Manager, Corporate Services

- Community Services
 - Manager, Development Services
 - Manager, Environmental Services
- Water and Sewerage Services
- Manager, Engineering Services

In addition, the following functions report directly to the CEO (primarily dealing with emerging responsibilities until they are mainstreamed into other Council operations):

- Community Development Officer
- Industry Development Project Officer
- Other functions:
 - Governance
 - Corporate Policy
 - Civic and ceremonial
 - Counter Disaster Planning'
 - Corporate and Operational Planning
 - Community consultation
 - Media Liaison
 - Legal
 - Other Shire promotion/development activities

Crows Nest Shire Council has three Departments headed by Directors, two headed by Managers and two other functions reporting to the CEO as follows:

- Director, Corporate and Financial Services
- Director, Technical Services,
- Director, Community and Economic Development
- Manager, Building Services
- Manager, Highfields Cultural Centre
- Principal Town Planner
- Community Housing function

There are a number of notable differences between the structures of the two Councils that will need to be considered for the Merger option. In Crows Nest, environmental services are part of Technical Services, whereas Rosalie has a separate Branch within the Community Services Department. Rosalie has also separated Water and Sewerage from Technical Services. Neither Council has a specific asset management function which is becoming increasingly important in Local Government.

For the purposes of assessing the options, it is necessary to determine an indicative structure for a merged Council. However, it should be noted that it will be up to an incoming Council to determine its structure, and this could differ from that suggested below as a possible structure. The following structure attempts to combine the best features of each Council's current structure. In addition to these considerations, there have been discussions on the possibility of applying a completely new structure based on a business units concept. However, although a few Councils have successfully applied this concept in specific activities, the trend in Local Government in Queensland has been to subordinate business units to functional areas. This trend indicates that Local Government's key role is to provide services to constituents and stakeholders, and any business objectives normally are secondary to this primary role.

Another important consideration is the number of direct reports to the CEO. Both Councils currently have a relatively small number of formal Departments, but a large number of direct reports to the CEO because of the additional functions which report directly to the CEO. In a merged Council, this would be much less manageable. The ideal number of direct reports to a CEO or Director is usually suggested to be in the range of five to seven.

2.3 Merged Council Organisation Structure

The following organisational structure for the first three levels is suggested:

- CEO
 - Director, Corporate Services & Finance
 - Manager, Finance
 - Manager, Information Management (IT/Records)
 - Manager, Customer Services
 - Manager, Human Resources
 - Manager, Administration and Executive support
 - Director, Technical Services
 - Manager, Asset Management
 - Manager, Road & Parks Operations Business Unit
 - Manager, Construction Business Unit
 - Manager, Fleet and Facilities Business Unit
 - Manager, Design and Project Management Services
 - WH&S/QA Coordinator
 - SES
 - Director, Water and Sewerage Business Unit
 - Director, Development Services
 - Manager, Planning and Development Assessment
 - Development Engineer
 - Manager, Building Services
 - Manager, Environmental Health Services
 - Director, Community Services
 - Manager, Cultural Centres
 - Manager, Libraries,
 - Manager, Community Services & Development
 - Manager, Sport and Recreation
 - Community Housing

This structure creates a number of additional managerial roles. It is likely that most of these would be filled by upgrading existing positions and the extra costs would be offset by natural attrition of duplicated positions over a two to three year period. Overall staff numbers should be able to be 5 to 10 percent below that which would be required for two separate Councils. With average annual growth of the combined Shires of around 3.7 percent, current staff totals should be able to be retained for two to three years.

2.4 Transition and implementation costs

There will inevitably be a range of costs associated with combining the two organisations. For example, new stationery, logos, etc will be required, and the suggested office re-arrangements will require changes in office fitouts etc. There is also a risk that a new Council could try to immediately change all references to the former Shire names and logos. This would be very expensive in some areas such as signs throughout the shire and employee uniforms (eg. the outside workforce). However, these replacements could be deferred until they would normally be required in order to minimise costs.

There will also be some offsetting savings. For example, each Council has numerous software and regulatory licences that cost several hundred thousand dollars per year. Some of these costs can be reduced or renegotiated.

Any remaining implementation costs would be eligible for 50 percent subsidy under the RCCBP program. It is likely that the net implementation cost to the new Council could be managed to be within the potential savings for the first two years.

2.5 Council Services

2.5.1 Roads

- **Figure 2.10 Road Maintenance per 1000 KM**

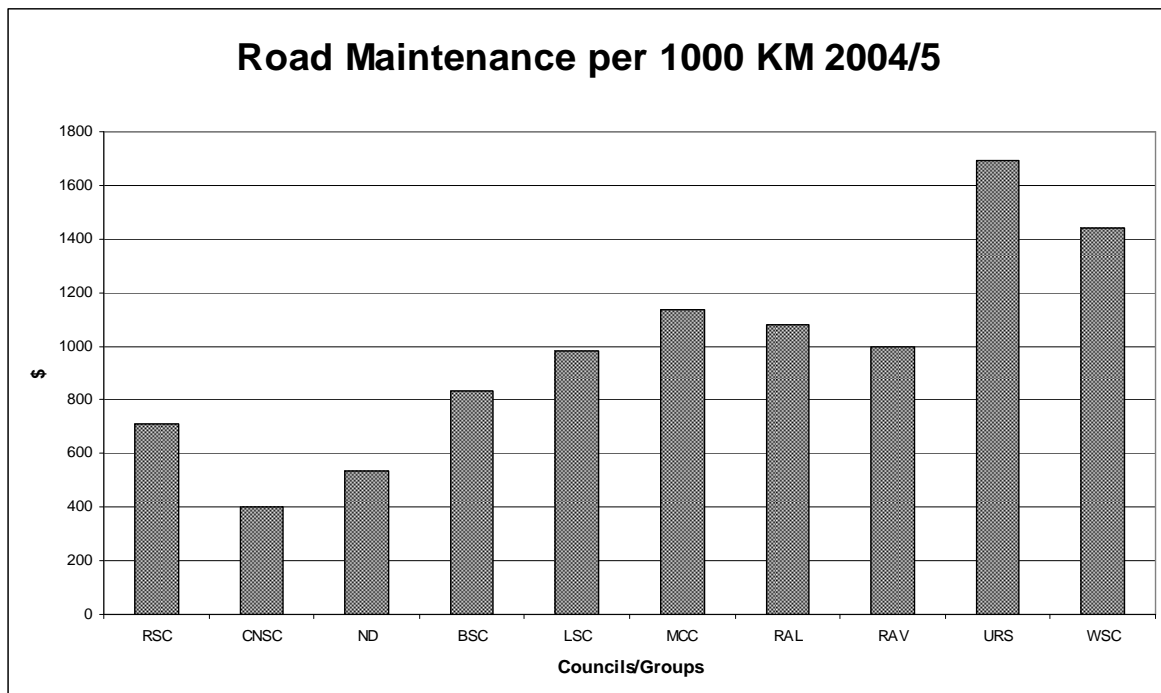
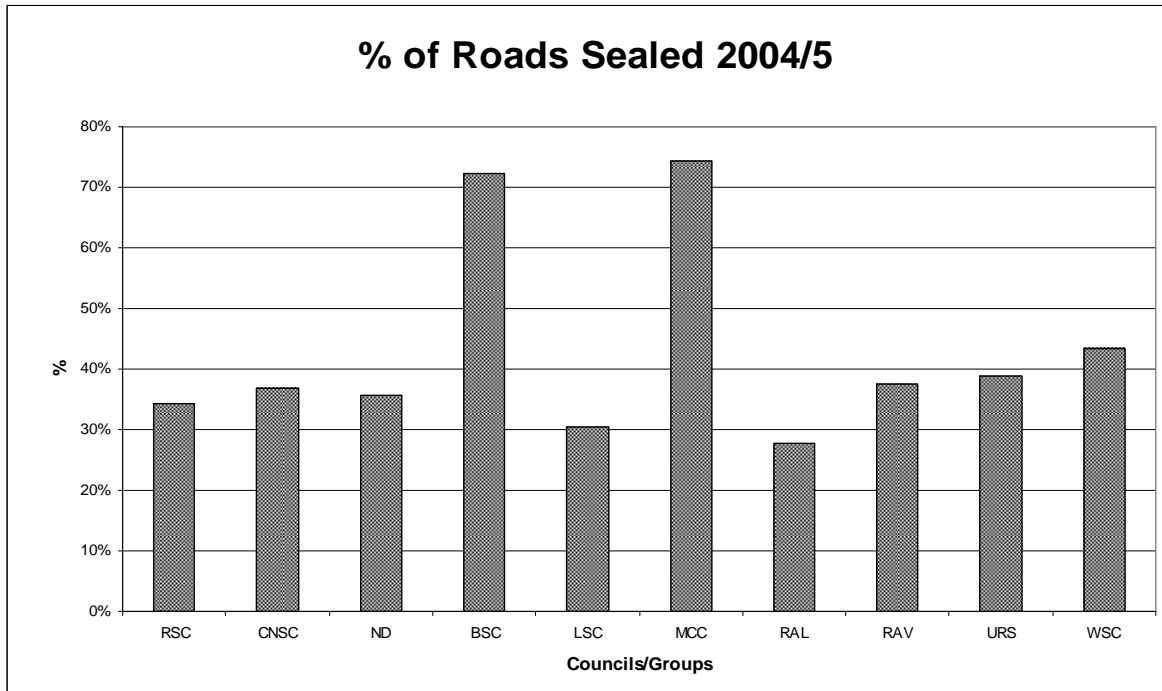


Figure 2.10 shows that Rosalie Shire has relatively higher road maintenance costs per kilometre of road than Crows Nest Shire, but both are below the costs for comparable Councils. Differences in costs are heavily related to cost factors such as soil conditions and usually related to service levels. Rosalie Shire has black soil which is more expensive to manage than Crows Nest Shire's soils which are mainly red soil. In addition, Rosalie Shire has an extensive creek system which adds to costs. The cost structure also could be affected by service level standards such as the proportion of roads sealed and the frequency of reseals (sealed roads) and re-sheeting (gravel roads). Where data is available these matters are addressed below.

As noted in Section 1, there are some opportunities for more efficient works by pooling the two plant fleets, which could reduce costs for roads and other works. For example, Crows Nest has a larger dozer which is more suited to some works in Rosalie. Crows Nest purchases most of its gravel from Toowoomba whereas Rosalie has ample supplies (this is a major cost-driver for road works). Conversely, Crows Nest has a timber bridge crew, a kerb and channel machine, a line-marking machine, a concrete gang, and building construction skills, whereas these are lacking in Rosalie Shire.

