QLGRA SUBMISSION INTO THE LONG TERM FINANCIAL SUSTAINABILITY OF LOCAL GOVERNMENT

QLGRA Inc
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To: Committee Secretary
Inquiry into the Long Term Financial Sustainability of Local Government
Infrastructure, Planning and Natural Resources Committee
Parliament House
George Street
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Introduction

The Queensland Local Government Reform Alliance Inc

The Labour Government in 2007-2008 amalgamated 153 Queensland councils into 77 entities without any democratic process or proper analysis of the economic effectiveness.
The Queensland Local Government Reform Alliance (QLGRA) Inc was established in 2013 in response to the Liberal National Party government's failure to deliver the democratic right of communities to decide their council boundaries, as was promised in the LNP election platform.

QLGRA Inc is an entirely volunteer body with representative groups, members and alliances from all over Queensland – Surat, St George, Stanthorpe, Warwick, Boonah, Mt Tamborine, Brisbane, Gold Coast, Redcliffe, Caboolture, Kingaroy, Wandoan, Taroom, Sunshine Coast, Gympie, Maryborough, Childers, Monto, Rockhampton, Yeppoon, Tully, Tablelands, Cairns, Peak Downs and Capella, Whitsunday, Crows Nest and many more.

As stated QLGRA was established in response to the amalgamations of councils. Our continued existence (and growth in membership) is driven by the mounting evidence that LG in Qld is in serious need of reform on a broadening range of issues.

The QLGRA appreciates the opportunity to present a submission to the Inquiry into the Long Term Financial Sustainability of Local Government. As a peak body of concerned rate payers and citizen, we also appreciate the extension of time in which to make a submission.

We note that only one other Citizen's group did make a submission and call on the Inquiry panel to investigate as to why this was so.

The main points of this submission are:

1. **<u>What are the concerns?</u>**
   Both the State Government and Ratepayers and Citizens are concerned about Local Government in Queensland. Ratepayer concern has intensified since the amalgamations of 2008. State Government concerns pre-dated 2008 amalgamations but remain unresolved.

1. **<u>Amalgamation did not work.</u>**
   The QLGRA contends that the amalgamation model has not remedied the issues for the State Government and in most cases has worsened the burden on the ratepayer. QLGRA presents an analysis of Operating Costs per Capita.

2. **<u>Solutions.</u>**
   The QLGRA will list courses of actions open to the state government. This will include a strong recommendation for comprehensive (as against piecemeal) review of local government.

Point One: What are the concerns?

Ratepayer and Citizen Concerns

As a representative body for Ratepayers and Citizens throughout Queensland a constant complaint (amongst many other concerns – too many to list in this submission) we receive is the level of rates, fees, charges and levies that are used by Councils to constantly increase revenue.

We have attached as evidence, a selection of individual's rates notices comparing rates notices issued between 2006 to 2017.   The summary table (see Attachment 1) includes a comparison with CPI and details also the extra fees and charges that have been added to ratepayer costs.

QLGRA has observed that councils have adopted a pattern of significant revenue augmentation. The pattern, with some variations is: increase rates on residential housing one financial year, rental properties the next year, commercial, industrial or rural properties in the third year and limited rate rises in the year before the council election. A deliberate divide and rule approach to increasing rate and charges. Another pattern is to apply a 'one-off' levy and then make it permanent in the next year. Another system is to add levies for nebulous services - e.g. charge vacant landholders rates for dumping rubbish, when the land in question does not produce waste. Yet another revenue raiser is to increase development application fees, and create fees where none existed previously for example the cost of attaching a plaque to a headstone. The adoption of this rate surge intensified following the amalgamations of 2008.

The constant increase of rates, fees and charges is a hidden cost of living issue.   Renters (hence first-home owner aspirants) pay rates through their rental costs of 20% plus than those who reside in their own houses. Business in some areas have experienced rate rises of over 150% in one year. Over the last 10 years, some residential landholders have experienced rate increases of over 100% whilst cumulative CPI for that period would be approximately 27%.

To quote Greg Hallam CEO of the LGAQ: "*I feel particularly for the class of 2008. It was always going to be incredibly hard to come in straight after an amalgamation, but I feel for them for this reason: they tried to be logical. That group of people increased rates by 27 per cent and they increased service charges by 30 per cent.*" So much for economies of scale.

The new regional councils have made a ten-year rate grab that is putting additional pressure on low income earners, small businesses, farmers and many others.   It is essential that the Inquiry addresses this issue. Mr Hallam may feel for the councillors who undertook the rate rises. Our concern if for those who pay them.

