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CIRCULAR

LOCAL GOVERNMENT
ASSOCIATION
OF QUEENSLAND INC.



Size, Shape and Sustainability of Queensland Local Government

The LGAQ Executive has approved the release of a Discussion Paper **Size, Shape and Sustainability of Queensland Local Government**.

The LGAQ [Discussion Paper - Size, Shape and Sustainability of Queensland Local Government](#) has been released to assist discussion and debate by member councils on shared services, regional cooperation and voluntary boundary change.

The LGAQ Executive meeting on 3 March 2005 approved the release of the Discussion Paper and finalised the program for the LGAQ Special Conference to be held in Brisbane on 31 May/1 June 2005. Member councils are now invited to comment on the Discussion Paper in the lead up to the Special Conference.
Written submissions will be received up to cob 17 May 2005.

The Discussion Paper provides a comprehensive commentary on the factors driving the need for structural change in Local Government and identifies the various structural change options open to councils including resource sharing through service agreements, joint enterprises and joint arrangements as well as amalgamation and boundary change.

The paper also contains a self-assessment tool for councils to review their sustainability. This tool, built on assessment criteria within the Local Government Act, addresses financial and resourcing indicators, community of interest measures as well as planning and growth indicators. This self-assessment provides the basis for councils to decide if they are interested in investigating the various structural reform options open to them.

To facilitate the process the paper includes a review framework including:

Step One – exploring options and possible review partners

Step Two – information gathering, research and analysis

Step Three – community engagement process, and

Step Four – councils determining a structural change option.

The Discussion Paper highlights that LGAQ's policy opposes forced amalgamation and emphasises that the councils will ultimately decide what action, if any, they will take in response to the challenges facing Local Government. The paper acknowledges that the response is voluntary and entirely in your hands.

Councils will shortly be sent details about arrangements for the Special Conference to be held at the Carlton Crest Hotel, Brisbane on 31 May/1 June 2005.

For further information please contact **Greg Hallam, Executive Director** on **(07) 30002222** or email greg_hallam@lgaq.asn.au.

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LOCAL GOVERNMENT
ASSOCIATION
OF QUEENSLAND INC.

**SIZE, SHAPE AND SUSTAINABILITY
OF
QUEENSLAND LOCAL GOVERNMENT**

DISCUSSION PAPER

MARCH 2005

(Approved for release by LGAQ Executive on 3 March 2005)

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Executive Summary

1. Background

This Discussion Paper on shared services, regional cooperation and voluntary boundary changes has been prepared and approved by the LGAQ Executive to assist discussion and debate by member councils on the future size, shape and sustainability of Queensland Local Government. A Special Conference on this topic has also been called for 31 May/1 June 2005.

This LGAQ Executive decision recognised the range of drivers, not only in Queensland but also in other states, which point to the need for a Local Government driven response to issues of size, shape and sustainability. The Executive fully supports the current LGAQ policy which opposes forced amalgamations, however it is nevertheless appropriate for individual Councils to voluntarily look at structural improvements that can enhance efficiency and effectiveness at the local level.

2. Drivers of Change

There are many factors to consider when looking at why it is important that the Local Government sector take the initiative on size, shape and sustainability in Queensland. Initiatives by State Governments elsewhere to force the issue of structural change in Local Government in recent years is just one factor to consider.

Local Government has been under pressure to expand the range and quality of services provided of both a general and infrastructure nature. This is a result of increasing community expectations as well as changes in standards and legislative requirements. This has resulted in pressures on the rate base of councils particularly where financial assistance grants (FAGs) are reducing.

As a result of the review of methodology undertaken by the Queensland Local Government Grants Commission in 2002, a significant number of Councils across the State are faced with reductions in the level of financial assistance being provided. Many of these Councils have a relatively high dependence on grants to supplement their local revenue base.

Capacity to effectively maintain infrastructure assets is another problem faced by many Councils. This under funding of infrastructure replacement has been brought to the surface by changes in accounting standards as well as by requirements for Total Management Plans.

New legislative requirements coupled with devolution of functions to Local Government have had a substantial impact on the administrative workloads of Councils over the last ten years as well as requiring new professional skills to implement these requirements. LGAQ estimates that additional compliance and administrative requirements along with devolved activities have resulted in a net cost to Queensland councils of \$25 million per annum, with a requirement for over 350 additional staff.

While South East Queensland and some other coastal Councils are facing rapid population growth, other parts of the State are faced with a decline in population. A major problem for rural communities experiencing little or no population growth is the effective ageing of the population, with an increasing proportion being over the age of 65 years.

A number of studies have highlighted problems in obtaining suitably qualified senior staff particularly in rural and remote locations. Human resources is a major issue and covers field such as planning, engineering, environmental health, finance and administration.

3. Options for Consideration

Options to be considered when determining the optimal arrangements for each local area include sharing of services or staff, specialisation by Councils in a region in one or more functions, use of common information technology platforms to allow payroll, rating, filing and other financial

services to be carried out at one location as well as setting up jointly owned businesses to undertake functions such as roadworks.

These models can be summarised as:-

- **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.
- **Merger/amalgamation**, where Councils join together voluntarily;
- **Significant Boundary Change** which may also include joint arrangements.

When considering options to improve service efficiency, it is important to recognise that savings made do not necessarily mean that local employment opportunities will reduce. Efficiency gains can be reinvested in improved services and facilities which may at times have multiplier effects for local employment and investment.

4. Sustainability Indicators

Under the Local Government Regulation 1994, there are a number of prescribed issues which must be considered in relation to any reviewable local government matter. These issues are relevant to the sustainability of the current size, shape and structure of local government arrangements.

The prescribed issues include **resource base sufficiency, planning and community of interest** although the Regulation also requires consideration of **joint arrangements**. These prescribed issues indicate that sustainability must consider not only financial issues but must also include community and growth management matters.

Some **key financial and resourcing issues** that may indicate a need to look at structural reform include **capacity to efficiently use resources, capacity to obtain required human resources, flexibility of resource base and cross border utilisation of services**.

Some indicators of **community of interest** could include the availability of a **service centre, retail sales retention, community linkages and community engagement/satisfaction**. A strong common community of interest is an indicator of a sustainable local government area, enabling a representative and effective Council.

The need for structural reform may be indicated where actions of one council can inadvertently affect another area or where infrastructure provision on an individual basis may lead to duplication or inefficiencies in terms of effective servicing. Indicators for consideration include **infrastructure servicing difficulties and growth management problems**.

5. Reform Review Framework

The paper outlines a framework for the review of structural reform options by two or more Councils based on four specific stages which include:

1. **Explore Options and Partners**
2. **Information Gathering, Research and Analysis**
3. **Community Engagement**
4. **Councils Determine Structural Change Option**

Agreeing to participate in a review does not commit a council to any particular reform option or outcome, nor prevent a council withdrawing from the review process at any time.

Where joint arrangements are regarded as the preferred solution, implementation of the preferred option is entirely within the control of the participating Councils.

However, if an amalgamation or boundary change is proposed, under current legislation this needs the Minister for Local Government to refer the request to the Electoral Commissioner as a reviewable matter. An amalgamation also requires a public referendum with majority support in each Council area regardless of whether each council has determined this as the best option to address issues.

6. Process Facilitation

The **State Government** should indicate that they are prepared to support the voluntary structural reform process. Financial support to facilitate key steps would be a clear indication of their interest in such reform. In the first instance, there is a need to fund an independent facilitator for each council group to guide the process and document the outcomes. It may also be desirable that a time limit of say 2 to 3 years is placed on such support to encourage early initiatives.

There may also be a need for incentives or rewards for Councils that achieve productivity and efficiency/effectiveness improvements. Possible support funding could include:-

- guarantees in relation to maintenance of financial assistance grants;
- increased rates of capital works subsidies for facilities required to support structural change;
- higher priority for councils undertaking reform in access to funding programs to assist in mitigating potential adverse impacts on communities.

When considering incentives, it will be important that Councils that have already achieved significant efficiency and effectiveness improvements are not disadvantaged.

Roles that could be played by **LGAQ** include the facilitation role (either as the service provider or by identifying/accrediting external consultants with required expertise), by documentation of case study examples or through specific technical advice on matters such as community engagement, financial analysis or business unit options.

The Special Conference to be held in Brisbane on 31 May/1 June 2005 is a mechanism through which members can identify how best LGAQ can serve them in furthering the review process.

7. Comments on Discussion Paper

Written submissions on the Discussion Paper are invited and may be made up to **17 May 2005**. Submissions received will be made available to all councils attending the Special Conference and the subsequent LGAQ Executive meeting on 2 June 2005, and should be addressed to:

Executive Director
Local Government Association of Queensland Inc.
PO Box 2230
Fortitude Valley BC QLD 4006

Further information may be obtained by contacting **Greg Hallam, Executive Director**, LGAQ on **(07) 30002221** or email (greg_hallam@lgaq.asn.au).

1. Introduction

1.1. Background

In December 2004, the LGAQ Executive decided to develop a discussion paper on shared services, regional cooperation and voluntary boundary changes to assist discussion and debate by member councils on the future size, shape and sustainability of Queensland Local Government over the next decade. A Special Conference on this topic will be held in Brisbane on 31 May/1 June 2005.