- **Figure 2.11 % of Roads Sealed**



Both Councils have a policy of sealing roads based on major cost factors such as traffic volumes. Therefore it is not surprising that they both have a similar proportion of their roads sealed. Since this is a major service issue in rural areas, the similarities should be a positive for any merger, since it reduces the risk that costs could increase in order to equalise the level of services across a new Shire.

- **Figure 2.12 KM Road Per 1000 Properties**

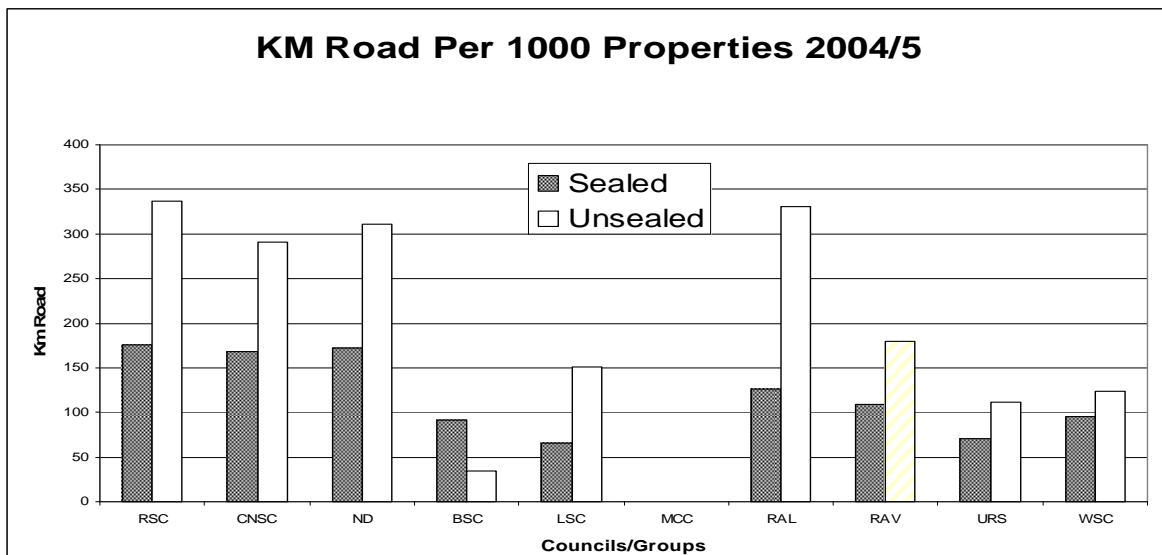
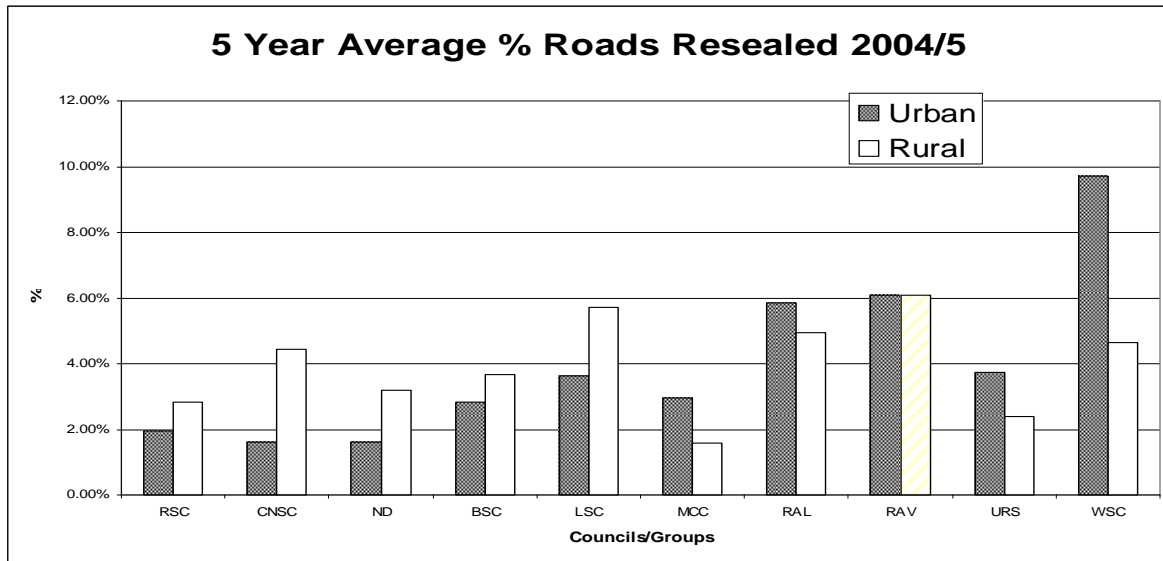


Figure 2.12 shows that both Councils have a similar length of roads per ratepayer, again indicating that both Councils have similar cost drivers in relation to roads, which are one of the main areas of Council costs.

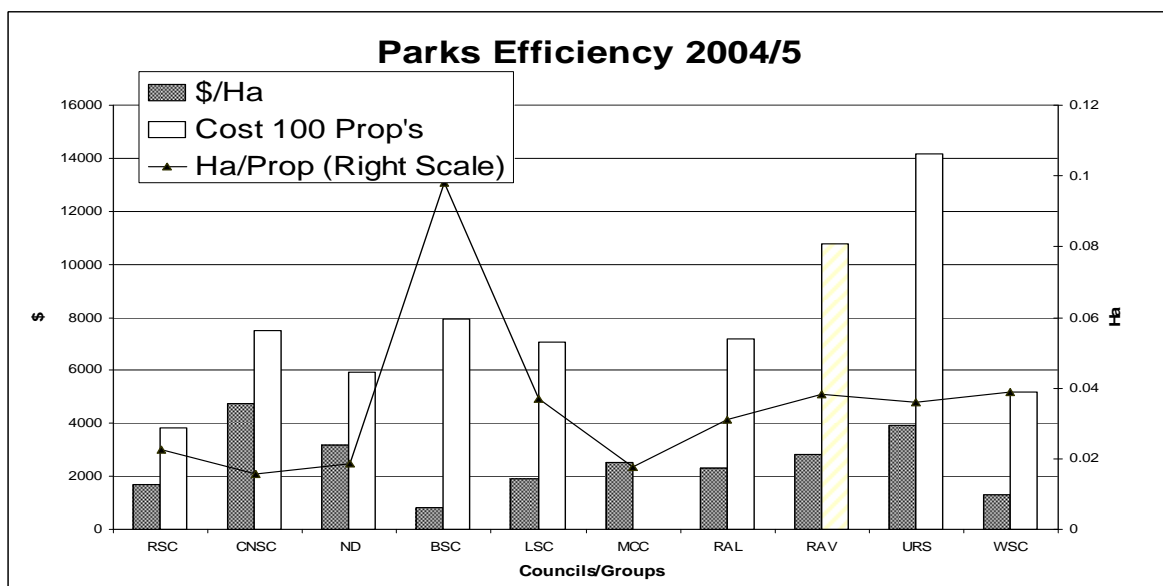
• **Figure 2.13 % Roads Resealed**



One of the most important areas of Council expenditure is the road reseal program. **Figure 13** shows a long term under-investment by both Councils in the area of road reseals. The Local Government Association’s benchmark is that at least 7 percent of roads should be resealed each year, preferably up to 10 percent. This equates to a replacement cycle of 14 years (7%) or 10 years (10%). Both Councils have been increasing their spending on reseals since 2003/04 which does not yet show in the benchmark figures. However, both Councils are still not resealing the optimal proportion of the road system in order to maintain the condition of the roads in good standard. Since this is a major budgetary item and requires considerable funding, it is primarily a reflection of revenue shortfalls rather than pre-determined Council service levels. As outlined in the QTC reports for both Councils, and particularly Rosalie, current rate levels are overly constrained and need to gradually increase. It is therefore suggested that a large proportion of savings from any merger and additional revenue from any rate increases should be directed towards road reseals and maintenance until a good standard is achieved.

2.5.2 Parks

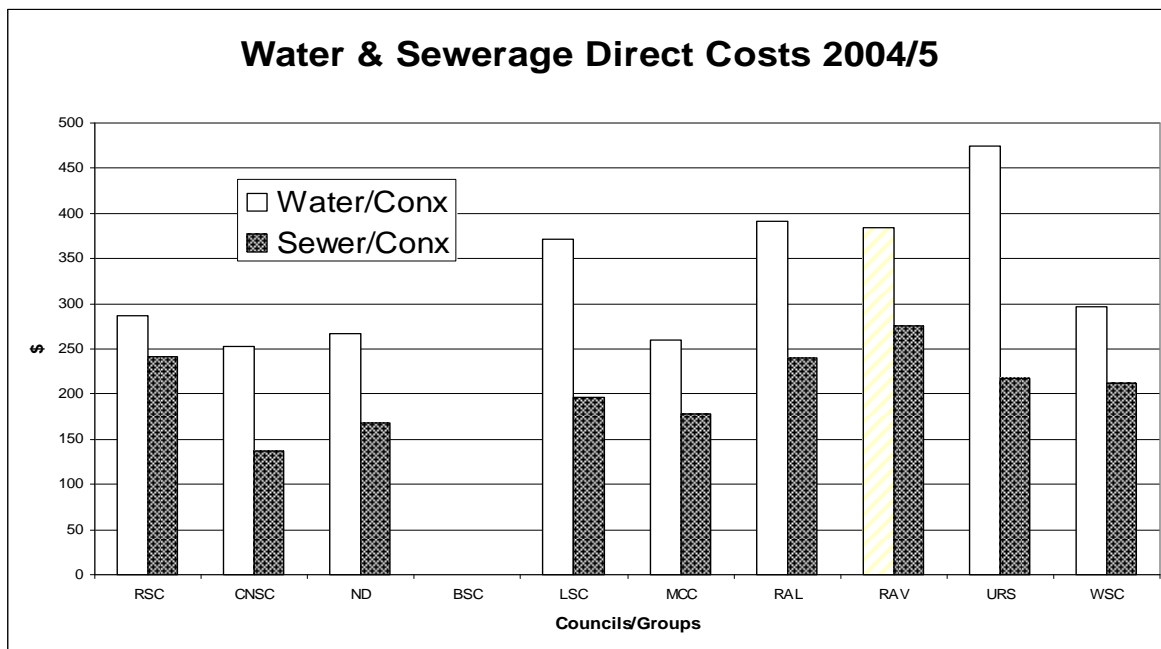
• **Figure 2.14 Parks Efficiency**



Another important expenditure item is parks, and this function can have a high degree in variation of service levels and cost structure. The above graph (**Fig.2.14**) shows that Crows Nest Shire's parks spending per rateable property is in line with comparable Councils, but Rosalie Shire's cost per ratepayer is much lower than comparable Councils. Again this is likely to be due to constrained revenue rather than a deliberate policy in relation to service standards. Included in these costs are sports grounds, which are an important focus in Crows Nest Shire. The above graphs indicate that Rosalie Shire actually has more parkland per ratepayer, but spends much less for each rateable property and hectare. It is likely that under any merger there would be pressure to increase the standard of parks and sports grounds in Rosalie Shire to Crows Nest Shire standards. As with roads, this should be a funding priority from any merger savings and/or rate increases.