*Our focus on the rates grab in this particular submission is to highlight that: Many **communities cannot sustain the rates grab and cannot maintain the regional council model.** (see Attachment 2 as examples of the continuing pressures of rate rises on ratepayers and community groups)*

State Government, Council, LGAQ and the QAO Concerns

The striking thing about the concerns that have emerged thus far at this Inquiry, is the déjà vu nature of it. Were these not the very same concerns that existed prior to the large-scale amalgamation experiment? A summary of the concerns is listed below:

1. **Are debt levels sustainable?** Taken from the Hearing's transcripts these quotes reveal the depth of the issue: "Most councils cannot judge if their present and proposed revenue and expenditure policies are financially sustainable. Rather, most councils simply plan to spend over the short term what they believe they can afford today without understanding how much they need to spend now and in the future to maintain their roads, water and sewerage networks." (Mr C Strickland, Acting D Sector Director, QAO, p2 09.11.2016)

2. **Is the Financial Planning capacity of councils adequate**? The Inquiry reveals 10 out of 77 councils have long term financial plans. (probably most of the same ten the existed before 2008). 51 councils of 77 do not have linked up to date asset management plans. Further confidence in data is low.

3. **Are the correct financial performance indicators being used:** "We noticed a poor use of indices in their forecasts which often meant that their revenue growth did not keep up with their expenditure. Part of the problem with asset management is the low confidence in their own data. Five of five councils that we visited expressed that view to us." (p2 Strickland 09.11. 2016).

4. **Timeliness of financial reporting:** QLGRA suggests that the Inquiry review this interaction:
Mrs. Lauga: Does financial maturity directly correlate to the size of the council, do you think?
Mr Strickland: No, not necessarily. While in many cases one may draw that conclusion, we certainly have seen some very small councils that are at the forefront in terms of having effective audit committees, have their reports prepared and audited in a timely manner and are financially sustainable. Some of our smallest councils can do that right up to some of our largest. It is not solely the size that influences that." (p4 09/11/2016)

From QLGRA experience the yearly concerns raised by the Queensland Audit Office are the exact same points raised before the 2008 amalgamation. The only issue that seems to have improved is the timeliness of financial reporting. The achievement of this goal is a poor substitute for a satisfactory result.

5. **Underfunding of Depreciation**: One of the reasons underlying the problems Councils were supposed to face leading to their amalgamation was underfunding of depreciation. However now more than ever it is becoming expected that this reasoning was flawed. As the CFO from Brisbane City has said in presentations to this inquiry: "**Mr Oberle:** We run an investment prioritisation framework that is largely looking at the budget bids. In that evaluation process, we look at the whole-of-life costs of those budget bids. It is not just looking at the up-front capital costs but also looking at the implications for the longer term in terms of maintaining and renewing that asset." "In contemporary approaches, it is inefficient to put funds into reserves and preserve those for a specific asset or a specific class of assets. We need to look at the longer-term trading results for the organisation and at the longer-term capital requirements and then determine what are the appropriate funding mechanisms for that overall entity's funding requirements, being a mix of funds from operations and debt, not necessarily the concept of putting money in a jam jar and putting it on the shelf and preserving it there. That would be my view of funded depreciation, that it is a legacy issue from cash accounting." (p3 22 Jun 2017)
6. **The balance of management direction and asset maintenance:** Certainly the requirements for planning and management direction increases with the size of Council. Notwithstanding this, a small council that does not have adequate plans and does not have an experienced workforce capable of understanding the local infrastructure also will not operate efficiently. On the other hand, a small council with simplified planning and an experienced workforce operating a developed decision-making capability, even at low level can succeed without complex planning.
Conversely hierarchical decision-making in a large council with poor flows of information is just a likely to fail. New York in the 1960's was a case in point. The response was a world-wide movement to accrual accounting. Operational efficiency and quality information flows to decision-makers that sustain it is central to success of a council. A smaller council with a less complex hierarchy and closer community connection means less emphasis on complex formal planning is required and often informal planning achieves the same objective. It is not surprising then that the amalgamation process, installing larger councils with larger bureaucracies, replaced a reliance on informal planning by the need for more complex planning. The lack of successfully making this change is a problem identified yearly by the QAO. This explains the discussions and now a broader acceptance that council size is not critical. As one contributor to the inquiry observed "the state {is} imposing higher and higher standards. And it is the one-size-fits-all. The standards that might be required in Brisbane

or Cairns simply cannot be provided in some of those small communities." (G Hallam page 68 23.06.2017)
The QLGRA would add that it not just that a problem that one size fits all is being imposed but that one shape fits all is correspondingly applied. Our contention is the regional model has been applied too broadly and should be reviewed to consider its effectiveness to rural towns and definitive cities such as Maryborough and Redcliffe.

7. **The accounting-engineering disconnect remains**. As the QAO has highlighted the asset management plans are not generally integrating with long term financial plans. A common tool for asset management is needed. Over ten years ago, grant funding was provided by the state to overcome this problem. The grant funding was in many cases ineffectively applied.

8. **Councils building new assets without the ability to maintain or replace them**. This has been characterised as: "Shiny new things versus mundane maintenance spending" but it is nothing new. However, bigger councils seem to have bigger shiny things e.g. Universities, Railway lines, whilst smaller councils have street scapes and playgrounds.