In taking this decision, the Executive believed that it is important that Local Government itself should show leadership in management of these sensitive issues rather than having the State Government unilaterally determining them, as has occurred in other States. In this context, the Executive noted a subtle but significant shift in the State Government's view in relation to these issues with its commitment to no forced amalgamations now being only for this current term of office.

During the 1980s and 1990s Victoria, South Australia and Tasmania abolished over 200 councils reducing their numbers by more than half. There have been recent significant developments on structural reform in New South Wales, Western Australia and the Northern Territory.

Notwithstanding a no forced amalgamations policy at the New South Wales State election in March 2003, the Carr government issued a challenge to councils in June 2003 to do it yourself or they, the government, would do it for them. One year later, 20 councils have been abolished reducing the number to 152 with the expectation that more is to come. The impact has been on the doughnut councils and smaller regional and rural councils generally in an area west of the Great Divide running from the Queensland border to the Victorian border.

The latest Productivity Commission Report on Competition¹ also expressed views on structural reform noting that "... *in parts of Australia, further council amalgamations and/or shared service provision arrangements would allow for greater realisation of economies of scale and lead to considerable cost savings.*"

Comments made by the Federal Minister for Local Government, Territories and Roads on the future of Financial Assistance Grants (FAGs) are also pertinent to the sustainability issue. Based on his comments to the 2004 ALGA General Assembly, it appears unlikely that any reforms will overcome what LGAQ perceives as under-funding of Queensland Councils as a result of the per capita interstate distribution of funds for horizontal fiscal equalisation.

Views expressed at the last two State LGMA Conferences and at the LGAQ Mackay Annual Conference split plenary session on Size, Shape and Sustainability also supported the need to encourage discussion and debate on this important topic within the Local Government sector. Some of the issues raised at these Conferences were:-

- Amalgamation or at least some form of substantial resource sharing was necessary to be sustainable in the longer term;
- Boundaries need to be reconsidered as many have been in place since the coach days and reflect coach routes;
- A fear of amalgamation, particularly concern over the loss of a sense of place, and a predominantly negative attitude to its consideration;
- Where Councils have joint interests (eg in "doughnut" situations) they should work together proactively in transition to eventual amalgamation;
- Concern about the potential reduction in grants following amalgamation;

¹ Review of National Competition Policy Reforms, Discussion Draft, Productivity Commission, Oct. 2004

- Local Governments must be prepared to take action themselves on structural reform rather than wait for action to be taken for them.

In its submission to the Federal Cost Shifting Inquiry, the Department of Transport and Regional Services (DOTARS) suggested there are a number of benefits of amalgamations. In general, larger Councils have a more secure and adequate financial base, are better able to plan and contribute to economic development, are more effective community advocates, and interact more effectively with government and business. Structural reform can deliver economies of scale and can enable Councils to employ a wider range of professionals, so they can offer a wider range and usually higher quality of services.

The report of the Cost Shifting Inquiry² notes that “ ... *in some circumstances amalgamations of local government bodies is the most direct way of achieving a more efficient and cost effective local government sector... the Committee considers it would be useful to adjust FAGs, whereby if it can be shown by the CGC and LGGCs that efficiencies could be gained by amalgamations or regional cooperation, then a proportion of FAGs may be withheld from those councils which resist appropriate structural reform.*”

These statements suggest that there may be increasing financial pressures on some Councils to look at the opportunities to enhance efficiency.

In submissions to the Cost Shifting Inquiry, member Councils raised concerns in relation to their capacity to keep up with regulatory requirements as well as the impacts of ongoing devolution of responsibilities from other spheres of government. The LGAQ and LGMA project on CEO recruitment and retention highlighted problems in obtaining suitably qualified senior staff in rural and remote locations. The issue of human resourcing is a major one and covers field such as planning, engineering, environmental health, finance and administration, with shortages not being limited to rural and remote locations.

In summary, there are an increasing number of drivers pointing to the need for a response by Local Government on the issues of size, shape and sustainability.

1.2. Size Distribution of Queensland Local Government

Table 1.1 profiles the details of the population distribution of local government in Queensland. Aurukun and Mornington councils have been included with the indigenous community councils.

Table 1.1: Size Distribution of Queensland Local Government

Population Range	Mainstream Councils	Indigenous Councils	Total Local Government
<750	11	22	33
750-1500	8	10	18
1500-3000	20	2	22
3000-6000	25		25
6000-10000	10		10
10000-20000	22		22
>20000	27		27
Total	123	34	157

² Rates and Taxes: A Fair Share for Responsible Local Government, House of Representatives Standing Committee on Economics, Finance and Public Administration, October 2003

As the table reveals, there are only 27 mainstream councils in Queensland with more than 20,000 people. At the other end of the spectrum, there are 39 mainstream councils (32%) with a population less than 3,000.

When the indigenous councils are added to the picture, there are 73 councils in Queensland with fewer than 3,000 population.

1.3. LGAQ Policy Position

In relation to boundary change, the LGAQ Policy Statement includes the following:

2.2.5 Boundary Change

2.2.5.1 A public inquiry should be held prior to any boundary changes unless the agreement of all Local Governments involved in the changes is obtained.

2.2.5.2 Where the involved Local Governments initiate and agree on boundary changes, these should, as a general principle, be implemented without interference by the State Government.

2.2.5.3 An amalgamation of one Local Government with another or major boundary change shall not take place if the majority of electors in either Council is opposed to such amalgamation or major boundary change.

(Major boundary change occurs when a part of a Local Government area which contains at least 10% of the population of a Local Government or which contains at least 10% of the Unimproved Capital Value of the Local Government is joined with another Local Government.)

While the Executive fully supports this policy which opposes forced amalgamations, it is nevertheless appropriate for individual Councils to look at structural improvements that can enhance efficiency and effectiveness at the local level.

1.4. What are Structural Arrangements

In the context of this paper the term “structure” includes:-

- The size and geographic dimensions of a Local Government area;
- Management, organisation and operational arrangements;
- Financial and accountability arrangements;
- Service delivery mechanisms including contracting out, joint arrangements or enterprises and resource sharing.

All of these matters impact on the ongoing sustainability of each Local Government, and all need to be evaluated when considering opportunities to more efficiently and effectively meet the needs of the community served.

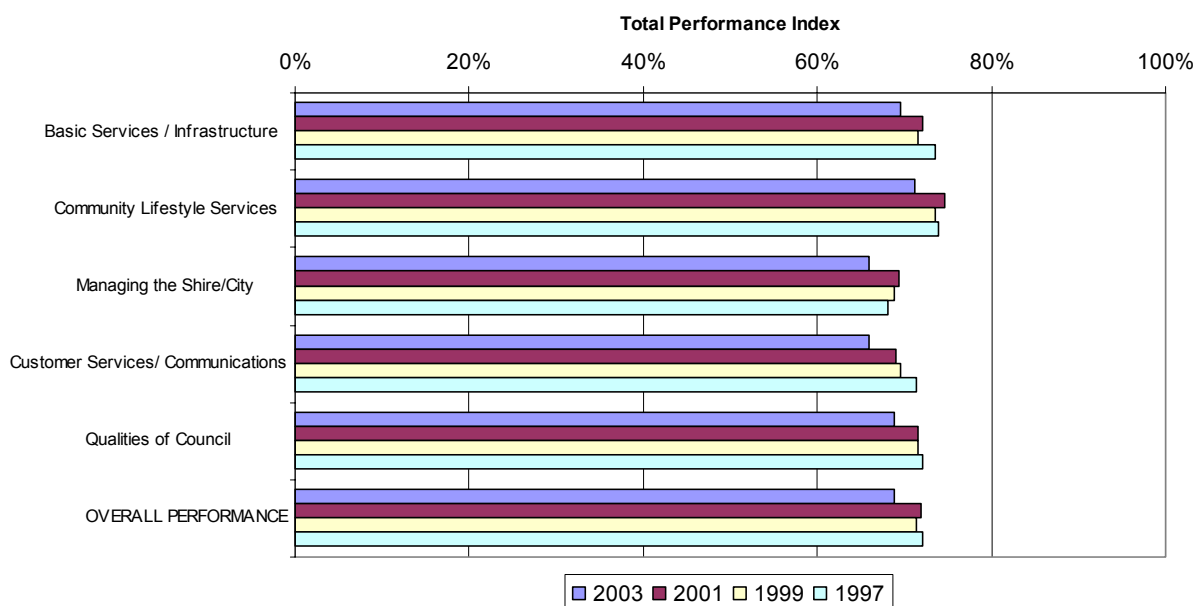
2. Drivers of Change

2.1. Community Expectations

As the LGAQ submission to the Federal Cost Shifting Inquiry noted, Local Government has been under pressure to expand the range and quality of services provided of both a general and infrastructure nature. This is a result of increasing community expectations as well as a result of changes in standards and legislative requirements. This has resulted in pressures on the rate base of councils particularly where financial assistance grants (FAGs) are reducing.

LGAQ surveys of community attitudes conducted since 1995 have been able to measure the gap between community expectations and the current level of service provision, and identify this pressure on service delivery.³ Figure 1 below illustrates this changed community perception of overall performance and reveals a gradual decline in these performance indicators over a six-year period.