2.5.3 Water and Sewerage

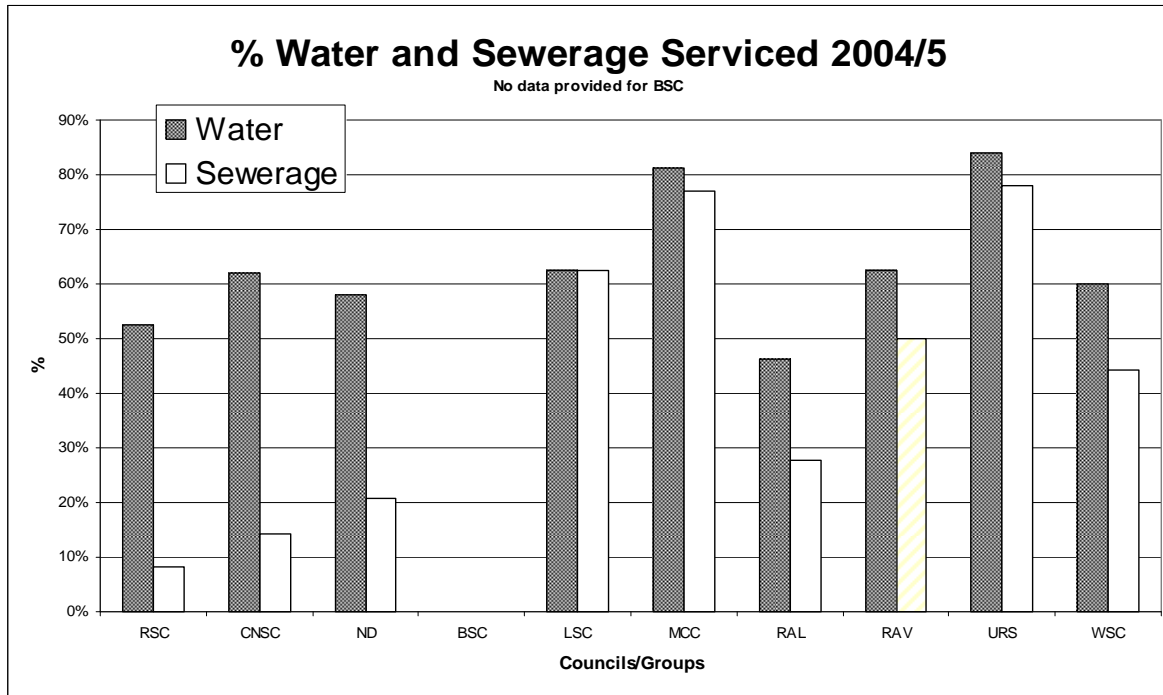
- **Figure 2.15 Water & Sewerage Costs**



In relation to Water system costs, both Shires have similar direct operating expenses, and these costs are relatively low compared to similar Councils. However, Crows Nest Shire has considerably lower direct costs for its sewerage system. This is more likely to be due to the diseconomies of scale associated with sewerage systems in smaller township, rather than any significant difference in service levels.

A merger provides greater opportunity for Councils to share facilities for townships near Crows Nest Shire's Highfields sewerage system, such as Meringandan West. Indicative costs for a stand alone system are much higher than connecting to the Highfields system.

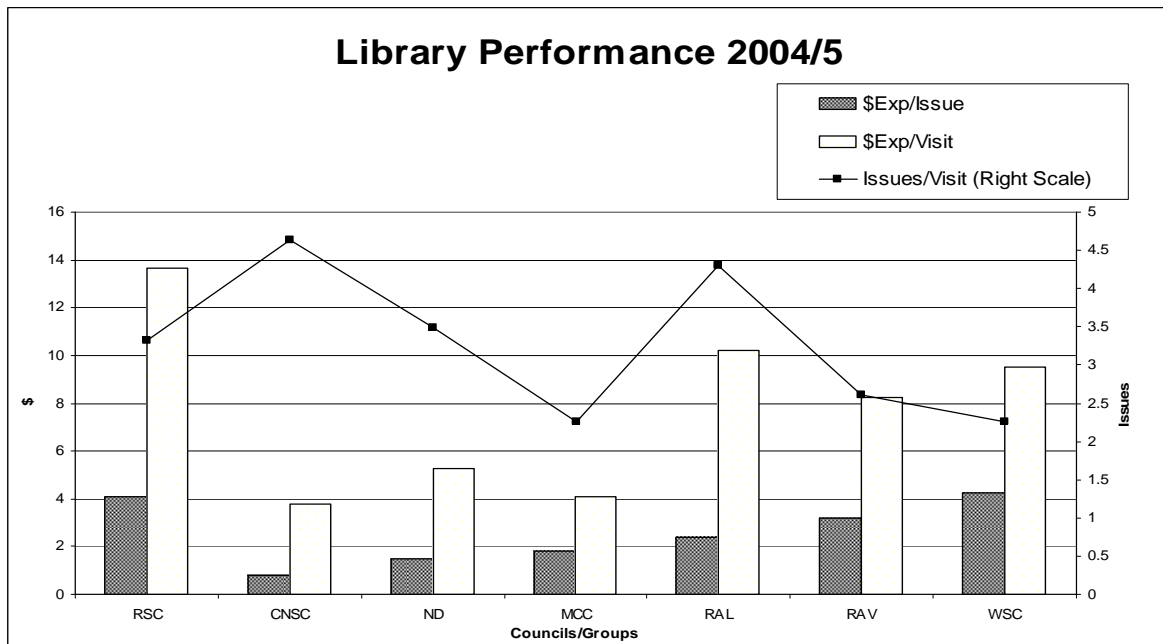
• **Figure 2.16 % Water and Sewerage Serviced**



Another indicator of service levels for water and sewerage is the proportion of properties connected to the system. The above graph (**Fig 2.16**) shows that Crows Nest Shire has about 10% more properties connected to its water system and a smaller gap for the sewerage system. These differences appear to be related to the relative degree of urban development in each Shire, rather than difference service standards. Overall it appears that water and sewerage service levels should not pose a significant risk of increasing costs, and in fact provide some potential savings through economies of scale.

2.5.4 Libraries

• **Figure 2.17 Library Performance**



An important service to the community is the Library Service. This is one service where the two Councils have differing service levels and service approaches. Crows Nest Shire has static libraries in Highfields and Crows Nest, while Rosalie Shire has several static libraries as well as a mobile library services. Mobile library services are normally much more expensive per issue or visit, largely due to diseconomies of scale. However they provide a high level of service to communities which are not located near a static library, and are much more convenient to their customers.

Depending on how a merged Council manages these service levels, average costs could be increased or decreased. If it is possible to extend the mobile library service into Crows Nest Shire communities away from a static library, the costs of the mobile library could be spread over a greater number of visits and issues, in a similar way to the potential plant savings. However, if a merged Council adopted a policy of static libraries in the main towns of Rosalie Shire, this would greatly increase the cost structure of a new Council. It seems more likely that the mobile library would be extended rather than establishing more static libraries.

A downside of a merger is that the population of a merged shire would be above the limit for eligibility to the State run PLS service which both Councils use to manage their libraries. Historically, this service has been more cost-effective than subsidised Council services. However, the two methods are coming closer and should not be a significant cost increase, and would hopefully be offset by better usage of the mobile library.

2.5.5 Waste Management

- **Figure 2.18 Waste Collection Efficiency**



Both Councils currently provide a similar level of waste collection services, as measured by the proportion of rateable properties which receive a collection service. In addition, both Councils currently engage the same collection contractor, so this activity is unlikely to generate cost pressures. There may even be opportunities for small cost savings in future contracts by bulking up the tender for the combined area.

In relation to waste disposal activities, Rosalie Shire has ample future capacity, while Crows Nest Shire has very limited capacity. This provides potential for substantial savings

since the cost of refuse disposal tends to escalate exponentially for communities in or near major urban areas. However, this is difficult to quantify.

2.6 Advantages, disadvantages and risks

2.6.1 Advantages

Both Councils have a similar number of employees in the most common salary ranges. However both Councils are very under-resourced in the middle management and specialist areas, and this can be improved in a merged Council.

Economies of scale should enable a merged Council to provide the same level of services as currently provided, but with 24 fewer staff than currently exists in the two Councils. However it is proposed that staff levels be held at current levels so as to fulfil a number of important functions which are not currently resourced.

There is no need for forced redundancies, since a new Council will be able to grow into the current staff levels.

A merged Council should be able to provide the same services as two separate Councils with 24 fewer employees initially, rising to 43 fewer employees for the population predicted in twenty years.

There are potentially large improvements in the efficiency of Council works through sharing of plant and crews across a new shire.

2.6.2 Disadvantages

There will be some implementation costs. Some of these costs could be offset by reduced ongoing licence costs, etc. The extent of implementation costs can be minimised by prudent Council decisions, and the remaining costs would be eligible for a 50 percent subsidy.

A merged Council will no longer be eligible for the PLS library service and Council would need to shift to a Council run service with access to the book subsidy.

2.6.3 Risks

There is a risk of increases in salary costs if the Enterprise Agreements are combined and are not carefully negotiated.

There is a risk of service level increases to the higher standard, particularly parks and sporting. However the analysis shows that this is less likely in the other main areas of Council expenditure.