9. **Community consultation:** That Councils need to more actively engage the community to determine service levels is stated as a problem. The QLGRA is of a view based on the representations made to it that the bigger the Council, despite superficial token engagements processes, have not replaced the effective and regular informal engagement that existed in smaller councils. The reduction in cost by reducing the number of Councillors was not effective due to the ongoing increase in salaries. The encouragement of a reduced number of full time councillors in our view has placed limitations on regular community engagement.

10. **Cost Shifting**: That councils face increased cost shifting issues is a justified regular catchcry. It seems that the regional model has not averted this problem. If anything, it has encouraged it. When Greg Hallam was asked what the state government could do he made the perennial statement that the state government should not impose any more costs on Councils and therefore the ratepayers. "Yes, there is, that the state does not impose any more cost on us." (P68 23 Jun2017)

11. **Inadequacy of grant funding specifically FAG**. The arguments in 2008 that Councils had to be made bigger to fund infrastructure renewal overlooked the basic reality that development is either wholly or partially dependent on external funding. Furthermore, that capital replacement in all sectors of the economy is also funded in most cases at least partially externally. A miracle of development would be development of wide scale infrastructure without funding external to councils, either loans and grants. For example, the provision of sewerage service to Brisbane suburbs required significant federal and state grants and as well developer contributors. This was in a big council, the biggest council in Queensland

and Australia, big in size by even world standards. Size it seems does not overcome the need for external funding. This issue is discussed further later in this submission.

12. **Difficulty of finding skilled workers for remote councils.** In some ways, this is a cart horse problem. The workers avoid remote areas because of a lack of services. Services will only become available following an investment in infrastructure. Regionalisation has not changed this dynamic.

13. **Affordable information technology** systems remain a problem. As discussed later the regional model severely impacted on the effective development of a low-cost technology. Councils are now reliant on large technology companies whose systems are difficult to apply to local government.

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14. **Capability of elected representatives** remains an issue raised by contributors to the inquiry despite the regional model increasing the number of full time councillors. Partly this is because the regional model puts significant distance between councillors and the community but more importantly it overplays the importance of corporatisation as against representation.

15. **Low growth councils have a rate-base and revenue problem**. Regionalism has not overcome, in many cases, the lack of funding available for new Councils.

16. **High population growth councils have a rate problem in infrastructure planning.** The bigger the council the bigger the funding problem?

17. **The state department does not understand councils**. Public Hearing—Inquiry into the Long-term Financial Sustainability of Local Government

    To quote form Greg Hallam CEO of LGAQ: "Bureaued service is one of the things we do. As I say, the LGAQ is fortunate that we run a bunch of successful businesses and our members do not pay subs in reality, so we have handed back $21 million in cash to our councils. I have 77 staff who hold their hand—I do not mean that in a disrespectful way—but they do that day in and day out whether it is in relation to industrial relations, human resources, environment, local government, admin, law, finance—whatever it is. As I said to you, Jim, 25 years ago the state would have been doing it. All of those people who once lived in George Street do not exist anymore, so it falls to us to do it. (P68 - 23 Jun 2017)

    This is evidence of significant government policy failure.
    It is of note that many Council submissions echoed the same concerns. Clearly the restructure that occurred in 2008 did not remedy these problems.

Point Two: <u>Amalgamation did not work.</u>

QLGRA wishes to emphasize this point as it is evident that the State Government maybe considering the further amalgamations of councils such as North Burnett.

We also wish to state, before assumptions are made, that the QLGRA, <u>does not support wholesale de-amalgamation</u> and return to former council boundaries. We do support a return to council boundaries that are community focussed and meet community approval via the application of referendum but after proper consideration and consultation. [1]

Financial sustainability: We draw your attention to Ms Anne Leahy MP salient point: "The whole argument in 2008 was that councils had to amalgamate to ensure their long-term financial sustainability**.*"*** (p4 09/11/16). The issues raised by the Qld Audit Office the contributions to this inquiry shows that financial sustainability promised by the 2008 changes is in many cases illusionary and has not been achieved.

Economies of Scale: Further, amalgamated councils were meant to provide economies of scale[2] and facilitate optimum service delivery***[3].*** It is clear that this has not eventuated. The QLGRA's conducted a self-funded preliminary review of Operating Costs per Capita and are pleased to provide the results to the Committee.

Findings of the Operating Costs Per Capita Review: Operating Costs per capita 2006-2007 compared with 2012-2013.

The aim was to review operating costs per capita for local governments and compare 2006-2007 (pre- amalgamation) to 20102-2013 (post amalgamation) using Local Government comparative date. The question asked did amalgamation achieve the result e.g. economies of scale it set out to achieve?

It is important to note that significant difficulties occur in the comparison, so this analysis is qualified.

1. Data compiled is taken solely from the public domain. Councils generally will not allow an in-depth analysis of internal data that would be necessary to make the results definitive - as such data is restricted to local government comparative and annual reports.
2. Analysis of SEQ Councils is more difficult because of the 2006-07 data includes water and sewerage operating costs, 2012-2013 does not. With the available data, there are difficulties in making the necessary adjustments.
3. The data would be enhanced by questionnaires to councils to delve into special circumstances to isolate the reasons for the data specific to the region.