Figure 1: Performance Rating
2003, 2001, 1999, 1997



The 2003 surveys show that there has been a significant increase in community expectations resulting in a widening gap between the perceived importance of services to the community and their perception of how well councils are performing their roles.

2.2. Legislative and Functional Change

New legislative requirements coupled with devolution of functions to Local Government have had a substantial impact on the administrative workloads of Councils over the last ten years as well as requiring new professional skills to implement these requirements. Based on member surveys in 2002, LGAQ estimated that additional compliance and administrative requirements along with

³ Community Satisfaction Tracking Studies, LGAQ, 1995, 1997, 1999, 2001, 2003

devolved activities had resulted in a net cost to Queensland councils of \$25 million per annum, with a requirement for over 350 additional staff.⁴

The introduction of the Local Government Act 1993 resulted in a significant change in the operating environment of Queensland Councils. The Act clarified the roles and responsibilities of elected members and established an enhanced management structure under the direction of a Chief Executive Officer. Corporate and Operational Plans are now required, and provide the opportunity for a more strategic approach. The Act also required substantial effort in consolidation of local laws.

The introduction of the Integrated Planning Act 1997 (IPA) also impacted on workloads of Councils, with IPA compliant strategic plans being required. For many smaller Councils this has been a significant expense and time consuming.

State coastal management legislation requires preparation of Regional Coastal Management Plans, and this also needs active involvement of relevant Councils. Similarly, the requirement for Pest Management Plans also requires greater involvement by Councils.

In the building function, introduction of private certification allowed commercial operators to provide a service that was previously a requirement for each Council. In the Building and Other Legislative Amendment Act 2002, responsibility for building fire safety for budget accommodation was devolved to Local Government, with significant cost implications for some Councils. It was estimated that Local Government public liability premiums increased statewide by over \$2 million per annum as a result of this specific requirement. The full impact of this change may not yet have been felt with further reforms anticipated.

The implementation of the Environmental Protection Act (EPA) in 1994 had a significant impact on the roles and responsibilities of Local Government in Queensland. Licensing of Environmentally Relevant Activities (ERAs) was devolved to Local Government, with a need for additional specialised staff. In addition, requirements for licensing sewerage treatment plants resulted in a need for significant upgrading of this infrastructure. Similarly, EPA requirements have resulted in closure of a substantial number of local tip sites, with transfer of waste to regional facilities adding to operating costs for some Councils.

The Vegetation Management Act amended IPA to include clearing of vegetation on freehold land as operational work, and therefore assessable development as part of Local Government's planning responsibilities.

Implementation of the Water Act 2000 has also impacted on Local Government, with some Councils facing substantial increases in bulk water charges as well as changes to water allocations. Other related reforms such as Strategic Asset Management Plans and Consumer Service Standards have also imposed additional reporting requirements impacting particularly on smaller councils. More water reforms are expected over the next decade initially focusing on water efficiency requirements.

In recent years, Councils have implemented reforms flowing from National Competition Policy including corporatisation of business undertakings, adopting full cost pricing, reform of water pricing, contracting-out of service delivery and adoption of the Code of Competitive Conduct. In some instances, separate commercial business units have been established.

Other regulatory requirements such as in relation to Workplace Health and Safety have also imposed additional costs and compliance requirements on Councils particularly in training and accreditation of employees to perform the functional business of Councils and to develop the necessary competencies and policies that are now required. Such legislative requirements are likely to increase over time.

⁴ LGAQ Supplementary Submission to Cost Shifting Inquiry, October 2002

These changes in Local Government roles and responsibilities in recent years were illustrated in the LGAQ submission to the Cost Shifting Inquiry by Table 2.1.

Table 2.1: Changes in Local Government Roles and Responsibilities

General Function	New Requirements	Expanded Responsibility	Devolved Function
General Public Services	Corporate/Operational Plans, Annual reports, Pecuniary Interest Register, Delegation Register, Gifts/Donations Register, Public Benefit Test, Competitive Neutrality, FBT, GST, Accrual Accounting, Internal Audit Committee, EEO, Freedom of Information, Privacy Act, Enterprise Bargaining, Quality Assurance, Public Records Act 2002	Local Law Review, Electoral Boundary Review, Powers of Entry, Workplace Health & Safety	
Public Order & Safety	Speed Limits Residential Areas, Swimming Pool Fencing, Pest Management Plans, Dangerous Dogs, Nuisance Wildlife, Pest Fish, Public Space Management, Recreation Vehicles,	Management Plans for Reserves, Stock Route Management Plan Coordination, Pest Management non-Council Land, Wild Dog Control, NDRA Flood Mitigation, Rural Fire Protection, Counter Disaster Management, Community Organisation Indemnity	Clean-up of spills (proposed), Nuisance Regulation, Fire Safety for Budget Accommodation, Dangerous Goods Regulation
Health & Education, Social Security and Welfare	Child Care Accreditation, Disability Action Plans, Anti-Discrimination	Drug/Alcohol Programs, Immunisation, Mosquito Control on Crown Land	
Housing, Community Amenities, Planning, Protection of Environment, Recreation & Culture	Annual EPA Reporting, Waste Management Reporting, Waste Management Strategy, Waste Tracking, Regulated Waste, Stormwater Management Plans, Native Title, Cultural Heritage, Private Certification, Vegetation Management, Residential Services Accreditation, Coastal Management Plans, Land for Wildlife, Environmental Protection & Biodiversity Conservation Act, Migratory Birds, Natural Heritage Trust, NAPSWQ, Road Corridor Management, Prostitution Act, Gaming,	Planning Scheme Process, Consultation Requirements, Regional & State Interests, RPACs, IDAS process, Infrastructure Charges Plans, Rate Rebates for Conservation, Covenants for Conservation, Acquisition of Land for Environmental Purposes, Affordable Housing, Heritage, Beach Protection, Erosion Control	Licensing ERAs
Transport and Communication	Damage to Roads Policy, Mass Limits Review, Telecommunication Approvals	Road Maintenance Performance Contracts, Boat ramps, School Parking/Set-down, Other infrastructure external to State Govt. sites	
Essential Services	Licensing Requirements, Customer Service Standards (water), NCP Requirements	Environmental Standards, Asset Management Plans, Water Allocations	

2.3. Financial Assistance Grants

As a result of the review of methodology undertaken by the Queensland Local Government Grants Commission in 2002, a significant number of Councils across the State are faced with reductions in the level of financial assistance being provided. Many of these Councils have a relatively high dependence on grants to supplement their local revenue base.

In 2002/03, there were 65 mainstream Councils in the State with a revenue ratio less than 50%, meaning that own source revenue (net rates and utility charges) funded less than half of total operating revenue. More than 30 Councils had a revenue ratio less than 25%, making these Councils very fragile in terms of changes in grant funding if services are to be maintained.

In the absence of any desire by the Federal Government to overcome the under-funding of Queensland Councils by distributing the national pool on an equalisation basis thereby increasing the pool of funding for Queensland Councils, it is likely that those Councils that have seen a reduction in FAG in this financial year will be faced with a continuation of this trend, and subsequent pressure on the rate base to fund required services.

2.4. Infrastructure Sustainability

Capacity to effectively maintain infrastructure assets is another problem faced by many Councils. This under funding of infrastructure replacement has been brought to the surface by changes in accounting standards as well as by requirements for Total Management Plans.

Based on DLGP Comparative Statistics covering the last five years to 2002/03, the following statistics suggest that there are a significant number of Councils in the State facing difficulties in effectively sustaining their infrastructure assets:-

- Some 75% of Councils may not be achieving effective maintenance of their sealed road infrastructure in terms of a seal life of around 12 years;
- Almost 40% of Councils had an unfunded depreciation level greater than 40%;
- Around 35% of Councils had a relatively high level of sewer chokes based on an average of around 50 chokes per 100 kilometres of main;
- More than 30% of Councils had a relatively high level of water main breaks based on an average situation of around 40 breaks per 100 kilometres of main each year;

While figures more recent than 2002/03 are not available to assess recent trends in these indicators of asset management, they nevertheless highlight the fact that infrastructure sustainability relative to community expectations is a significant issue for many Councils across the State.

2.5. Demographic Change

While South East Queensland and some other coastal Councils are facing rapid population growth, other parts of the State are faced with a decline in population. Table 2.2 illustrates the population growth trends by region and shows that the western areas of the State are likely to see either a static population or even a decline in population over the next 20 years.

A major problem for rural communities experiencing little or no population growth is the effective ageing of the population, with an increasing proportion being over the age of 65 years.

The difficulties for rural communities in maintaining or developing a skilled workforce, particularly from young people growing up in the local region, is highlighted by statistics on population movement within Queensland. There are now some 13,000 fewer younger people (aged less than 25) in the North West, Central West and South West Statistical Divisions than there were 20 years ago⁵. This is significant in a combined population of only 73,000 people in these outback regions.