Some merged Councils have expended large amounts on new administration facilities. A merged Shire has several options for its administrative and operational centres. The suggested approach would be to convert Rosalie Shire offices and depot in Goombungee into the Operational Centre for the new Shire, with the Administrative Centre at Crows Nest. However, the water and sewerage and development related functions should be relocated to the growth areas of the Shire as soon as possible.

3. Community and Representation

3.1 Data Sources

Analysis undertaken in this technical review has involved quantitative and qualitative research methods. The review has drawn on data sources relevant to each review Council as summarised below:

- The Australian Bureau of Statistics (ABS) - Census of Population and Housing 2001;
- Queensland Government Planning Information and Forecasting Unit (PIFU);
- Queensland Government Office of Economic and Statistical Research (OESR);
- Council document and data review; and
- Site visits, Council presentations and in-depth Councillor and staff discussions.

3.2 Economic Structure

The main economic base of both shires is the primary production sector, with beef, dairy and forestry the major common production sectors. The property development industry in both shires has also benefited from their close proximity to Toowoomba, providing a wide range of employment opportunities for local residents, which has supported residential property development in the southern parts of both shires.

Despite the similarities, there are differences that are likely to have an impact on demand for local government infrastructure and services.

Rosalie's primary production sector includes the grain, pig and emerging grape and olive industries, while Crows Nest has expanding intensive horticulture and floriculture industries.

Rosalie has the New Acland coal mine, which is a major mine in south-east Queensland, although the direct economic impact of the mine on the Rosalie Shire economy may not be significant, given the proximity of Toowoomba and its stronger position as a base for mining service industries.

While both shires refer to the growing role of tourism in their local economies, it is likely that Crows Nest will have the more significant opportunities for tourism growth because of its natural environment, its location in relation to the New England Highway and the scope to develop tourism related to intensive horticulture. The Great Bunya Way passes through Rosalie Shire, which could provide scope for tourism development depending on the extent to which the Shire can provide a base for activities of interest to tourists on this route.

3.3 Demographic Structure

As shown in **Figure 3-1**, Crows Nest Shire Council (CNSC) has a larger population than Rosalie Shire Council (RSC), recording an estimated resident population of 12,244 and 9,154 people respectively as at 30 June 2005 (PIFU).

For a merged Northern Downs SSS Review Group area:

- Estimated resident population was 21,398 people at 30 June 2005 (PIFU).
- The annual growth rate in Northern Downs is projected to be 2.2% between 2001 and 2026. This is higher than annual growth rate projections of 1.5% for Queensland (OESR, July 2006).
- Northern Downs SSS Review Group Councils projected population is expected to increase over the next 5 to 20 years. By 2011, the projected population is expected to be 25,225 (PIFU medium series, March 2006).

- By 2026, the population is expected to be higher at 34,208 (PIFU medium series, March 2006).

- **Figure 3-1 Estimated Resident Population**

Estimate Resident Population

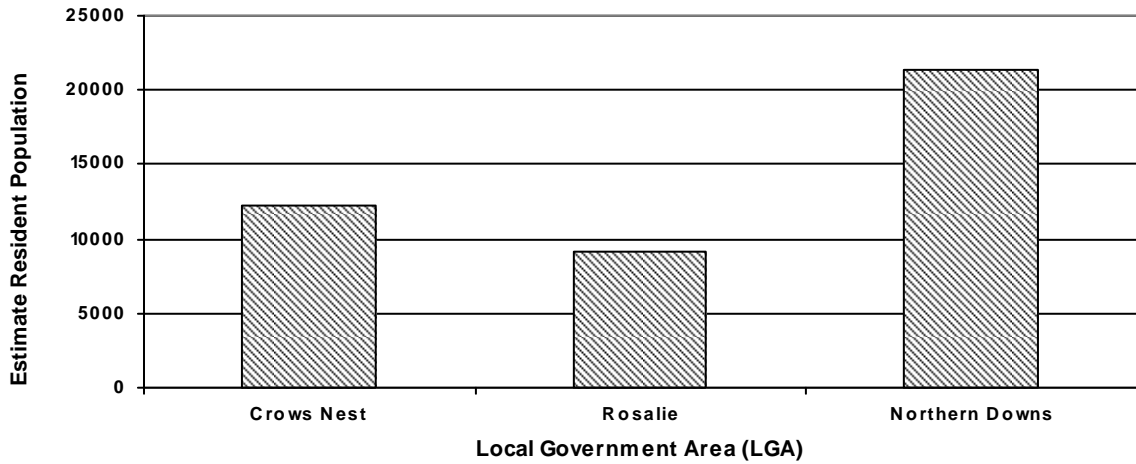
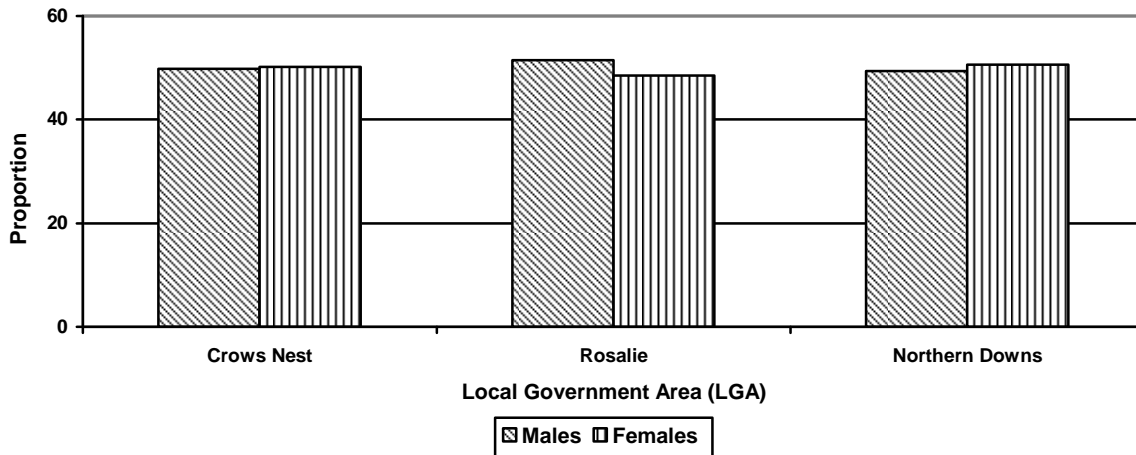


Figure 3-2 shows that CNSC also has a slightly higher ratio of females, while RSC had a significantly lower proportion of females, perhaps reflecting its predominantly rural industry base.

- **Figure 3-2 Gender**

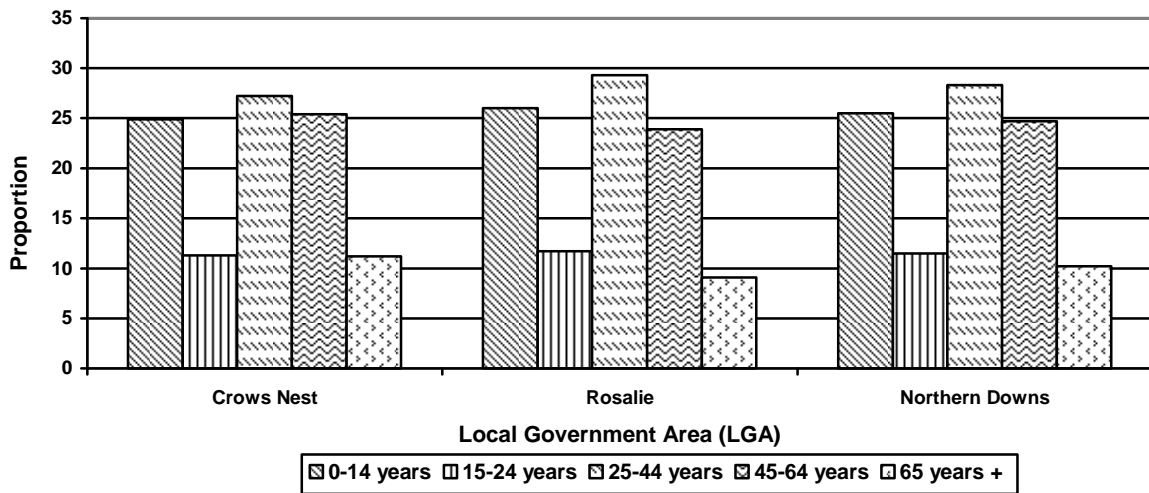
Gender Breakdown



CNSC has a slightly higher proportion of its population aged over 65, perhaps reflecting the attraction of urban areas close to Toowoomba as retirement centres (see Figure 3-3).

• **Figure 3-3 Age Distribution**

Age Distribution



The median age is also slightly higher in CNSC (see **Figure 3-4**).

• **Figure 3-4 Median Age 2001 and 2026**

Median Age

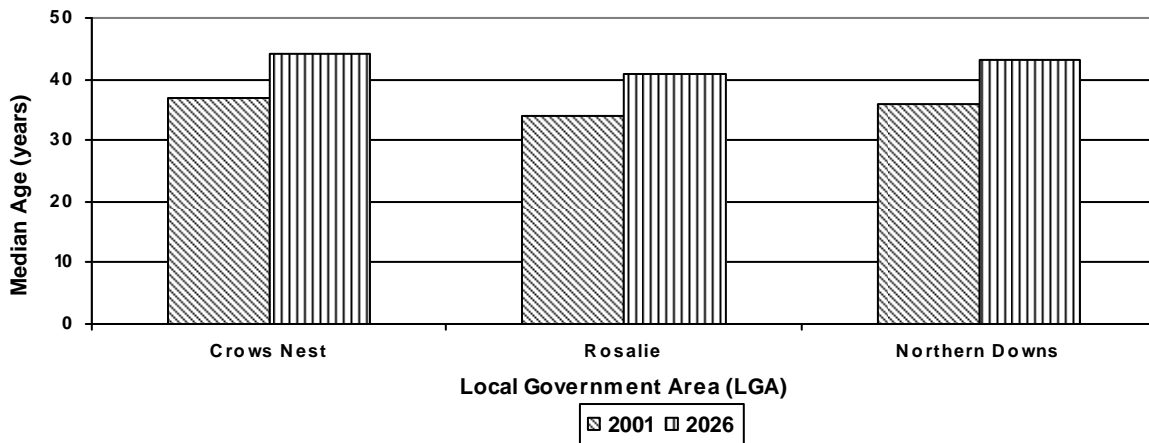
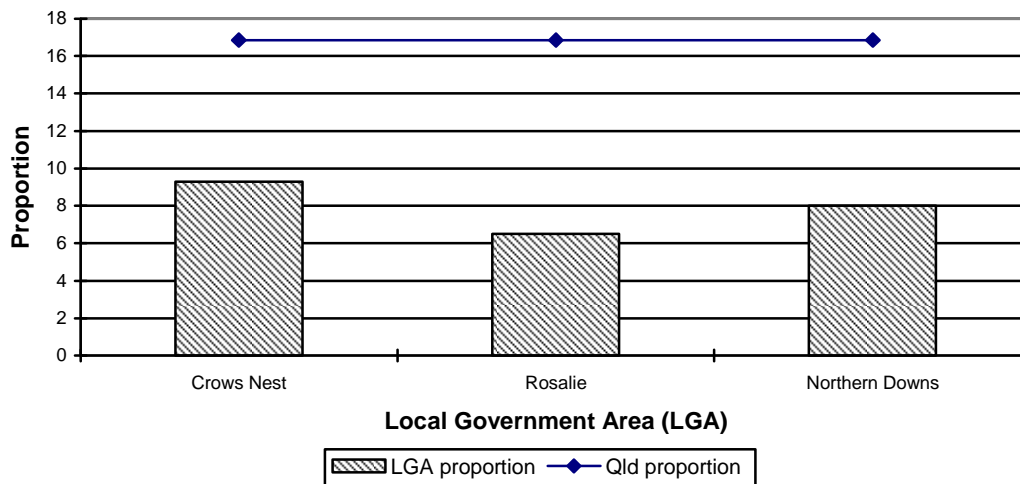