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[1] We do not wish to see a repeat of the results of the de-amalgamation referendums for the electoral booths of Kuranda and Bat Caves votes as witnessed in the 2013 for Mareeba and Livingstone.

[2] Labour Party Platform 2016 page 58

[3] LGAQ Presentation 2013 Future of Local Government – National Summit Melbourne, 22-23 May 2013 – Greg Hoffman

4. Data is dependent on council financial reporting decisions, particularly the determination between what is an operating cost and what is capital expenditure.
5. The appropriateness and consistency of data from some councils maybe questionable.
6. A comprehensive study of this kind using longitudinal statistics requires significant research which is beyond the capacity of an outsider unless given access and assistance from the Council and the state government. However, the level of access that the Audit Office is allowed would make it possible and alleviate the need for many of the above qualifications.

Note: The adjustment for inflation used is CPI.

For this reason, care has been taken with the results and the conclusions are generalisations.

However, the QLGRA has been able through its affiliates, to gain some broader information to support the conclusions. Some results that are heavily influenced by the qualifications above and are not presented at this time.

Notwithstanding the qualifications above, most of the results show the need for a deeper analysis of this type to support policy. It also identifies the reason why resident and ratepayers are concerned.

A clear case in point is **Southern Downs**. Stanthorpe in the Southern Downs has made a clear case to the QLGRA that its merger with Warwick was not successful and continues to provide hardship for the community.

Stanthorpe/Southern Downs Comparison		
Increase in Operating Costs Per Capita from 2006-07 to 20102-13	Warwick	Stanthorpe
Before interest and depreciation	52%	156%
Before Interest and including Depreciation	49%	110%
After Depreciation and Interest	48%	112%

This growth in costs is a great concern when economies of scale were meant to limit it. From the Ratepayer and Residents view, especially from the Stanthorpe residents, the merger can only be described as a failure on terms of economies of scale.

North Burnett results were mixed in terms of individual councils but overall a significant increase in per capita costs occurred:

Biggenden, Eidsvold, Gaydnah, Monto, Mundubbera and Perry into North Burnett						
Increase in Operating Costs Per Capita from 2006-07 to 20102-13						
	Biggenden	Eidsvold	Gayndah	Monto	Mundubbera	Perry
Before interest and depreciation	71%	-45%	138%	71%	150%	-36%
Before Interest and including Depreciation	57%	-44%	124%	62%	133%	-40%
After Depreciation and Interest	58%	-44%	124%	62%	134%	-40%

QLGRA would speculate that it is possible, that the smaller councils Eidsvold and Mt Perry may have applied a capital operational expenses accounting policy mix that is different to the other councils and as such would have 2006-07 reports that are not consistent with other councils. Alternatively, it maybe that these councils focussed heavily on road maintenance expenditure and this has discontinued in the new regional council.

Overall the merger did not deliver positive results for the area on this raw data. We note Greg Hallam's comment on this "…..Certainly amalgamation did not help. I absolutely can make a case for lots of amalgamations, but in some of the rural areas it made life worse. Some of the amalgamations do not make sense. Putting five broke councils together does not make a financial one." (p68 23.06. 2017) QLGRA would argue that keeping them together makes even less sense. A boundary review followed by demerger to smaller more cohesive councils within a shared services model may be more appropriate

Whitsunday is another council that the results show has been disadvantaged by the merger. An excess of 100% increases in operating costs per capita was experienced by both former council areas.

	Bowen	Whitsunday
Before interest and depreciation	148%	127%
Before Interest and including Depreciation	117%	111%
After Depreciation and Interest	118%	109%

QLGRA anecdotal evidence indicates that as well as the diseconomies caused by size an added contributor to increased operating costs is the disconnect between the two locales. A Mayor elected from one area of the Council area is replaced by a Mayor from the alternate area in succession has contributed to this disconnect. As a result, operating costs may have increased as sectional interests are appeased – a problem of democracy? Or a problem of poorly constructed council boundaries? Whatever the reason economies of scale were not achieved, and consequently the council has failed. It also raised the question of whether such disconnected communities of similar size can be merged successfully.

The following are also informative. Maryborough and Fraser Coast are both also problematic with Maryborough and Tiaro experiencing increased costs per capita. They add to the signs of a community based disconnect. Similar o Whitsunday, these are two very distinct community areas.

Hervey bay, Maryborough and Tiaro into Fraser Coast Regional Council			
Increase in Operating Costs Per Capita from 2006-07 to 2012-13			
	Hervey Bay	Maryborough	Tiaro
Before interest and depreciation	-13%	30%	24%
Before Interest and including depreciation	-6%	27%	9%
After depreciation and interest	-5%	39%	15%

Toowoomba Regional Council results are not as positive as has been implied by some. Toowoomba has the size and the will to subsidise the merger. However, this has not stifled community request for a restructure of council boundaries especially for the long-term prospects of the outlying towns and districts (Attachment 3). Notwithstanding this, it does not mean it could produce a success story when other factors are considered such as the anecdotal evidence from our affiliates. It seems clear that the Mayor of Toowoomba (having come from an outlying town himself of Millmerran) did prevent the impact of amalgamation from being too detrimental to the outlying towns. The question arises: what will happen when a Mayor is appointed who does not have a similar outlook?