⁵ DLGP, Planning Matters, February 2002, p.2

Table 2.2: Queensland Population Projections by Region

Statistical Division	1976	2001	2026	Growth 76-01	Growth 01-26	Share '01	Share '26	Av. Annual Pop. Growth 2001-2026
Brisbane	1,020,400	1,650,400	2,292,400	61.7%	38.9%	45.5%	43.3%	25680
Moreton	198,300	724,200	1,313,000	265.2%	81.3%	20.0%	24.8%	23552
SEQ	1,218,700	2,374,600	3,605,400	94.8%	51.8%	65.4%	68.2%	49232
Wide Bay-Burnett	143,800	236,500	358,100	64.5%	51.4%	6.5%	6.8%	4864
Darling Downs	162,500	210,400	257,500	29.5%	22.4%	5.8%	4.9%	1884
South West	28,600	27,000	27,600	-5.6%	2.2%	0.7%	0.5%	24
Fitzroy	130,000	181,700	234,600	39.8%	29.1%	5.0%	4.4%	2116
Central West	14,100	12,500	12,200	-11.3%	-2.4%	0.3%	0.2%	-12
Mackay	89,500	137,500	181,000	53.6%	31.6%	3.8%	3.4%	1740
Northern	137,700	190,300	257,600	38.2%	35.4%	5.2%	4.9%	2692
Far North	125,200	224,200	320,800	79.1%	43.1%	6.2%	6.1%	3864
North West	42,300	34,300	34,300	-18.9%	0.0%	0.9%	0.6%	0
Queensland	2,092,400	3,629,000	5,289,000	73.4%	45.7%	100.0%	100.0%	66400

Source: Queensland Government Population Projections, 2003

3. Options for Consideration

There are a number of models for voluntary structural reform that need to be considered when determining the optimal arrangements for each local area. Options include sharing of services or staff, specialisation by Councils in a region in one or more functions, use of common information technology platforms to allow payroll, rating, filing and other financial services to be carried out at one location as well as setting up jointly owned businesses to undertake functions such as roadworks.

These models can be summarised as:-

- **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. This could be regarded as outsourcing service provision to another Council.
- **Resource sharing through joint enterprise**, where Councils form a joint business unit to achieve economies of scale across a functional area of core business.
- **Merger/amalgamation**, where Councils join together voluntarily;
- **Significant Boundary Change** which may also include joint arrangements.

Currently, total annual expenditure on formal joint arrangements and regional collaboration is estimated to amount to only 3.5% of total Local Government outlays in Queensland. This suggests that productivity gains available through joint initiatives have not been realised to date.

When considering options to improve service efficiency, it is important to recognise that savings made do not necessarily mean that local employment opportunities will reduce. Efficiency gains can be reinvested in improved services and facilities which may at times have multiplier effects for local employment and investment. There are many studies that have shown that strategic investment in infrastructure results in multiplier effects in terms of social, economic and environmental outcomes.

The following section discusses the above models of structural reform based on a Discussion Paper prepared for NSW Councils by the Local Government and Shires Associations of NSW in 1999. A number of case study examples are included to illustrate steps taken by groups of Councils to address structural reform issues.

3.1. Resource Sharing through Service Agreements

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. This arrangement may involve each council performing one function on behalf of the group. In this way, the councils can achieve economies of scale.

Typical examples include where Councils share staff such as planning, building and environmental health officers. However there is potential for service agreements to occur on a wider and larger scale.

Opportunities for service agreements include:

- works maintenance
- works design and construction management
- plant and equipment management, including workshops
- strategic planning
- health and environmental regulation and monitoring
- waste management

- water and sewerage system management
- parks and gardens management
- management of community recreation and sporting facilities and programs
- rates calculation, billing and collection
- payroll services
- human resources services
- IT system development and management
- other community services and community programs.

Resource sharing arrangements must be formalised. The council who is the provider of the service must have certainty about the amount and duration of the service agreement. Without this certainty, the risks are too high for the council to gear up to achieve the economies of scale. The purchasing councils need certainty about the service agreement in order to reduce their services and expertise in this area of operations.

Councils which have a specialist advantage in a particular area of operations (because of particular skills, experience and technology) may be able to provide this service to one or more other councils more efficiently than they can themselves.

Service agreement should cover the scope, quality and cost of services to be provided by one council to the other.

Service agreements involve a clear definition of work outputs and service standards and will highlight any community service obligation associated with these services.

Advantages/Disadvantages of Resource Sharing through Service Agreements

Advantages	Disadvantages
Finance and Resources	
<ul style="list-style-type: none"> ▪ opportunity to achieve operational economies of scale and scope ▪ allows a council to specialise in a particular function/service ▪ improves ability to attract specialist human resources to region 	<ul style="list-style-type: none"> ▪ limits economies of scale to functions where service agreements are practical ▪ some employees may find it difficult to serve two or more organizations/employers
Organisation and Services	
<ul style="list-style-type: none"> ▪ potential for operating cost savings, reduced duplication and resource utilisation efficiencies ▪ opportunity for more flexible work practices ▪ allows councils to continue to have differing levels of service. 	<ul style="list-style-type: none"> ▪ requires implementation of a service agreement between the councils, including service levels ▪ potential for agreement/contract disputes ▪ may not provide sufficient long-term certainty for a council to gear-up in terms of staff/ resources ▪ potential for recipient council to feel that priority is given to "owner" council services
Community and Representation	
<ul style="list-style-type: none"> ▪ no impact on arrangements for representation 	<ul style="list-style-type: none"> ▪ possible concerns over lack of control of service provided by another council

Wellington Blayney Cabonne Strategic Alliance

The Wellington Blayney Cabonne Strategic Alliance is a partnership between three NSW rural Councils designed to provide economies of scale which have produced significant savings and a better range of services for ratepayers and residents. Created in response to the NSW Government's push for structural reform in Local Government is seen as a highly successful and extremely efficient alternative to Council amalgamations.

The Alliance organisational structure consists of a Board comprising the Mayors, Deputy Mayors and General Managers of the three member Councils.

The Strategic Alliance has created an entity with a combined population of more than 30,000 and a total annual budget of \$60 million, giving it the "clout" of a major regional centre while preserving jobs and local representation in country towns.

Through co-operative arrangements, joint purchases and staff and resource sharing, it has delivered savings of more than \$720,000 to the residents of the three member Councils within the first 10 months of its operation and is on target to reach a goal of \$1 million in savings in 2004.

Wellington and Blayney Councils were able to save \$250,000 each in the provision of records storage. Further significant savings were achieved in road maintenance administration, OHS & Risk Management training, plant purchases, staff secondment, promotion and tourism and printing and stationery. The co-ordinated purchase of major plant items is expected to save \$90,000 alone through common, specifications, advertising, assessment and multiple purchase discounts.

Sharing Senior Staff in WA

In Western Australia, the Shires of Kellerberrin and Tammin, both classified as Rural Agricultural Small, share their CEO and senior management team. The CEO has a contract with each Council and spends 3.5 days in Kellerberrin and 1.5 days in Tammin, 23 kilometres away, each week (Wednesday afternoon and Thursday). Other visits to Tammin are on a needs basis.

The three members of the Senior Management Team (Corporate Services, Development and Works) are employed by Kellerberrin but with a contract arrangement under an MOU to provide an agreed level of service to Tammin Shire.

Other staff, including the Finance Officer, Works Supervisor and Community Development Officer, also provide support to Tammin on a fee-for-service basis.

The Works & Services Departments are fully integrated for Construction, Maintenance and Drainage Works of each local government on a cost re-imburement basis.

Systems and procedures (Budget, Policy Manuals, Corporate Plan, Town Plan, Finance and Administration Systems) of each Council are based on complementary approaches, but with details appropriate to each local government.

A Joint Resource Sharing Committee comprising the President and two Councillors from each Shire provide oversight of the arrangements.

The benefits seen by each Council in this arrangement include protecting individual identities and maintaining local independence and decision-making while achieving cost efficiencies and resource integration. Opportunities to leverage local linkages to encourage economic development are also seen to exist. The arrangements are also well supported by each local community.

The joint arrangements grew out of difficulties being experienced by Tammin in attracting an appropriate CEO, and after a twelve month acting arrangement involving the then Kellerberrin CEO, both Councils decided to formalise the shared approach. Consideration is being given to extending the shared arrangements to include two more neighbouring Councils.

3.2. Resource Sharing through Joint Enterprise

Resource sharing through joint enterprise involves councils forming a joint business to achieve operational savings and improve service delivery across one or more functional areas of their core business. This option involves continuation of the existing Local Government boundaries but creates a formal entity and management structure to manage the joint enterprise.

The form that this joint enterprise arrangement may take would need to be based on examination of a range of issues including taxation, risk and future strategy for the operation, including the existing commercial business undertakings.

The extent of joint enterprise may vary from a specific function to an operation that includes the major operational and regulatory areas of Local Government operations.

Joint enterprise opportunities may exist in a wide range of functions including:

- works management
- plant and equipment management, including workshops
- strategic planning and development control
- health and environmental regulation and monitoring
- waste management
- water and sewerage system management
- information technology (IT) system development and management
- parks and gardens management
- management of community recreation and sporting facilities and programs
- other community services and community programs such as libraries
- other commercial business ventures, such as airports, saleyards quarrying, caravan parks and camping grounds.