Figure 3-5 reveals that both Shires have a significantly lower proportion of their population born overseas than the Queensland average, but CNSC is slightly higher than RSC.

For a merged Northern Downs SSS Review Group area this represents lower levels of cultural diversity compared to Queensland which recorded 76.2% total population born in Australia at Census 2001. The majority of people in the Northern Downs SSS Review Group area born outside of Australia were either from the United Kingdom (642 persons) or New Zealand (187 persons).

- **Figure 3-5 Residents Born Overseas**

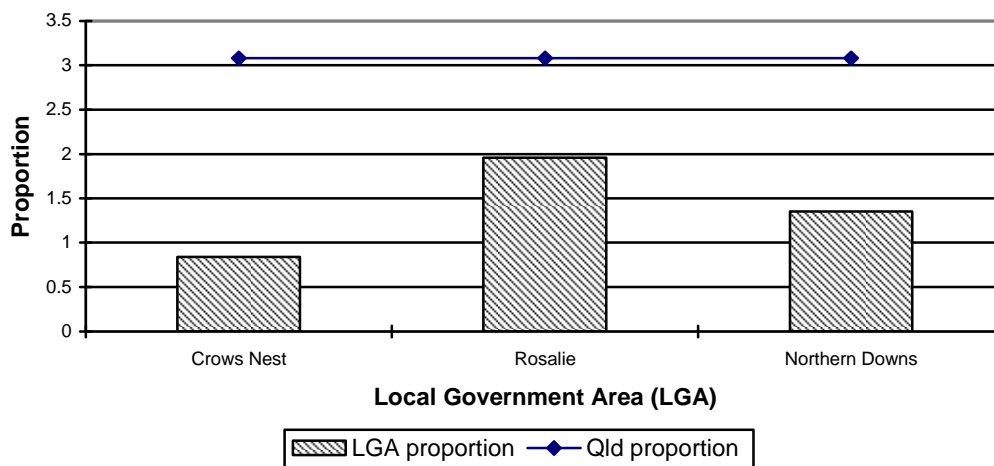
Born Overseas



RSC has a slightly higher proportion of its population that is indigenous, but both shires are below the Queensland average (see **Figure 3-6**).

- **Figure 3-6 Indigenous Australians**

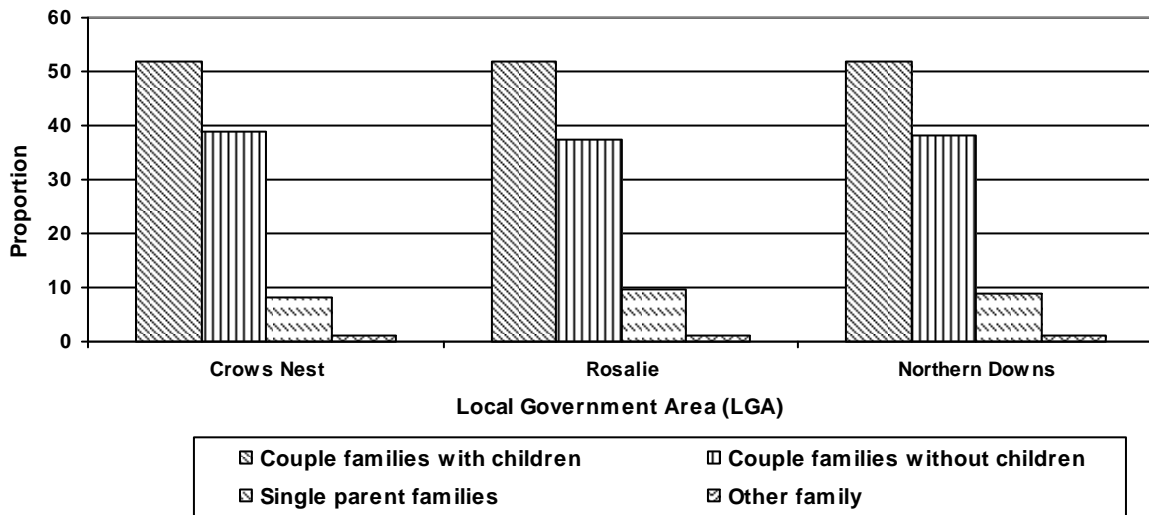
Indigenous Australians



As shown in **Figure 3-7**, there are no significant differences in the family structure of each shire’s population.

• **Figure 3-7 Family Type**

Family Types



Household size is also very similar and above the State average (see **Figure 3-8**).

• **Figure 3-8 Household Composition**

Average Household Size

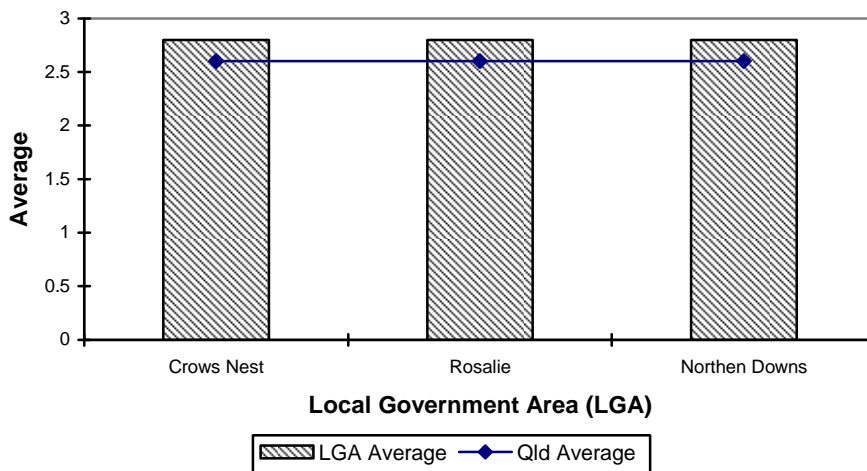


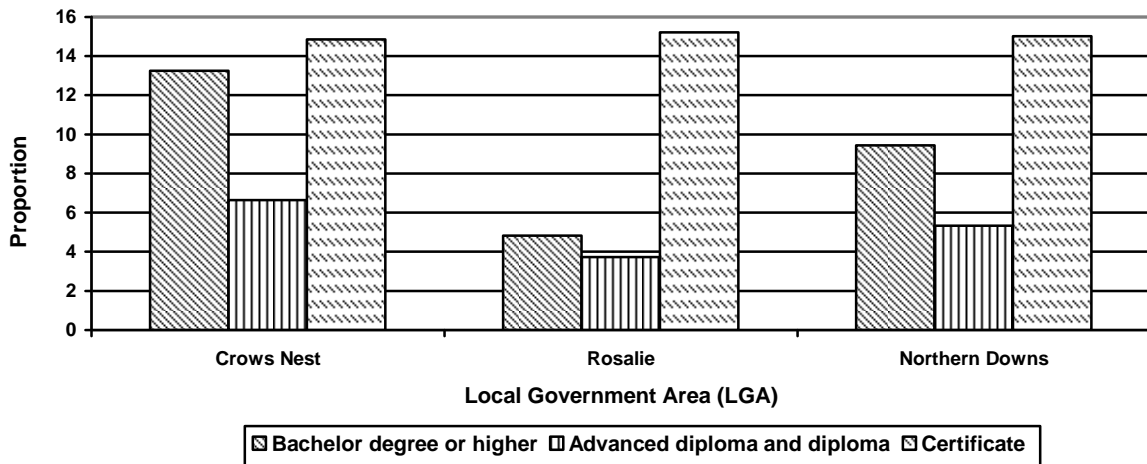
Figure 3-9 shows varying levels of post-school qualifications between the Councils, in particular, the following key points:

- CNSC has a significantly higher proportion of its population holding university qualifications than RSC. A merged Northern Downs SSS Review Group area would have recorded lower post-school educational qualifications compared to Queensland at Census 2001.
- Of persons 15 years and over 4,038 (29.8%) recorded a post-school qualification, compared with 32.35% for Queensland.
- 1,279 persons (9.4%) recorded a qualification of bachelor degree or higher, compared with 10.83% for Queensland.

- Certificate level qualifications were similar (2,037 persons or 15.0%) when compared to the Queensland level of 15.99%.

- **Figure 3-9 Post-School Education Levels**

Post-School Qualifications



There are significant differences in the employments sectors of the two shires' populations, with CNSC having a higher proportion in health and community services, education, government and defence. RSC has a higher proportion in agricultural and manufacturing sectors (see **Figure 3-10**). The proportion of the workforce in the construction sector is similar in both shires.