EIGHT councils into Toowoomba Regional Council – Increase in Operating Costs per Capita 2006/07 to 2012/13			
Former Shire	Before interest and depreciation	Before Interest and including Depreciation	After Depreciation and Interest
Cambooya	-16%	-10%	-7%
Clifton	-33%	-36%	-34%
Crows Nest	-4%	6%	8%
Jondaryan	19%	16%	17%
Millmerran	-57%	54%	-53%
Pittsworth	2%	-18%	-16%
Rosalie	9%	2%	3%
Toowoomba	86%	86%	86%

Is this what Regionalism was supposed to achieve? If so it is more akin to a survival strategy than a policy improvement.

Western Downs is similarly problematic.

Six councils into Western Downs Regional Council Increase in Operating Costs per Capita 2006/07 to 2012/13			
Former Shire	Before interest and depreciation	Before Interest and including Depreciation	After Depreciation and Interest
Chinchilla	36%	30%	30%
Dalby	136%	127%	130%
Murilla	22%	19%	21%
Tara	23%	6%	8%
Taroom	-15%	-32%	-32%
Wambo	65%	49%	50%

What is interesting on this measure Tablelands and Cairns Regional Council were not the worst cases of failure in regard to economies of scale when the de-mergers were allowed (Mareeba and Port Douglas). However, it is clear, the community in these cases by referendum deemed the amalgamation as a failure on their terms.

Not surprisingly the former **Johnston Shire** seems to have benefitted. On the figures and its impact on Cardwell in the formation of Cassowary Coast is smaller than other council areas.

Cardwell and Johnstone into Cassowary Coast		
Increase in Operating Costs Per Capita from 2006-07 to 2012-13		
	Johnstone	Cardwell
Before interest and depreciation	-20%	27%
Before Interest and including Depreciation	0%	41%
After Depreciation and Interest	0%	39%

A smaller positive seems to have been achieved by the mergers of **Goondiwindi** Town with Ingelwood and Waggagamba to produce Goondiwindi Regional Council. However, the cost for Goondiwindi has risen significantly.

Inglewood, Waggagamba, into Goondiwindi Regional Council			
Increase in Operating Costs Per Capita from 2006-07 to 2012-13			
	Goondiwindi	Inglewood	Waggagamba
Before interest and depreciation	137%	2%	5%
Before Interest and including Depreciation	122%	-6%	-2%
After Depreciation and Interest	120%	-5%	-1%

From the data, the amalgamations of 3 shires into Longreach and 3 into Mackay may also fit into a similar analysis of that for Goondiwindi.

Ilfracombe, Isisford into Longreach Regional Council			
Increase in Operating Costs Per Capita from 2006-07 to 2012-13			
	Ilfracombe	Isisford	Longreach
Before interest and depreciation	-42%	-49%	106%
Before Interest and including Depreciation	-43%	-48%	99%
After Depreciation and Interest	-42%	-47%	102%

Sarina, Mirani into Mackay Regional Council			
Increase in Operating Costs Per Capita from 2006-07 to 2012-13			
	Sarina	Mirani	Mackay
Before interest and depreciation	45%	9%	67%
Before Interest and including Depreciation	56%	11%	57%
After Depreciation and Interest	57%	14%	59%

Calliope and Gladstone which were merged have both experienced increased operating costs per capita of 72% and 50% respectively. However, Miriam Vale has seen a small reduction in the same cost.

Other than the few recently referred to areas, where the forced amalgamations were a limited success, it is hard to find a successful merger of 2008 using operating costs per head of capita to illicit economies of scale.

Additional Points on the failure of amalgamation as a remedy:

- Our analysis from a community perspective as well as the analysis from an operational and financial sustainability perspective shows us that the rural areas, towns and distinct cities like Redcliffe and Maryborough are better served as stand-alone councils within a shared service model. This underscores an approach to both efficient and responsive councils.
- The mergers have often left a significant council area within a regional council with reduced services to sustain the regional centre development. Development of council areas particularly non-coastal communities has often stagnated or declined.
- Greg Hallam CEO LGAQ identifies that there is a problem with council boundaries, stating that "they got a few wrong".
- The amalgamation process was touted to achieve economies of scale. Greg Hallam admits the failure when he says: " Even where they claim it was going to be a big advantage of two or three per cent savings" (p68 23 Jun 2016) communities did not see it. The savings were particularly expected to occur in the back office. Yet these costs were a small part of the overall operating costs of a council. Amalgamation of Boonah Shire with Beaudesert into Scenic Rim Regional Counil an example that shows it clearly did not work. Not only is there more back office staff per head of population in the SRRC than Boonah Shire had, the costs for the executive levels is far higher due to the wages and benefits remuneration packages. The costs far outweigh the gains.
- The swimming pool example from North Burnett is a clear example of this failure of logistical failure of the amalgamation model to everyday necessities. How can you achieve economies of scale with 4 or 5 towns swimming pools? As Brian Dollery points out the nature of local government is that it supplies a broad range of services and this makes economies of scale unachievable. (Attachment 4) [4]
- The truth of most amalgamations is that not only has it failed to deliver economies of scale it has delivered reduced services in order to cover the costs of the top heavy bureaucracies it created and high rates.