The range of functions which may be able to achieve economies of scale and scope and which are 'provider services' are likely to be those considered for such an arrangement. The joint enterprise would undertake the 'provider' or 'doing' roles, leaving the 'purchaser' roles of policy, planning and specification of projects to the respective councils.

Implementation of this joint enterprise would involve transfer of relevant operating assets, liabilities, working capital, staff and facilities from participating councils. Administration including accounting, billing, payroll, human resources, IT and other services required by the joint enterprise could be provided in one of several ways, including by internal joint enterprise resources, a contract to one or more of the councils or by contract with a private sector organisation.

In some cases, the councils may decide that one of the councils will provide these administrative and financial services to the enterprise. However, in time and given that the enterprise is likely to be driven by its financial performance, the enterprise may press for the option of having internal staff for these functions or to use external service providers, other than the participating councils.

The joint enterprise would require a separate management structure. It would have a commercial charter, corporate goals and operating principles agreed to by member councils. Direction of the enterprise would normally be through a board consisting of representatives of all councils involved in the joint enterprise. The board, depending upon the enabling legislation, may also comprise other persons from outside the councils to provide specialist expertise.

A service agreement would be developed to define the range, quantity, quality and price for work done for each of the councils. Initially, the service agreement may be based on performing the

current level of workload for the existing councils. This would be refined over time in terms of scope, quality and price.

Advantages/Disadvantages of Resource Sharing through Joint Enterprise

Advantages	Disadvantages
<p>Finance and Resources</p> <ul style="list-style-type: none"> ▪ opportunity to achieve operational economies of scale and scope ▪ enhanced capacity to attract specialist human resources to region ▪ opportunity to operate on a fully commercial basis, resulting in further efficiencies. 	<ul style="list-style-type: none"> ▪ limits economies of scale to functions where joint enterprise are practical ▪ requires creation of an additional management structure and separate entity to manage the joint enterprise ▪ involves injection of working capital into the joint enterprise ▪ involves direction of the joint enterprise through a joint council.
<p>Organisation and Services</p> <ul style="list-style-type: none"> ▪ generates operating cost savings, reduced duplication and resource utilisation efficiencies ▪ opportunity for more flexible work practices ▪ increases customer service focus and management autonomy ▪ produces a 'purchaser/ provider split' ▪ rationalises operating infrastructure such as depots, offices, technology, plant and equipment ▪ allows councils to continue to have differing levels of service. 	<ul style="list-style-type: none"> ▪ requires implementation of a joint enterprise/ partnership agreement between the councils, including service levels ▪ involves setting up of a separate organisation structure to manage the shared resources with own compliance and reporting costs ▪ costs involved in integrating the relevant parts of each council operations, which may take two or three years to be recovered from efficiency gains ▪ involves integration of sometimes widely differing organisational cultures ▪ requires identification and adjustment for community service obligations currently undertaken within operations
<p>Community and Representation</p> <ul style="list-style-type: none"> ▪ no impact on arrangements for representation ▪ establishes clear management responsibility for day-to-day activities of joint enterprise operations. 	<ul style="list-style-type: none"> ▪ loss of direct control by councillors over shared operations, as policy and management decisions need to involve all participating councils.

Queensland examples of Joint Enterprises include:-

Joint Local Governments:

- Dalby-Wambo Aerodrome Board
- Dalby-Wambo Library Board
- Dalby/Wambo Saleyards Board
- Emerald Peak-Downs Saleyards Board
- Esk, Gatton & Laidley Water Board
- Gladstone/Calliope Aerodrome Board
- Goondiwindi/Waggamba Aerodrome Board
- Goondiwindi/Waggamba Community Cultural Centre Board
- Mission Beach Marine Facilities Joint Board
- Nogoia River Flood Plain Board
- Rockhampton District Saleyards Board
- Roma - Bungil Showgrounds and Saleyards Board
- The Caloundra/Maroochy Water Supply Board

- Townsville/Thuringowa Water Supply Joint Board
- Willows Sports Complex Joint Board

Joint Entities:

- Townsville Breakwater Entertainment Centre Joint Venture;
- Northern Skills Alliance Incorporated;
- Moreton Bay Waterways and Catchment Partnership;
- Gulf Savannah Development Incorporated
- Local Buy Pty Ltd
- SEQ Water Corporation

Regional Organisations of Councils:

- Central Queensland Regional Organisation of Councils
- Darling Downs Regional Organisation of Councils (previously EDROC)
- Far North Queensland Regional Organisation of Councils
- Maranoa and District Regional Organisation of Councils
- South East Queensland Regional Organisation of Councils
- Whitsunday, Hinterland and Mackay, Bowen Regional Organisation of Councils

Hunter Councils Inc.

The Hunter Regional Organisation of Councils, (ROC) includes eleven members drawn from the Hunter Valley region of NSW.

The Hunter ROC adopted a corporate model in 2002, and formed a company limited by guarantee as a vehicle to provide services to its members. Member Councils underwrote finance to enable the newly formed company, Hunter Councils Ltd. to purchase land and construct a purpose built facility.

A Board of Directors, and an advisory committee consisting of the General Managers of member Councils govern Hunter Councils Inc. The company also has its own CEO and approximately 20 staff including administrative support. The organisation provides services to its members through four major divisions:

- Learning and Development
- Environment
- Regional Procurement
- Records Management and Storage

The Records division represents a major investment for Hunter Councils Inc. as it has constructed a purpose built facility to provide records storage for members and other organisations that complies with the State Records Act. A Data Management Centre is also being established which will ultimately provide a full range of data management options.

Hunter Councils Inc. aims to:

- Foster cooperation and resource sharing amongst members
- Encourage business investment
- Improve the image of the Hunter region
- Be an advocate for the interests of the Hunter Valley and its member Councils

Significant financial resources have been invested in this company and one of its aims is to ensure that it becomes self-sustaining and less of a financial burden on member Councils.

3.3. Merger/amalgamation

Merger or amalgamation involves the creation of one new council from two or more existing councils. Amalgamation includes the integration of organisation structures, facilities management, service provision and of policies and regulations across the combined area.

Voluntary amalgamation allows councils to choose the other councils with which they would like to amalgamate, and also to collectively address the specific issues that arise from the amalgamation, and thus influence the structure, systems and strategies of the new council.

Advantages/Disadvantages of Merger/Amalgamation

Advantages	Disadvantages
<p>Finance and Resources</p> <ul style="list-style-type: none"> ▪ creates a sufficient resource base for the combined council and a stronger financial structure that helps spread financial and business risks ▪ reduces the total costs of governance 	<ul style="list-style-type: none"> ▪ residents of each council exposed to assets and liabilities of the other council ▪ may expose major differences in rates between areas of the combined council, although this can be addressed through the use of differential rating ▪ may reduce the total amount of the general purpose component of Financial Assistance Grants.
<p>Organisation and Services</p> <ul style="list-style-type: none"> ▪ provides operating cost savings from economies of scale, reduced staff or the reduced need for additional staff ▪ opportunity to review customer service and the efficiency and effectiveness of operations ▪ potential to rationalise operating assets including, plant and equipment, workshops and depots, administration centres and office technology ▪ opportunities to improve service options and reduce operating costs in many areas, including water supply, sewerage disposal and waste management ▪ addresses cross-border utilisation of facilities and services of one council by residents of the other ▪ opportunity for improving the promotion of economic development of the combined area. ▪ Better basis to manage growth across area involved 	<ul style="list-style-type: none"> ▪ cost of integrating the councils can take two or three years to be recovered from efficiency gains ▪ involves integration of sometimes widely differing organisational cultures and disruption to organisational output during the implementation phase ▪ may result in differing levels of services in some areas eg smaller communities, although this can also be addressed by the use of differential rates and / or a process to equalise services over time.
<p>Community and Representation</p> <ul style="list-style-type: none"> ▪ formalises communities of interest that may have previously been divided by council boundaries. 	<ul style="list-style-type: none"> ▪ increases the number of electors per councillor and dilutes the existing levels of representation, although this may not necessarily reduce the effectiveness of representation ▪ smaller communities may lose direct representation, ie they may not have a candidate from their own area.

Queensland Councils involved in amalgamation in the last ten years or so include:-

- Gold Coast (former councils of Albert and Gold Coast)
- Warwick (former councils of Warwick, Allora, Glengallan and Rosenthal)
- Ipswich (former councils of Ipswich and Moreton)
- Cooloola (former councils of Gympie and Widgee)
- Burnett (former councils of Woongarra and Gooburrum)
- Mackay (former councils of Mackay and Pioneer)

- Cairns (former councils of Cairns and Mulgrave)

3.4. Significant Boundary Change

Significant Boundary Change (possibly in conjunction with joint arrangements) may provide the opportunity to address particular issues such as growth management, cross border service use, community of interest or inefficiencies in infrastructure provision while retaining the individual identity of individual Councils and their separate communities of interest.