- **Figure 3-10 Employment Industries**

Major Industries of Employment

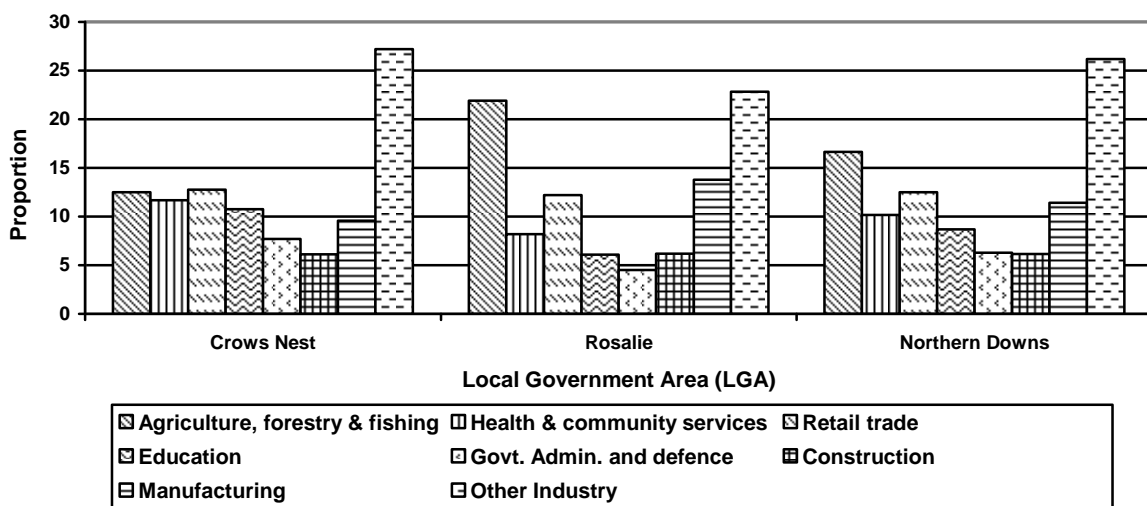
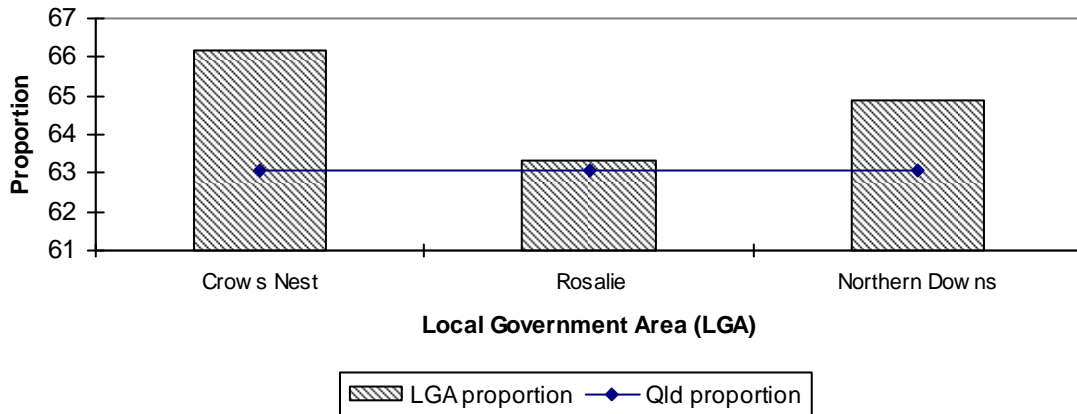


Figure 3-11 shows that labour force participation is higher in CNSC than RSC and both are above the State average.

• **Figure 3-11 Labour Force Participation**

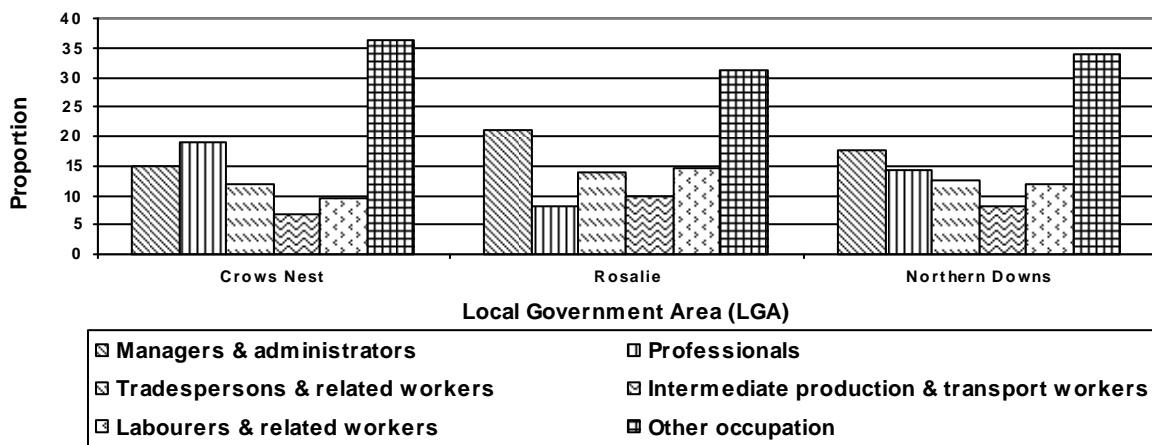
Labour Force participation



RSC has higher proportions of its workforce in management and administration, production and transport, however CNSC recorded a higher proportion of professionals (see **Figure 3-12**).

• **Figure 3-12 Workforce Occupation**

Occupations



3.4 Communities of Interest

Both shires have a settlement pattern comprising a large number of small townships, originally established to service primary production activities. Neither shire has a dominant urban centre which is the focal point of transport systems, unlike similar Shires such as Cooloola, Stanthorpe, Gatton, Johnstone and Sarina.

Like other Darling Downs local government areas, the main transport networks are centred on Toowoomba, with local transport networks designed to provide access to small towns as local service centres.

Structural adjustment in primary production industries such as dairy, beef and forestry has meant that these small towns are no longer essential service centres for these economic

activities, but they have shown a high level of resilience in surviving this loss of an economic role.

Lifestyle factors and housing costs are likely to be significant in retaining population, but the average income levels in both shires are below the State average, suggesting that some residents have made a trade-off between migration for employment and the lifestyle benefits of staying.

Small towns located in the southern parts of both shires have benefited from their proximity to Toowoomba for people who want the benefits of a rural lifestyle while commuting to employment in a large regional centre.

It is unlikely that any one town in either shire will emerge as the major service centre for their areas, with regional transport networks likely to reinforce the dominance of Toowoomba as the primary regional service centre for the primary production, mining and tourism industries. Even a merger of both shires would be unlikely to lead to the development of one town as the major service centre. The more likely pattern is that existing small towns will grow based on locational sources of competitive advantage, with the small towns in the southern parts of both shires having the best population growth prospects because of their proximity to Toowoomba. Growth opportunities in other towns will depend on the rate of growth of new primary production activities and on tourism growth.

A key feature common to both shires is that they have three distinct communities of interest:

- The rapidly growing southern areas located close to Toowoomba, providing a rural residential lifestyle for people who work in Toowoomba;
- The central areas focused on primary production which are still within the Toowoomba economic catchment; and
- The northern areas which are part of the South Burnett catchment and relate to service centres such as Nanango and Kingaroy.

3.5 External Environment

Both shires have a strong focus on preserving lifestyle and the natural environment, at the same time as pursuing economic growth and opportunities for people to develop.

CNSC acknowledges the role of the competitive environment in affecting economic directions, and both councils understand the importance for their economies of regional links with Toowoomba.

CNSC's corporate plan reflects openness to change and growth prospects. There is no sense of threats from the external environment. CNSC appears to have more scope to diversify economic activity but the council's role in exploiting opportunities based on competitive advantage is not outlined in the strategies, other than for property development and tourism.

3.6 Jurisdiction

Both councils build their corporate plans around the organisational structure, which has benefits in showing clear responsibilities for management but does not provide an integrated whole of council approach to responding to the external environment.

The basic structure of corporate plans is set out in the LGFS 2005, which is different from the structure in the previous LGFS 1994. The current plans are based on the structure in the repealed LGFS 1994.

Both plans are very different in the way they identify issues, goals and strategies. A first step in moving towards new arrangements would be to align the structure of the key decision making and reporting documents - corporate & operational plans/budgets/annual reports - so that areas of commonality and divergence on strategic issues, outcomes and actions are more easily identifiable for councillors, staff and the community. The new structure for corporate and operational planning in the LGFS 2005 provides an opportunity to achieve this alignment in 2007-08. There is also no need for plans to outline issues and actions around the organisational structure. An attachment could show which units are responsible for outcomes and outputs.

A detailed comparison of the CNSC and RSC corporate plans is included in Table 3-2.

3.6.1 Extent of Jurisdiction

Both councils have expanded their roles to contribute to economic development and community building but these new roles have been overlaid on a traditional organisational structure without integrating them. RSC's CEO has direct responsibility for these new roles.

CNSC's priorities are to exploit population growth opportunities without losing lifestyle values, secure adequate water supplies for residents and business and protect environmental values.

RSC's aim is to be a progressive and prosperous area with sustainable development and access to essential services, cultural facilities and learning opportunities. Its lifestyle, heritage and biological diversity is valued.

There appear to be strong areas of common direction between the two councils in terms of facilitating economic growth as well as supporting current primary production activities, providing infrastructure and services to support the current economic base as well as supporting growth and protecting lifestyle and environmental values.

3.6.2 Goals and Strategies

CNSC has a stronger statement about its goals in relation to economic development, environmental management and community building, although both councils are addressing their roles in these areas. Other considerations include:

- CNSC has a more comprehensive approach to economic development, with RSC putting priority on development of industrial estates. CNSC has a wider range of actions for tourism growth.
- CNSC also has a wider range of actions for environmental and natural resource management.
- Both councils have prioritised the provision of community facilities to local communities, with CNSC having a stronger focus on recreation and cultural facilities.
- RSC has a stronger infrastructure focus on its road network than CNSC, but CNSC is more concerned with providing infrastructure in response to population growth, e.g. water supply and recreation and cultural facilities.

- RSC priorities include assessing the feasibility of a livestock saleyards complex and advocating on transport infrastructure around Oakey, presumably of benefit to primary producers in Rosalie Shire. This suggests that RSC's priority is support for its primary production sector while CNSC's priority is managing urban growth.
- RSC has a priority of extending water and sewerage services in its small towns, which does not appear to be an issue in CNSC.
- Both councils focus on the role of the planning regime in protecting lifestyle values.

While the difference in infrastructure priorities is not a barrier to a merger, it suggests that an investment would need to be made in infrastructure planning, community engagement and assessment of financing options to ensure the infrastructure needs of all communities are considered before commitments are made.