[4] Brian Dollery The Conversation Attachment 4

In Summary:

In our view, the Operating costs per Capita research clearly demonstrates that there are more definitive cases for boundary review and a need to restore local government.   It does however, point out the importance of politics over the decision-making process in both the 2008 and 2012 years. When it is fully analysed the economies of scale argument is more a political cover than a justification for the changes that were imposed.

Overall the figures provide little justification for the 2008 large scale amalgamations that were enacted. Overall it would be safe to say there were very few successes of the model. Many communities endured extra burden due to their increased size.
Further the figures demonstrate the urgent need for a comprehensive review of local government that could go some way to limiting the perennial problems faced by local government as listed previously.

More importantly further policy failure is likely if such a review is not undertaken before decisions are made. Such a review must include this type of longitudinal analysis <u>as well as consideration of community concerns.</u>

It is imperative, as this Parliamentary review shows, that we do not keep going over the same ground causing serious dislocation and not achieving solutions.

The underlying failure of the amalgamation argument is based on a misconception of transferring a factory setting to local government. The differences are enormous and the theory of economics based in one does not translate easily to the other.

A comprehensive review would in our view confirm this and provide a framework for a new policy, that will include a boundary review based on community of interest.

The recent reversal of amalgamation policy in the NSW should be heeded by the Parliamentary Committee. It is time that the Parliament accepted that amalgamation is more than electorally unpopular, it is a failed policy that on the face of the evidence does not work.

Point Three: Solutions

We present solutions in two sections – those that we think the Department of Local Government could support immediately in order to provide rate relief for citizens. However, QLGRA most strongly supports a comprehensive and thorough review of local government in Queensland. This is detailed in final section.

Short to Medium Term Solutions:

Investigate a new model of council service delivery that focuses on management and staffing close to the work process. – a decentralised model.

- Asset Management in a large hierarchical organisation versus small localised council. The main role of councils is asset management. Are they doing it properly? There are three models that could be applied. First model: operate a big asset register with many management levels to supervise; secondly have no asset register but have staff on the ground making the decisions and then thirdly a combined model in between. Where the first model is palatable for a very large council, we consider the third alternative the most effective for small to medium councils.
- If a review of council boundaries remains politically unpalatable by the major parties, encourage all large amalgamated councils to move the administration and supervision of asset management and small project activities (such as the building of a toilet block) close the site of the works. Numerous anecdotes, that remain difficult to prove without putting employees at odds with their Council bosses, indicate that much of the everyday business of a council such as road and park maintenance is a source of excessive waste.   Many members of our group report events such as:
    - Workers wasting hours of their time as they wait for a piece of fixing steel to be brought in from the preferred supplier of the regional council whilst there is a Mitre 10, 2 minutes up the road
    - Supervisors and workers driving extra miles from centralised council base to get to the worksite
    - Road material being bought in from quarries 200 klm away when there is a quarry down the road
    - Contractors being paid to travel from the centralised council centre to service a public toilet, when the previous local council workers used to manage the same facility in the course of their normal work
    - **Attachment 5** details a business owner's observation of street scape work completed outside his business. Mr Martin's letter is a study in the failure of a centralised council to undertake work in an outlying town.

- Continue the Labor Party policy of ensuring most road work and asset maintenance is done by a permanent council based work force. Discourage executive management from abrogating its responsibility to others by contracting out. Encourage permanent road maintenance workers to build a comprehensive knowledge of a set area of roads, their conditions, the best maintenance regime to look after the roads and how to manage the roads at times of natural disasters and the time immediately after the disaster. The location of workers close to the asset improves knowledge, increases the sharing of community knowledge by informal contact between the workers and the public and, reduces the requirement for travel by the workers and the equipment. The cost of contractors (often from interstate and even overseas) being used to build roads, bridges and is often noticed as being below the standard of that done by local workers or local firms and with contracted work often having shorter life spans. Please see **Attachment 6 detailing quotes concerning this issue.**
- Continue the policy of permanent administrative staff but locate them close to the community they serve. Give them power to supervise the cemetery plots in their area, advise on most development applications especially minor ones, purchase goods from local businesses.
- Avoid the use of contract labor for the internal administrative functions[5]. These services such as Propel need to make a profit and yet again it is the ratepayers who are ultimately the source. Evidence below would indicate that Qld Ratepayers in the relevant councils have paid $1.52 million back to Propel's shareholders (we are unsure as who this may be).