Advantages/Disadvantages of Major Boundary Change

Advantages	Disadvantages
<p>Finance and Resources</p> <ul style="list-style-type: none"> ▪ creates an enhanced resource base for the recipient council ▪ provides economies of scale in servicing the appended area 	<ul style="list-style-type: none"> ▪ may reduce the resource base of the council from which an area is transferred ▪ residents of one council exposed to assets and liabilities of the other council ▪ may expose major differences in rates between areas of the appended council, although this can be addressed through the use of differential rating ▪ may reduce the total amount of the general purpose component of Financial Assistance Grants.
<p>Organisation and Services</p> <ul style="list-style-type: none"> ▪ potential to rationalise operating assets including, plant and equipment, workshops and depots ▪ opportunities to improve service options and reduce operating costs in many areas, including water supply, sewerage disposal and waste management ▪ addresses cross-border utilisation of facilities and services of one council by residents of the other ▪ Better basis to manage growth across area involved 	<ul style="list-style-type: none"> ▪ involves integration of sometimes widely differing organisational cultures where staff are transferred ▪ may result in differing levels of services in some areas eg smaller communities, although this can also be addressed by the use of differential rates and / or a process to equalise services over time.
<p>Community and Representation</p> <ul style="list-style-type: none"> ▪ formalises communities of interest that may have previously been divided by council boundaries. ▪ Retains separate identities of individual councils 	<ul style="list-style-type: none"> ▪ may dilute the existing levels of representation for some residents, although this may not necessarily reduce the effectiveness of representation

Queensland Councils involved in major boundary change in the last ten years or so include:-

- Townsville and Thuringowa;
- Maryborough and Woocoo;
- Murweh and Tambo;
- Mt Isa and Cloncurry.

4. Sustainability Indicators

4.1. Background

Under the Local Government Regulation 1994, there are a number of prescribed issues which must be considered in relation to any reviewable local government matter. These issues are relevant to the sustainability of the current size, shape and structure of local government arrangements.

The prescribed issues include:-

1. **resource base sufficiency** – whereby a council should have a sufficient resource base to efficiently and effectively exercise its jurisdiction and operate facilities, services and activities, including capacity to be flexible and responsive in such activities;
2. **planning** – where external boundaries assist in planning and development which benefit the area, have regard to existing and expected population growth and allow efficient and effective operation of facilities, services and activities;
3. **community of interest** – whereby external boundaries should reflect local communities and their linkages, do not divide local neighbourhoods or adjacent rural and urban areas with common interest, follow natural and non-natural features which separate different communities, provide a centre of administration and service easily accessible to its population and allow effective elected representation.

The Regulation also require consideration of whether **joint arrangements** could be established instead of, or in combination with, an external boundary change.

These prescribed issues are of relevance to the question of indicators which may suggest a need for councils to consider some form of structural reform as described in Section 3 of this Discussion Paper. They also indicate that sustainability must consider not only financial issues but must also include community and planning considerations.

4.2. Financial and Resourcing Indicators

There are many potential indicators of financial health or stress. These include revenue ratio, debt servicing ratio, working capital ratio, capital expenditure ratio, unfunded depreciation ratio and rate arrears ratio.

DLGP provides details of these in the Comparative Local Government Statistics. Both a cross-sectional analysis and trends over time relative to peer group Councils can be useful in determining if there are particular structural issues to be examined. However, in some cases, these ratios do not expose the need for structural reform (eg a low debt servicing ratio may simply indicate that a Council has done little to provide required services and infrastructure or high rate arrears may simply mean poor collection policies).

Relevant questions for Councils that may indicate potential sustainability issues include:

- Does the Council currently have the capability to sustain its infrastructure?
- Does the Council have the long-term ability to finance its future activities?
- Can the Council continue in the long term to attract the staff and expertise required to meet local service needs?
- Can the Council maintain its current service levels to the community if staff and expertise cannot be recruited at a reasonable cost?
- Can the community be convinced to accept a lower level of service if the council cannot obtain/retain staff or adequate financial resources?
- Can the Council continue in the long term to meet its statutory and accountability obligations to the community?

The following are suggested as some key financial and resourcing issues that may indicate a need to look at structural reform options. They are based on the issues and principles included in the Local Government Regulation 1994. They are not however an exhaustive list.

4.2.1. Capacity to Sustain Infrastructure

As discussed earlier, there are a significant number of Councils in the State which exhibit problems in effectively maintaining their infrastructure assets. Many smaller communities have obtained grants in order to provide much needed water or sewerage infrastructure. Over time these assets age and require refurbishment and upgrade. Unless effectively budgeted for, it is often difficult to find the resources to maintain this infrastructure at a desirable standard. There are examples where Councils have had to tear up sealed roads in order to reduce maintenance costs to sustainable levels.

With Total Management Plans a requirement for water and sewerage assets, the ongoing funding needs are now becoming apparent for many assets.

There are a number of indicators that can assist a Council in looking at sustainability of current infrastructure assets. These include proportion of sealed roads resealed, water main breaks or sewer chokes per 100 kilometres of main and level of unfunded depreciation which can assist Councils to identify potential problems.

4.2.2. Capacity to Efficiently Use Resources

There is a substantial body of research which suggests that smaller councils have administrative costs significantly higher than larger ones on a per capita basis although there is little evidence to suggest that economies of scale continue to be gained as administrative size increases beyond 50,000. Studies suggest that diseconomies of scale exist for administrative units less than 10,000 population and some states have used this figure as a benchmark for the minimum population size of a local government area.

However, research also indicates that economies of scale can be gained by co-operative arrangements between smaller councils, so population size alone should not be seen as a rationale for boundary change.

As Table 1.1 illustrates, there are currently only 49 mainstream councils with a population greater than 10,000 in Queensland while 39 Councils have a population less than 3,000 people.

Councils with less than 10,000 population are those likely to be at greatest risk in terms of efficient use of available resources, and where options for structural reform need to be evaluated. This risk increases as size reduces and may be particularly severe for populations below 2000, unless the Council has a major road undertaking as a consequence of its large service area.

4.2.3. Capacity to Obtain Required Human Resources

Earlier discussion noted that many councils in the state have experienced difficulties in attracting suitably qualified staff for senior positions across a range of disciplines (CEO, planning, engineering, environmental health, finance and administration). The LGAQ/LGMA study of CEO recruitment and retention identified problems for rural and remote councils in recruitment of suitably qualified personnel for CEO positions. A recent study of the Environmental Health profession⁶ shows that there is less than one environmental health officer position required, on average, to service a local government population of 10,000 people. The study also revealed difficulties for a number of smaller councils in attracting experienced professionals.

⁶ Public Health Workforce in Local Government, Qld. Health, July 2004

With rapid population growth occurring in SEQ, driving demand for skilled local government professionals in SEQ councils, the recent difficulties for rural and remote councils in attracting skilled professional staff are likely to be exacerbated.

The capacity to attract required human resources is likely to be a key indicator of the need to look at structural reform or service delivery options. Again, Councils with less than 10,000 population are likely to be at greatest risk, with the risk increasing as size reduces.

4.2.4. Flexibility of Resource Base

Many Councils have a low rate base and this is used primarily for the fixed costs of administration. These Councils are often reliant on grant funding for provision of key services and facilities.

As noted earlier, there are no positive signs in relation to increased financial assistance grants to reduce pressures on the rate base. Many of the Councils facing reductions in FAG are those with a relatively low revenue ratio.

With some 30 Councils in the State having a revenue ratio less than 25% (net rates and utility charges as a percent of operating revenue), these Councils face a high risk in terms of capacity to respond to changing circumstances and demands.

Councils with a revenue ratio less than 50% need to evaluate the risks and look at options to improve their financial flexibility.

4.2.5. Cross Border Service Use

There are some situations where neighbouring local governments make significant use of services and facilities (recreation, libraries, aerodromes, refuse, etc) in another where there are no formal arrangements to equitably spread the cost burden across the various user groups.

A lack of such formal arrangements where significant cross-border service use exists is a clear indicator of a need to consider structural reform options.

4.3. Community of Interest

A strong common community of interest is an indicator of a sustainable local government area, enabling a representative and effective Council. Where for example, there is extensive commuting between one area and another, the community of interest may be weakened because individuals have an interest in two or more Council areas but feel unable to influence decisions in the area where they are not an elector.

The extent of community engagement/involvement along with the degree to which they are satisfied with the way in which their service needs are being met can also be indicators of sustainability from a community perspective.

Some indicators of community of interest are as follows.

4.3.1. Service Centre

The availability of important health, education and related services indicates whether residents of an area are likely to visit other centres on a regular basis as well as indicating the degree of self-containment of an area. Communities with a district hospital facility (say more than 30 beds) and a full secondary school are likely to be more self-contained on a community of interest basis as well as enhancing the prospects of attracting professional staff.

4.3.2. Retail Sales Retention

An indicator of the level of self-containment is the degree to which the per capita level of retail sales is close to the state average. Where a Council area has a low level of retail sales retention, it is an indication that another centre is playing a major servicing role. This may also indicate cross

border utilisation of services which require consideration of joint arrangements or other structural reform options.

4.3.3. Community Linkages

Strong interaction with other centres for work, education, social, recreational or shopping activities is likely to erode the cohesiveness of a community and their participation in local affairs. Identification of such linkages is important in identifying partners in structural reform options.

4.3.4. Community Engagement and Satisfaction

Where a community feels a strong sense of involvement in or engagement by their Council, the existing governance arrangements are likely to be more sustainable. On the other hand, where the community feels little empathy for their elected Council and its leadership role in the development of their community, this may be an indicator of a need to consider structural change. Sample surveys of the community may be useful in measuring community perspectives including engagement and satisfaction.