While State and Commonwealth funding may help with infrastructure provision, there will be implications for the level of council debt and for the level of rates and charges. Capacity to absorb increased rates and charges may be higher in the urban growth areas close to Toowoomba, but the OESR data on average taxable income levels suggests there may be very limited capacity to absorb increased rates and charges elsewhere, with average taxable incomes in both CNSC and RSC below the State average. A related issue is the level of infrastructure charges in the new urban growth areas. This obviously relieves pressure on debt and rates and charges, but would need to be assessed in terms of impact on the development industry.

The use of new technology and the application of national competition policy to business activities may help to manage costs, but this is unlikely to make a significant difference in financing new infrastructure. The role of existing plant for contract work for the private sector and the State Government may also need to be reviewed. While this may subsidise maintaining local roads (through generating profits), there should be consideration of how this strategy could be efficiently applied in a merged local government area.

RSC's proposal to investigate the development of a livestock sale-yards facility may be beneficial for the primary production sector, but experience elsewhere suggests these facilities are becoming regional in nature. It may be preferable for this issue to be addressed through regional mechanisms, given this could significantly constrain a merged council's scope to invest in other infrastructure to support economic development and the area's lifestyle.

3.7 Governance

Both councils have a composition of 8 Councillors and a Mayor, but Crows Nest has two electoral divisions while Rosalie is undivided.

The corporate structures of both councils have a mix of functional and product/area divisional elements, with the RSC CEO having direct responsibility for managing the newly emerging local government roles in economic development and community building, along with managing community engagement processes.

RSC has more of a functional structure based around professional expertise and centralised corporate services, with a separate administrative unit for water and sewerage services.

CNSC reflects the diverse range of services by using a product/area divisional structure, which is an appropriate structure for such diversity.

RSC is likely to have a stronger governance focus on cost control rather than maximising effective service delivery. This may be offset by a strong set of organisational values based around responsive service delivery to residents.

The local laws on meetings of both councils are based on the State Government's model local law and therefore have established a similar decision making process.

The only other issue that is relevant to the structure of decision making is the extent of delegations to the Mayor, the CEO, Council committees or the chairpersons of committees. Development of a policy on delegations will be a key element of a merged Council's policy approach to governance and decision making, with consequent implications for the role of councillors.

Based on the current corporate plan, both councils have goals of efficient and effective service delivery. They are focused on improving services through use of new technology, and improving efficiency through application of national competition policy to business activities. Both councils appear to have a high level of integration with regional planning processes and appear committed to contributing to achieving regional outcomes. CNSC appears to have a stronger focus on community engagement in decision making and has an explicit commitment to consider outsourcing to complement its existing in-house delivery of services.

3.7.1 Divisional Arrangements

There has been an increasing trend for similar local government areas to become undivided and this appears to have occurred without a loss of rural representation on Councils that include a mix of urban and rural communities.

However, there is still the risk that significant communities could be unrepresented for up to four years. Community engagement processes and access to Council decision making would become even more important in such circumstances.

If electoral divisions were recommended for a merged Council, the three distinct communities of interest in the merged area (referred to above) would be well suited for the introduction of three multi-member electoral divisions. Single member divisions (and optional preferential voting) are not considered feasible and are only used in the largest local government areas in Queensland.

The table below [Table 3-1] suggests it would be the biggest council in the Rural Agricultural Very Large category of councils, just ahead of Johnstone, Mareeba, Whitsunday & Calliope in population and it would be the smallest in population of the non-indigenous Urban Fringe Small councils (below Burnett & Livingstone). It would be significantly below the population levels of urban fringe medium councils.

3.7.2 Electoral Arrangements

- Since 1991, a total of 54 Queensland councils have reduced their number of councillors. There was a strong continuation of the trend to reduce the composition (number of councillors) of Queensland councils with 17 councils (out of 125) reducing composition for the 2004 elections.
- The reduction in the number of councillors is a trend not only in Queensland but also across Australia. The role of councillors has changed to be more like that of Directors on a Board with a diminishing involvement in the day-to-day running of the council.
- For 2004 there was a continuation of the trend to abolish electoral divisions. Another 5 councils abolished divisions bringing the total to 66 compared to 24 prior to 1991. The trend is mainly in regional and rural areas, because of the less parochial and more "whole of area" thinking adopted in decision making.

3.7.3 Electoral Arrangements for a Merged Northern Downs Council

A key issue is the electoral arrangements for a merged council. The main issues are the composition of the Council, whether to have electoral divisions and if so, how they should be designed.

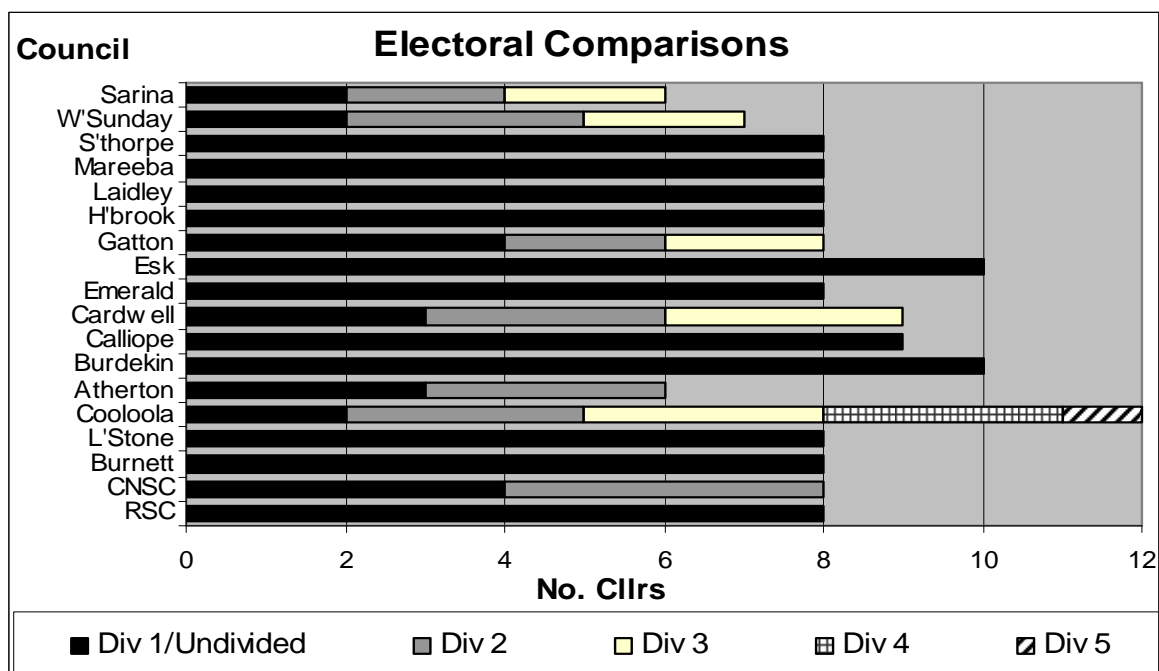
The experience with other merged councils or other councils similar to a merged Northern Downs Council may help on these matters, although there is no single model that could be applied. Arrangements vary across councils and reflect local communities of interest (see table below).

There has been a trend to reduce the composition of councils in Queensland, especially in rural areas. While the current composition of both Councils is not high in relation to other similar councils, a merger presents an opportunity to ensure levels of representation are appropriate for future needs.

The merged Council will not be in a position to justify full-time Councillors, nor perhaps a full-time Mayor, even with the projected population growth. Consequently, there is no need to consider reducing the number of Councillors to the statutory minimum of 5 in order to justify the cost of full-time Councillors. It is also difficult to justify a composition higher than 8 to cover such a geographic area, even though it won't have a dominant regional centre and will have a large number of small towns to service.

However, a composition of 8 for a merged Council suggests there would need to be a significant role change for Councillors from Councillor roles in the current Councils. A merged council would need to make greater reliance on structured community engagement processes and mechanisms for dealing with complaints. Councillors may also need access to more support services to improve their accessibility across a larger area. The structure of Council decision making may also need to change, with greater use of delegations within policies and service strategies set by the council and greater use of committees for reviewing the performance of the organisation against plans, policies and service standards set by the councillors.

• **Figure 3-13 Electoral Comparisons**



• **Table 3-1 Queensland Local Government Comparison**

Local Government	Region	Area (km ²)	Estimated resident population (ERP) at 30/06/05	Density	Electoral arrangements	Comments
Crows Nest Rural agricultural very large (20% plains, 40% undulating, 20% hilly)	DD	1631	12244	7.5	Division 1 – 4 Division 2 - 4	
Rosalie Rural agricultural large (80% plains, 20% hilly)	DD	2200	9154	4.2	Undivided area elects 8 councillors	
Merged Northern Downs Council	DD	3831	21398	5.6		
Urban Fringe Small						
Burnett	WBB	2004	26961	13.5	Undivided area elects 8 councillors	BSC has significant growth from seachange migration
Livingstone	Fitzroy	11774	28745	2.4	Undivided area elects 8 councillors	LSC has significant growth from seachange migration.
Urban Fringe Large						
Cooloola	WBB	2967	36658	12.4	Div1 – 2 Div 2 – 3 Div 3 – 3 Div 4 – 3 Div 5 – 1 Total - 12	Similar to ND but ND has no major centre like Gympie
Rural Agricultural Very Large						
Atherton	Far North	623	11212	18	Div 1 – 3 Div 2 – 3 Total - 6	ASC has a smaller area, but has similar primary production sectors & is close to a regional centre (Cairns)
Burdekin	Mackay	21177	12546	0.6	Undivided area elects 10 councillors	
Calliope	Fitzroy	6547	16467	2.5	Undivided area elects 9 councillors	Similar to ND with large primary production (PP) area and urban centres near large regional centre but Calliope has less rural residential & not as many small towns
Cardwell	Far North	3062	11255	3.7	Div 1 – 3 Div 2 – 3 Div 3 – 3	