Review CEO and Directorship Remuneration

- We question the level of CEO remuneration. Many CEO's are remunerated well over $300,000 per year – Brisbane City Council CEO is renumerated over $500,000. the Premier of Qld receives $385,000[6] .
  In comparison, the median wage for a School Principal is $118000 per year. It could be argued that the complexity of the tasks of both occupations is comparable. Size enabled larger salaries but it is a burden on the community. The argument that you need to pay high wages to attract good staff – we would argue that there has never been a correlation between high performance and high wage rates. In fact, many councils were well

[5] PROPEL: Following Propel's exponential revenue growth in the 2014-15 financial year, the core strategic objective for the 2015-16 financial year lay in consolidating this position. Propel achieved this objective and returned its strongest set of financial results since the business was formed in 2006. Indeed, the business exceeded all of its financial and operational targets for the year whilst simultaneously strengthening the internal corporate structures which will support future growth. **The business returned $1.52 million in consolidated surpluses back to its shareholders**. http://2016-annual-report.lgaq.asn.au/propel

[6] http://www.news.com.au/national/breaking-news/qld-mps-get-2350-payrise/news-story/7f640b0ef72f2b8645db3522eb30b1d4

served by their previous Shire Clerks who received wages in the $140-150,000 bracket.

- Investigate the system of remuneration that results in the payment of NO Fringe Benefit Tax. Fringe Benefit Tax is a punitive tax and is effectively the Council giving back money to the Commonwealth. We recommend that each Council's Annual Report declare the amount of FBT paid to the Federal government. This should be contrasted with the amount of Federal Assistance Grant which the Council has received for that financial year.
  Prior to the abolition of sales tax and the introduction of FBT a council could buy a vehicle and sell it after two years in some case for more than they paid for it. Effectively a subsidy by not paying sales tax.
  Further no fringe benefit tax (FBT) applied to private use of vehicles. When FBT was introduced most smaller and median councils avoided FBT by only providing vehicles for business use. This has now fallen by the wayside, especially with the new executive class of larger councils and as a result the growth of complex management structure in councils.
- Enact legislation that requires CEO and Directors on contract to have their contracts drawn up for the period of the elected council plus 3 months. This will allow new councils to change non-performing executives without huge cost to the community.
- If early termination is required, the Executive contracts should include a redundancy clause of no more than two weeks' pay for each year of service.
- Ensure all council staff from top to bottom generally take their paid leave entitlement each year, preventing an upscaled cost in the future and generational burden.

It Systems

- The State government investigate and consider creating a streamlined computer system for councils similar to the 'Practical' model. The unique nature of councils was ignored and amalgamation was supposed to address this problem but it seems to have achieved the opposite. Smaller council had a stable and effective software supplier from a small company called Practical, that was based in Toowoomba. It success came from its' unique and sole focus to local government. It was making steady progress even in the difficult area of asset management. The significant reduction in small and medium councils eroded the economies of scale for this organisation and saw a shift to poorer and less integrated larger data base systems like Technology One, that are less user friendly and which have significant costs associated with development. BCC also contracted this company recently and now is in a protracted dispute about its application and its ability to deliver effective LG software. [7]

[7] http://www.zdnet.com/article/brisbane-city-council-terminates-technologyone-contract/?ftag=CAD-04-10aab6c&bhid=%%cf_regid%%

Councillor Travel Funds

- The State Government investigate and recommend the cheapest transport method for Mayors, Councillors and employees with cars. In some council areas, it is our understanding that councillors have unlimited access to fuel.

Spending on Federal and state Government Responsibilities

- Local Councils are spending large amounts of ratepayer money on projects that traditionally are the responsibility of State and Federal Governments. Examples of this include – the railway and university in Moreton Bay Regional Council and the private hospital in South Burnett.
  We see this emerging practise as part of the "Big Mayor Syndrome" and clearly the railway building to the Moreton Bay Regional Council area has struck major hurdles. The latest Mayoral fad seems to be to have a University in your Region or support and create very large events.

Increase the use of shared services based in-house

- Employ shared Lawyers within the Council rather than use contracted legal services
- Promote the use of shared services where a council cannot afford a single entity on its own – e.g. shared town planners, lawyers, building certifiers and with the state government.

Stop development in known flood plains

- Ensure Councils do not allow development in flood plains, previous mining sites or sites with known contamination

Tender Boxes

- Review the security and efficacy of tender boxes. Numerous reports over several years has raised concern about the effectiveness of tender boxes and their management.

Improve Community Consultation

- Train council staff to undertake consultation with the community. It should not be a superficial process. The lack of community consultation has placed a huge burden on community – this includes a financial cost, plus a human and social cost to the community.
  (Attachment 7 refers Kalbar Signag**e** and we cite the case of the well-known case of the Urban Food Street in Buderim and footnote [8])

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[8] Quote: "Personally the most frustrating service that is not provided to a high standard is communication. Whenever there is a difficult situation to be dealt with the Councillor for that Division just will not reply to phone calls or emails. The only way you can communicate with them is personal confrontation and they usually fob you off anyway. It is easy to deal or not deal with a situation is to claim that you know nothing about it as you haven't been contacted so that is the reason for no response. One member of the Public confronted the Councillor in question at a Public meeting. He denied ever receiving any phone calls but the person involved produced a phone account with the numbers listed. We have to go to this extent to get any action. Even then it generally remains unresolved or has an unsatisfactory result or compromise.