4.4. Planning and Growth Management

Efficient and effective provision of infrastructure requires capacity for a coordinated approach to service provision related to the wider community of interest. The need for structural reform may be indicated where actions of one council can inadvertently affect another area or where infrastructure provision on an individual basis may lead to duplication or inefficiencies in terms of effective servicing. Indicators for consideration include the following.

4.4.1. Infrastructure Servicing

This requires consideration of opportunities to more efficiently and effectively service growth in terms of water, waste water, refuse disposal and road systems. Where difficulties exist in achieving an optimum solution because of current boundaries, then structural reform options need to be considered.

The Roads Alliance is an example of potential to more strategically direct available resources through cooperative arrangements.

4.4.2. Growth Management

An indicator of growth management problems requiring enhanced structural arrangements would be where urban or rural residential overspill related to one council area are spilling over into a neighbouring area. In these situations actions by one Council may impact on another. While regional planning arrangements are intended to assist in required coordination, these do not have a statutory basis (other than SEQ) and rely on voluntary coordination arrangements.

5. Reform Review Framework

This section of the Discussion Paper outlines a framework for the review of structural reform options by two or more Councils.

The framework is a general outline of the steps and activities involved. The appropriate process will often depend on the Councils involved and the extent of options being evaluated. For example, a merger option will require extensive community consultation whereas creation of say a combined business unit for a particular service or activity is more likely to be seen by the community as an operational matter unless there are specific local impacts (eg job transfers from one centre to another).

It is essential that there is a shared commitment to fully investigate opportunities to improve structural arrangements with the aim of providing the most efficient and effective services within available financial resources to meet both the current and future needs of the local communities.

While individuals may have preconceived views on the need for change, it is important that the review process is allowed to document the strengths and weaknesses of all options so that informed decisions can be made in the best interest of the local communities.

Unfortunately, it is not always easy for Councils to progress the required research and analysis given existing work commitments, and this can result in the process stagnating. There may be a need for independent facilitation of the following process and this is discussed in the next section of this Paper.

It is important to note that as the process is voluntary agreeing to participate in a review does not automatically commit a council to any particular reform option or outcome, nor prevent a council withdrawing for the review process at any time.

5.1. Step One – Explore Options and Partners

This is possibly the most difficult part of the process – getting started. There is unlikely to be a shared vision by Councils in any region on the need for change. Unless there is a stick (eg the threat of State Government intervention or to avoid the calamitous consequences of a service or financial failure) or a carrot (the opportunity to gain more resources for needed services), many Councils tend to resist change.

It may therefore be desirable to initiate the process at a regional level (eg ROC), involving the maximum number of potential participants. This may be vital if economies of scale are to be achieved through resource sharing or through specialisation by individual Councils on a particular function or service.

A scan of the strengths and weaknesses of each Council in a region in terms of the indicators in Section 4 may assist in identifying those Councils that could potentially benefit most from changes to structural arrangements.

The following table (Table 5.1) presents a simple approach to quantifying risks based on the discussion in Section 4. By looking at a number of Councils in a region, it is likely that potential partners to be involved in any review will be identified. By undertaking such a scan as a group, rather than as individual councils, the validity of self assessed risk ratings may be better confirmed or differences in opinion tabled for further discussion.

Following a scan of strengths and weaknesses of current arrangements, the following items should form part of an agreement between participating Councils:

1. the Councils to be included in the review;
2. the issues to be addressed by the review and the range of options to be explored;
3. the administrative arrangements for the review (eg working party) and the resources to be provided by each Council.

Table 5.1 Sustainability Risk Indicators

Indicator	Score (level of risk from low =1 to high = 5)
1. Does Council have the capacity to sustain its infrastructure assets? (low risk if all TMPs effectively funded and low level of unfunded depreciation, increasing risk as capacity to properly fund asset replacement reduces)	
2. Does size provide capacity to efficiently use resources? (Low risk if above 10,000 population, increasing risk if less than 10,000)	
3. How difficult is it to obtain required human resources? (Assess risk against experience in finding suitable candidates for key positions)	
4. How flexible is resource base? (low risk if revenue ratio > 50%, increasing risk below 50%)	
5. Is there cross border service use? (low risk if self contained, high risk if significant use of services by non residents or if the local government's residents use services in another local government area)	
6. Is there a major service centre? (low risk if major health and education facilities in the local government's area, increasing risk as level of service decreases)	
7. How strong is retail sales retention? (low risk if self contained, high risk if extensive leakage to other centres)	
8. How strong are community linkages within the local government area? (low risk if self contained, high risk if strong work, leisure, social linkages with other centres)	
9. How strong is the involvement or engagement of the community in local governance matters and how satisfied is the community in the leadership and advocacy roles of the Council? (low risk if strong level of engagement/participation and high levels of satisfaction of community, high risk if there is community apathy, a poor track record of Council in engagement and dissatisfaction with service levels. Community surveys may be necessary to measure - see Appendix A for an outline of possible survey questions)	
10. Is infrastructure servicing efficient? (low risk if no difficulties in servicing current and future population with key infrastructure, high risk where duplication or inefficiencies without joint arrangements)	
11. How well can growth be managed without impacts from policies of neighbouring local governments?	
Total Score (< 15 = unlikely to benefit from structural reform, but may be able to assist others, 15 to 30 = potential benefits from investigations of joint arrangements, > 30 = high risk and priority need to consider structural reform)	

5.2. Step Two – Information Gathering, Research and Analysis

Having identified the options that need to be investigated along with review partners, it is then necessary to gather relevant information to allow a detailed analysis of the strengths and weaknesses of each option relative to the status quo.

It is essential that the information gathering includes an opportunity for input from all relevant stakeholder groups including the community.

The information gathering at this stage could include:-

- Meetings with stakeholder groups eg ratepayers association, other community groups, agricultural groups, developers, etc.
- Public meetings advertised widely to allow all community members to identify issues and concerns in relation to the options to be investigated.

Box 5.1 below provides a model of community engagement including processes relevant to each phase of engagement which would be useful in designing processes for each specific review situation.

The analysis would include documentation of the key issues facing the various councils involved (eg financial performance indicators, reducing grants, pressure on rate base, difficulties in recruiting/retaining staff, unit costs of service provision using comparative data, urban overspill, cross border service use, etc). Findings from the sustainability risk indicators regional self assessment and initial community surveys could also be included.

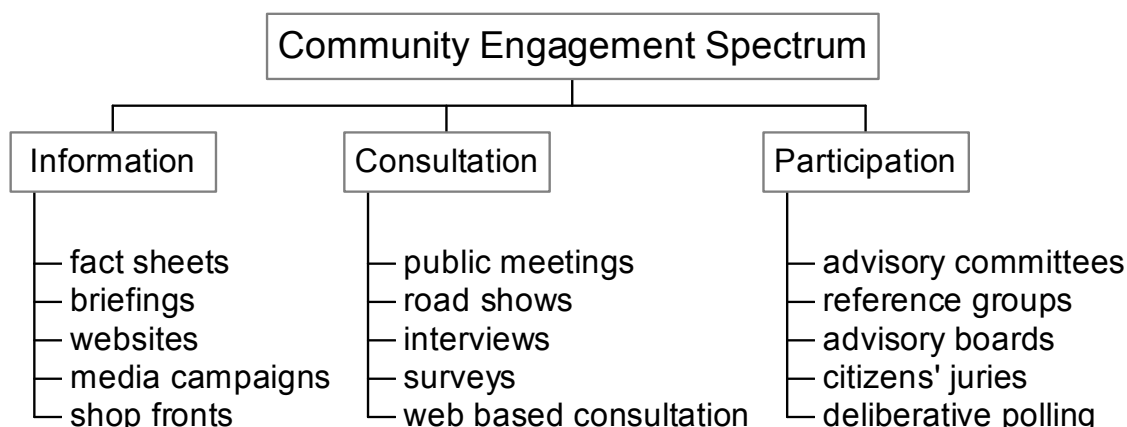
A preliminary analysis of the advantages and disadvantages of each option including operating cost implications where available and the impacts on rates and/or on service delivery would be undertaken.

The outcomes of this research and analysis, including community feedback should be documented in a preliminary report. The purpose of such a preliminary report is to allow the opportunity for stakeholder groups to be aware of the benefits or otherwise of any change proposed and the risks associated with each option.

For example, establishing one works business unit for a number of shires may result in considerable cost savings in terms of plant/workforce utilisation. However, some communities may be concerned that this could result in centralisation of part of the workforce in one town at the expense of others. However, the cost savings may mean that enhanced service provision or rate reductions (or both) are possible and this trade off needs to be fully presented. Such concerns may also be addressed by, for example, another Council specialising in some other aspect of operations eg payroll, rating, records, environmental health, building, etc.

The preliminary report should be made widely available throughout the review area.

BOX 5.1: Community Engagement



5.3. Step Three – Community Engagement

The availability of a preliminary report provides the basis for further consultation in relation to the specific options that have been identified and their documented strengths and weaknesses. A second round of community engagement is appropriate at this stage, including some of the options presented in Box 5.1 above. This component of the process assists in explaining the research results and obtaining comment/feedback.