					Total - 9	
Emerald	Fitzroy	10364	13638	1.3	Undivided area elects 8 councillors	
Esk	Moreton	3934	15501	3.9	Undivided area elects 10 councillors	ND has similar rural residential (RR) but more diversified PP
Gatton	Moreton	1572	16514	10.5	Div 1 – 4 Div 2 – 2 Div 3 - 2 Total - 8	Similar mix of old and new PP, close to a regional centre
Hinchinbrook	Northern	2811	12209	2.3	Undivided area elects 8 councillors	
Johnstone	Far North	1639	19589	11.9	Div 1 – 3 Div 2 to 6 – 1 each Total - 8	ND does not include a regional centre
Laidley	Moreton	701	14038	20	Undivided area elects 8 councillors	Similar rural residential close to regional centre & similar mix of old & new PP
Mareeba	Far North	53644	18850	0.4	Undivided area elects 8 councillors	
Stanthorpe	DD	2696	10504	3.9	Undivided area elects 8 councillors	ND does not include a regional centre like Stanthorpe but Crows Nest has similar potential to SSC on food tourism
Whitsunday	Mackay	2679	17512	6.5	Div 1 – 2 Div 2 – 3 Div 3 – 2 Total - 7	
Rural Agricultural large						
Sarina	Mackay	1444	10157	7	Div 1 – 2 Div 2 – 2 Div 3 - 2 Total - 6	Similar closeness to regional centre but Sarina's PP is less diverse

• **Table 3-2 Corporate Plan Comparison by Review Council**

Feature	Crows Nest Shire Council (CNSC)	Rosalie Shire Council (RSC)
External environment	<p>Future lies in a diversity of economic activity compatible with the natural environment, based on sources of competitive advantage and on the area's lifestyle.</p> <p>Economy is diversifying from dairy, beef and forestry to floriculture and intensive horticulture, linking with tourism. Service sector is growing in south with population growth. Property development industry is also supported by growth.</p>	<p>Aim is to be a progressive and prosperous area with sustainable development and access to essential services, cultural facilities and learning opportunities. Its lifestyle, heritage and biological diversity is valued</p>
Extent of jurisdiction	No assessment of LGFS roles	Assessment of LGFS roles focuses on economic development, infrastructure provision & environmental management.

Strategic issues	<p>General - exploiting population growth opportunities without losing lifestyle values, securing adequate water supplies for residents and business and protecting environmental values</p> <p>Council organisation – maintaining a capable workforce and managing pressure on service levels through new technology and providing relevant electoral arrangements</p> <p>Economic development/tourism/planning – growth needs to be managed to preserve lifestyle values & natural assets</p> <p>Community building/services (including health, welfare & public safety, sport & recreation, culture) – urban growth will require innovative ways to provide government & private sector services, including recreation facilities & open space areas for residents & tourists. Expanding cultural activities requires effective marketing of events matched with market needs.</p> <p>Environment/natural resources – Urban development needs to be managed to protect wildlife corridors & water quality</p> <p>Infrastructure & services – water supply security to cope with urban growth, a regional approach to refuse management to achieve zero landfill, rural road costs need to be managed without loss of service standards, urban road network growth requires asset management and a strategic planning approach, urban development needs to be supported by non-car transport</p>	No strategic issues identified
Goals in response to issues	<p>Council organisation – equitable, efficient and accessible local government catering for diversity</p> <p>Economic development/tourism/planning – a strong economy with a wide range of services and job opportunities for residents, a planning system that accommodates diversity and preserves the environment and lifestyle values, a thriving broad based tourism sector that benefits the local economy and creates jobs</p> <p>Community building/services (including health, welfare & public safety, sport & recreation, culture) – healthy community & quality lifestyle through a range of services, with minimal regulation, including a range of recreation facilities for all ages and a culturally diverse community through a range of local activities</p> <p>Environment/natural resources – Sustainable biodiverse ecosystems integrated with urban and economic development</p> <p>Infrastructure & services – infrastructure</p>	<p>Council organisation – efficient and effective management of council resources for community benefit</p> <p>Economic development – development of viable business activities including tourism</p> <p>Community building/services/planning – develop a sense of pride through locally driven services, ensure that development regulation protects current lifestyle values and supports healthy lifestyles</p> <p>Environment – not separately specified</p> <p>Infrastructure & services – effective transport infrastructure that is safe to use and provides adequate access for residents, area wide stormwater strategies, maintain existing water & sewerage services and develop new services for towns that don't have them</p>

	keeps pace with demand from urban growth	
Strategies to achieve goals	<p>Council organisation – transparent governance, community access to councillors, a community engagement strategy, use of technology in service delivery, apply NCP and consider outsourcing to complement existing HR management strategy, maintain equitable rating and charging</p> <p>Economic development/tourism/planning – use planning controls to facilitate residential property development & provision of land for industry, develop local product export programs, expand the tourism market through a development plan, provide infrastructure to support tourism growth, provide information services & participate in regional tourism strategies</p> <p>Community building/services (including health, welfare & public safety, sport & recreation, culture) – advocate to State Government/private sector on service needs (e.g., health, child care), provide appropriate regulatory services, expand support services for retirement living, implement recreation strategy, develop parks hierarchy, develop recreation trials plan, expand local cultural facilities, support cultural diversity through events, promote cultural heritage.</p> <p>Environment – implement natural resource management strategy integrated with urban planning, contribute to a regional approach to waste management, implement a plan for weed & pest management</p> <p>Infrastructure & services – maintain road assets, upgrade road assets of regional significance, participate in regional public transport strategies, implement water conservation measures, maintain and expand water & sewerage services in accordance with total management plans, undertake private works, provide plant operations appropriate to needs.</p>	<p>Council organisation – develop community consultation, apply NCP, maximise regional cooperation, review the committee structure, use of technology in governance, corporate and community services, apply NCP, maintain assets,</p> <p>Economic development – develop industrial estates to support industry growth and assess feasibility of a saleyard facility, help develop a tourism plan, seek alternative irrigation water sources, support expanded transport services at Oakey (rail & air)</p> <p>Community building/services/planning – maintain and develop facilities & services, promote the south-east area as suitable for rural residential and larger residential lot sizes, assess options for weed control, assess options for improving streetscapes</p> <p>Environment – review planning controls to meet best practice environmental conditions, cost-effective and environmentally sustainable waste services with an assessment of a regional approach, an action plan for wildlife corridors</p> <p>Infrastructure & services – plan for road, bikeway and footpath growth, assess public transport options & provide bus interchange facilities in urban growth areas, align plant and personnel resources with the road work program, undertake private works, develop kerbing & channelling & streetlight programs, acquire land for future infrastructure, assess water supply & sewerage options for towns that need new/improved services, review headworks charges.</p>

3.8 Advantages, disadvantages and risks

3.8.1 Advantages

In most matters, both Councils have similar community characteristics and communities. There are some differences but these are unlikely to be detrimental to a successful merger.

Both Councils have similar development patterns with large lot residential development in the south and traditional rural areas in the centre and north. The pattern of communities of interest is:

- The rapidly growing southern areas located close to Toowoomba, providing a rural residential lifestyle for people who work in Toowoomba;
- The central areas focused on primary production which are still within the Toowoomba economic catchment; and
- The northern areas which are part of the South Burnett catchment and relate to service centres such as Nanango and Kingaroy.

The strategic directions of both Councils are very similar, with the main differences being that Crows Nest with its larger residential areas has a greater focus on sport, recreation and cultural development, whereas Rosalie with its smaller townships has a focus of providing services to those areas. Both approaches can be accommodated in a merged Shire.

3.8.2 Disadvantages

It is inevitable that there would be a reduction in absolute representation with a merger, as there are currently sixteen Councillors and two Mayors in the Review area.

3.8.3 Risks

Some electors may feel that a larger Council reduces their representation.

ATTACHMENT D

Residents of Rosalie and Crows Nest Shires were invited to provide information and advice as part of the analysis of options for change contained in this report. The following input was received, all via email.

 Query: With the SES who is going to maintain our vehicle as Crows Nest vehicle is unsafe for emergency use will the same thing happen to us and who would run the units?

Query: I have been a resident of Goombungee for 4 years, I am currently pastoring in Goombungee. I have also been a member of the State Emergency Service in both shires now serving as an active member and also as a peer supporter. I have a very great concern over the seemingly lack of support in the Crows Nest Shire for its State Emergency Service and the effects that this is having on both moral and recruitment. If this merger were to proceed what local support would the SES receive from its Council?

Query: It is difficult to form an opinion or make informed comment when we have not been informed of the outcomes of the initial review phase or advised of the scores for the sustainability indicators.

Query: I think both Yarraman & Cooyar should be in the Nanango Shire. Nanango Shire Council has to pass through Yarraman to service Blackbutt. Council Chambers would be 21 kms away as against approx 100. We are a strong part of this 4 town network now.

My concern is for the Yarraman District in the far NE of Rosalie Shire. I & others feel that this area is constantly neglected in regard to budget funding and allocation of Council services. Most of the rural roads in this part of the shire see a grader barely once a year. When the task is finally done, the work is completed in such a way that roads deteriorate rapidly owing to work done "on the cheap". People want reliable, safe roads to travel on.

The subdivision policies of Rosalie Shire stifle development of the district. This area is the entry point to a new generation of citizens who are looking for a "tree change" to escape city rat race. A very limited number of small acre blocks are available for settlement in this part of the Shire. One just has to observe neighbouring progressive Nanango Shire to see the potential demand for semi-rural subdivisions. The downturn in the viability of 100acre blocks has seen the country around Yarraman left fallow for 20 – 30 years now, where there used to be vibrant dairy farms.

With the development of the wine industry in the South Burnett, this has encouraged more people to seek out the area for its potential. It is widely featured in newspapers as Qld's future "Hunter Valley", as this area is just over 2 hours drive from Brisbane, similar distance as the Hunter Valley is from Sydney. Rosalie Shire just seems to be "sitting on their hands" and letting opportunities to encourage people to the area, slide away. Rosalie Shire is just not progressive in this part of the Shire.

My long held opinion is that the former Division 4 of the Rosalie Shire ought to be included into the neighbouring Nanango Shire. The former Division 4 boundary was roughly along the Cooyar Range. The area from where the Maidenwell Road meets the New England Hwy that encompasses Upper Yarraman, through to Yarraman ought to be part of Nanango Shire. A quick look at a map of the Shire boundaries around the Yarraman area just illustrates how absurd they have been in their creation. Nanango Shire is a horseshoe shape encompassing the Yarraman area, which must frustrate the daily administration of Nanango Shire by having to travel through Yarraman constantly to service the Blackbutt district. Yarraman economically has greater ties with the South Burnett area than the distant Toowoomba region.

Therefore I encourage a merger of Rosalie & Crows Nest Shires, so as long as the area I have described is offloaded, and included into Nanango Shire.

ATTACHMENT E