Transparent financial reporting

- The state government has the power to demand better financial reporting from councils. It is almost impossible for rate payers to get any reliable information about the costs incurred by Councils in Qld. This needs to be remedied. QLGRA is advised that Victoria has standardised system that can be easily followed year to year.
- We have had reports of the difficulty communities face when trying to ascertain the cost of a specific project or service run by the Council. (For example, the cost of an event, a project, a service, a legal case the council is running.) Councils often site commercial-in-confidence or an inability to recover the specific data of apply Freedom of Information laws. This issue needs to be addressed as it is ratepayer's funds being used with no transparent accountability to the community.

Maintain pressure for federal government funding and return the state funding for capital projects.

- On this we agree with Greg Hallam (CEO of LGAQ) comment: "*Fundamentally, the question of finance rests with the Commonwealth. Certainly they can do more in the grants area, particularly around water and sewerage. They have been loath to do that. I think there was an historic turning point last year. They funded some water and sewerage out of the Building our Regions program. That is a big thing. That has not happened since Whitlam, so I think it is significant. The state just ploughed a lot of money, $200 million, into Indigenous communities over four years for their infrastructure, water and sewerage. I think that is really important.*" (P67, 23.06.2017) Infrastructure requires external funding. Fiscal equalization seems to be the basis of development for all.
- We also argue that the State Government should return to its former practice of subsidizing capital improvements.

Investigate the cost of the big mayor syndrome and look at alternative strategies for Mayoral election.

- QLGRA has observed with the concern the emerging behaviour of Mayors elected to represent large, centralized Regional council areas. To begin with, they are required to raise significant funding in order to get elected,

In order to cement their position as a powerful person, they tend to undertake large questionable civic projects to display their work for the community and often to hold onto or ensure their

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The CEO is also someone who is difficult to communicate with. You cannot contact him except by email and the last one I sent to him requesting a meeting did not even warrant a reply."

voting base in certain areas of the electorates[9]. Often the projects are not done on a needs basis or at a level that is sufficient for purpose. Then the community bares the cost into the future. Meanwhile mundane maintenance is not undertaken, dumps are closed on Wednesday, JP services are cut, dog pounds are shut, services are centralized to the major town, local business loose work etc
- Alternative consideration could be given to - returning to the election of the Mayor from the ranks of the Councillors or limiting the number of terms that a Mayor can serve.

Return power to the Councillors
- The reduction in the power of councillors to look at budget papers, speak in public and hold alternative public views has eroded the public confidence in their ability to monitor actively the machinations of their council. The democratic balance is eroded and we often hear the remark "what are they there for?"

Long Term Solution

Full Scale Review of both Council Operations, the role of the LGAQ, the LG Department and Council Boundaries.

There is no miracle process uncovered in economic development and the provision of infrastructure. And it follows that the 2008 supposed silver bullet, amalgamation, needs to be scrutinised not piecemeal but thoroughly.

We quote from the following interactions from the Inquiry:

> Chair: "We were up on the cape a couple of weeks ago and a number of local governments have come in yesterday and today. It is pretty scary to see that there are so many councils that are walking the line between surviving and failing. What can we do to make sure that these councils do not fall over the line and cause a financial loss to their ratepayers and the whole of the community? Can government do anything now, or can local governments get together and do something differently? I think we are looking down the barrel of a disaster?" (Chair MP Jim Pearce 23.06.2017)

> *Mr Hallam replies**:** It is very difficult. You might have to redraw the boundaries, dare I say it…… By having more councils that have disparate centers you are worse off than having one. That is the truth. You have got to keep replicating, replicating, replicating. ……I respect a lot of the people and both sides of politics were part of it, but they got a few wrong."*

[9] Quote:

When a community in a new regionalized council asks for something, the answer is often "If we did it for you, we would have to also do it for the other towns in our council area."

These are the reasons why QLGRA requests full scale independent review of the effect of the 2008 legislatives changes including a review of boundaries. Identify success and failure and address this in the interest of communities and regional development to correct past failures and prevent its repetition. Our analysis from a community perspective as well as the analysis from an operational and financial sustainability perspective shows us the rural areas, towns and distinct cities like Redcliffe and Maryborough are better served as stand-alone councils within a shared service model. This underscores an approach to both efficient and responsive councils.

The onus on the state government is to implement this review with appropriate terms of reference and put the local back in local government in the interest of efficiency and community. This includes analysis of the shared services model. While economic development of regional areas cannot avoid the need for external funding until the rates base is expanded and the districts more prosperous but it will not be wasted if the long hard road to reform based on community expectations

Conclusion

If the goal of amalgamation was to place more power in the hands of fewer people and place a greater financial burden on the many, it has succeeded.

However, in the end, the success of local government underlies the success of communities and thus the long-term suitability of local government cannot be separated from the sustainability of communities at large. If the imposition of rates detrimentally affects the community rather than enhances it, the current structure is failing. This is why we need a comprehensive review.