It may also be desirable to provide the opportunity for written submissions.

In some situations, a sample survey may also be appropriate to measure the degree of community support for each structural change option, and differences between each community of interest.

A Final Report should then be prepared for consideration of each Council, taking into account community feedback and providing a basis for decisions by each council on whether to proceed further.

5.4. Step Four – Councils Determine Structural Change Option

Following analysis of public feedback and the presentation of the Final Report to each Council, a decision is required on whether to implement any of the options examined.

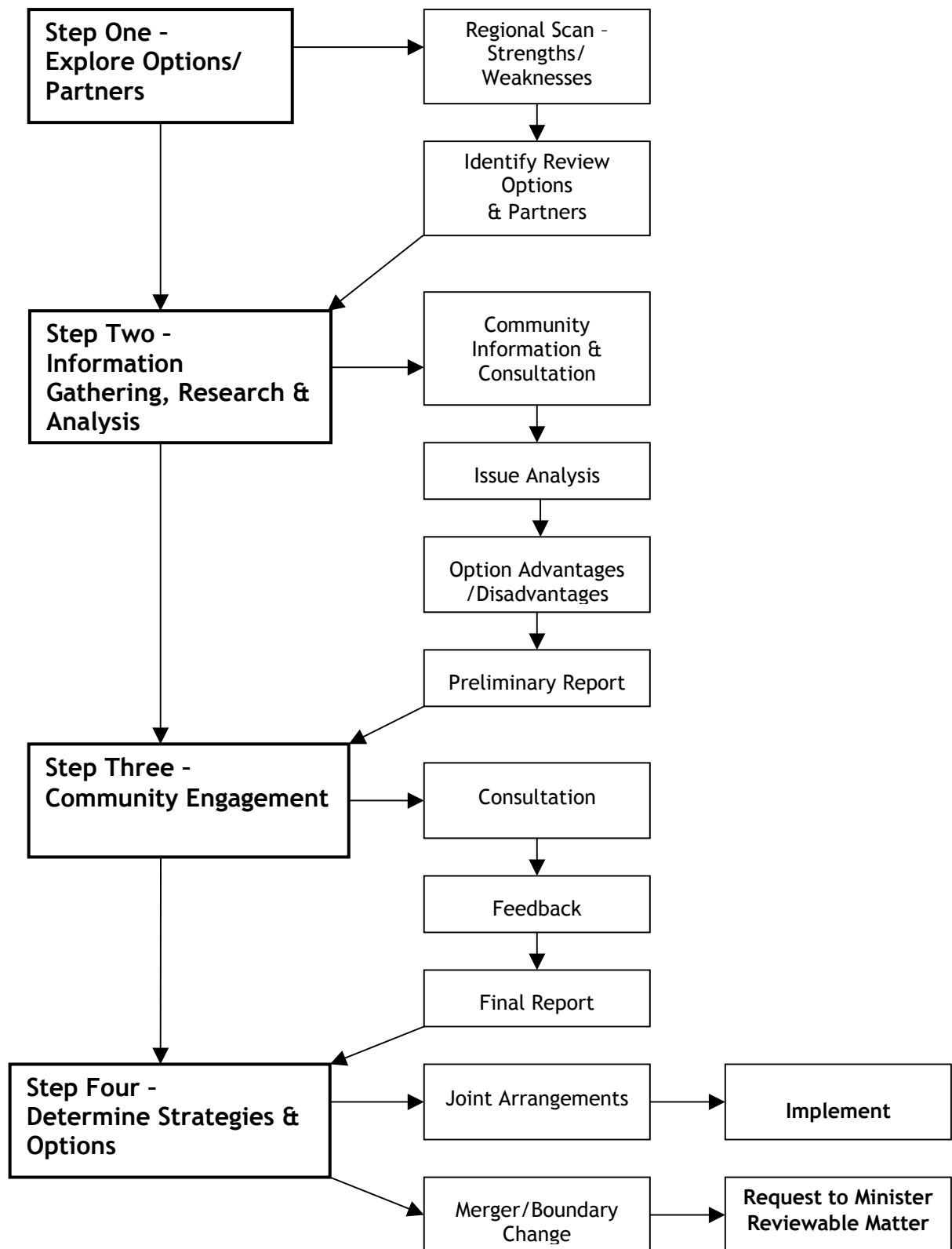
Where joint arrangements are regarded as the preferred solution (whether by agreements or by joint enterprise), implementation of the preferred option is entirely within the control of the participating Councils.

However, if an amalgamation or boundary change is proposed as a result, under current legislation this would need the Minister for Local Government to refer the request to the Electoral Commissioner as a reviewable matter. A merger also requires a public referendum on the proposal with majority support in each Council area regardless of whether each council has determined this as the best option to address issues.

It is desirable that, where Councils agree to an amalgamation or boundary change based on the process outlined above (which is in line with the Local Government Regulation 1994), the process undertaken by the Electoral Commissioner would be expedited. This is in line with LGAQ Policy 2.2.5 on Boundary Change (see Section 1.3 of this paper).

Figure 5.1 summarises the suggested voluntary review process.

Figure 5.1: Review Process



6. Process Facilitation

6.1. State Government Support

It is unlikely that significant efforts will be made by Councils to undertake structural reform unless there are some incentives available. There needs to be some indication from the State Government that they are prepared to support the voluntary structural reform process, and financial support to facilitate key steps would be a clear indication of their interest in such reform.

In the first instance, there would appear to be a need to have some independent facilitator available to each council group to guide the process and document the outcomes. While Councils may be prepared to input their in-house resources to assist with research and analysis, many may be reluctant to spend funds on an external facilitator.

In South Australia, for example, Facilitators were available to Councils through the Local Government Reform Group. Other support (eg financial, economic and social evaluation) was also negotiated on a case by case basis.

Support from the State Government for this facilitation role may therefore be important in achieving some momentum in the structural reform process. It may also be desirable that a time limit of say 2 to 3 years is placed on such support to encourage early initiatives.

While independent facilitation funded from external sources may assist in kick starting the process, there may also be a need for incentives or rewards for Councils that achieve productivity and efficiency/effectiveness improvements as a result of structural reform. Possible support funding could include:-

- guarantees in relation to maintenance of financial assistance grants at the same level they would have been if no structural reform had occurred;
- increased rates of capital works subsidies for facilities required to support the structural change process;
- higher priority for councils undertaking reform in access to funding programs eg Rural Living Infrastructure Program, Smaller Communities Assistance Program or Regional Centres Program to assist in mitigating potential adverse impacts on communities.

When considering incentives, it will be important that Councils that have already achieved significant efficiency and effectiveness improvements are not disadvantaged.

6.2. LGAQ Role

As noted at the start of this Discussion Paper, the LGAQ has taken a leadership role in promoting debate on the future size, shape and sustainability of Queensland Local Government. This position recognises the need for Local Government itself to initiate reform that leads to more efficient and effective servicing of communities rather than have reform imposed by State Government.

Roles that could be played by LGAQ include the facilitation role (either as the service provider or by identifying/accrediting external consultants with required expertise), by documentation of case study examples or through specific technical advice on matters such as community engagement, financial analysis or business unit options.

The proposed Special Conference is a mechanism through which members can identify how best LGAQ can serve them in furthering the review process.

APPENDIX A**POSSIBLE COMMUNITY SURVEY QUESTIONS**

The following are possible questions that could be included in a sample survey of the community as part of an initial assessment of the satisfaction of the community with current arrangements and their perception of any need for change. Such a survey is best undertaken as a sample survey of a random number of households in the area. The sample size depends on factors such as the need to disaggregate sectors of the sample (eg rural and urban). As a general guide, a sample size of, say 150 may be appropriate for a Council of up to 10,000 population. It would normally be desirable to engage the services of a market research firm to undertake such a sample survey.

Possible Questions:

1. How would you rate the performance of (Shire/Town/City) for delivering a level of services and displaying a quality of performance in fulfilling all responsibilities, which you would regard as 'value for money'? Would you give them a 5 for 'very good', a 4 for 'good', a 3 for 'fair only' a 2 for 'poor' or a 1 for 'very poor' for their overall performance?
2. In the last year, have you had a reason to visit the administration offices of (Shire/Town/City)?
3. In the last year, have you had any direct contact (in person or by phone) with a Councillor and/or the Mayor of (Shire/Town/City)?
4. What is more important to you – maintaining the existing number of councillors and Council boundaries or having service delivery and administrative arrangements that result in best value in terms of required services and facilities, on the assumption that both are not possible?
5. Would you support (Shire/Town/City) contracting a neighbouring council to provide services in your area if this resulted in more efficient and effective service provision?
6. If there was an opportunity to improve the efficiency and effectiveness of (Shire/Town/City) through amalgamation or boundary changes with another council, would you support such a change?
7. Do you have any specific comments to make on the need for any change in the way (Shire/Town/City) is structured or undertakes its role in best meeting the needs of this community?
8. How long have you lived in area? (less than 6 months, 6mths to 1 yr, 1-2 yrs, 2-5 yrs, > 5yrs)
9. Demographics (suitable questions to allow cross tabulation of results by different sectors of the community eg by age group, by home owners vs renters, etc)