

**A PROPOSAL TO THE MINISTER FOR LOCAL  
GOVERNMENT**

**HONOURABLE DAVID CRISAFULLI M.P.**

**IN SUPPORT OF**

**DE-AMALGAMATION OF THE**

**FORMER DOUGLAS SHIRE**

**FROM CAIRNS REGIONAL COUNCIL**

**SUBMITTED BY**

**FRIENDS OF DOUGLAS SHIRE**

**AUGUST 2012**



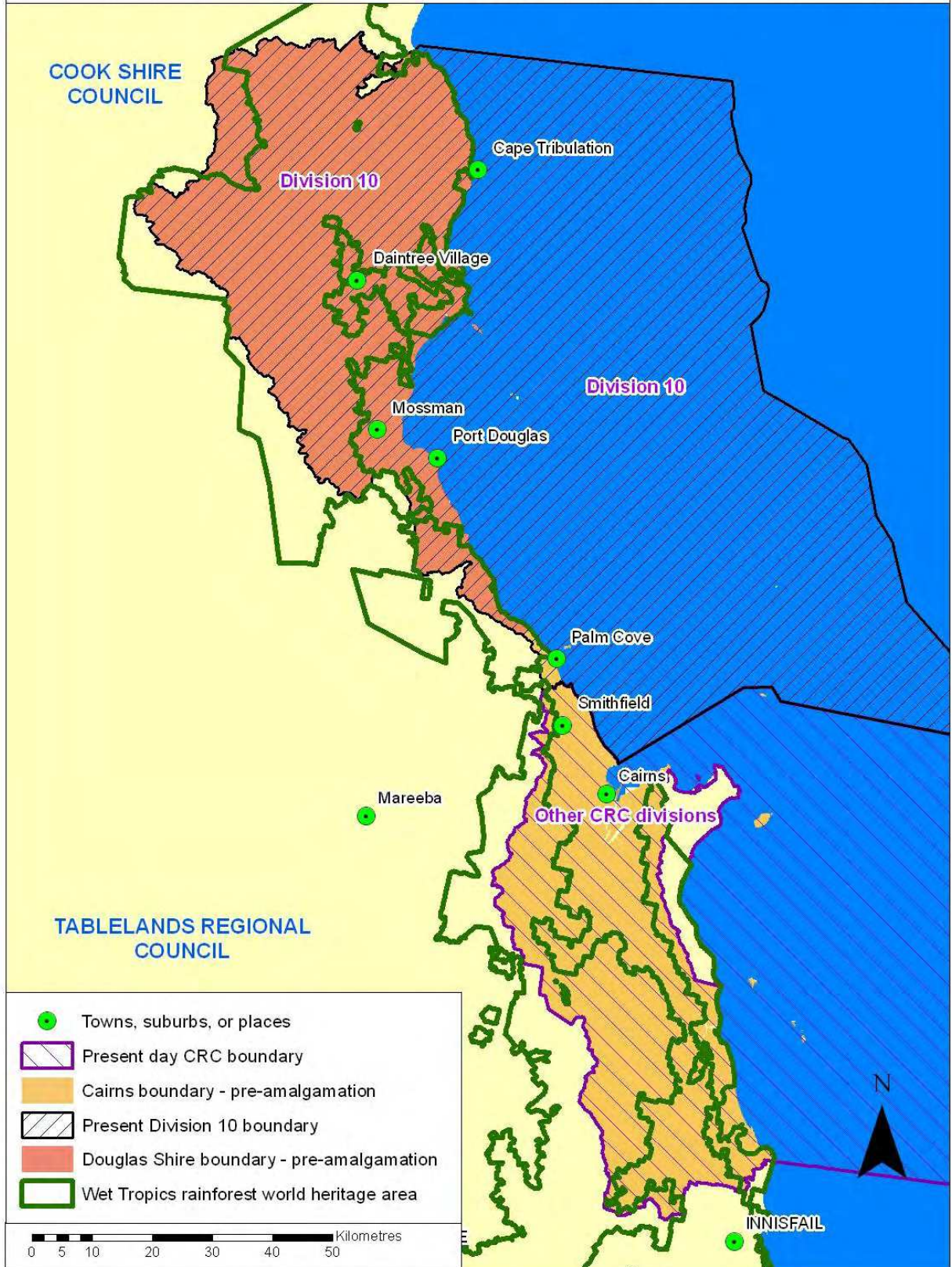
## TABLE OF CONTENTS

SECTION	PARAGRAPHS	PAGE NUMBER
MAP OVERLAYS OF FORMER DOUGLAS SHIRE		3
EXECUTIVE SUMMARY	1 - 16	4
INTRODUCTION	17 - 31	8
BACKGROUND	32 - 59	10
CONSULTATION AND SUBMISSIONS	60 - 82	13
CAIRNS REGIONAL COUNCIL	83 - 90	16
FORMER DOUGLAS SHIRE COUNCIL	91 - 95	16
NEW DOUGLAS SHIRE COUNCIL	96 - 99	20
FINANCIAL CONSIDERATIONS		25
Background	100 - 103	25
Friends Of Douglas Shire financial model for de-amalgamation	104 - 107	27
Financial model assumptions	108	28
Financial model specific provisions	109 - 110	29
Five considerations of financial sustainability which need to be responded to	111	29
Financial model outcomes	112 - 120	30
Consolidated financial position – 5 year outlook	121 - 122	34
Some indicators of financial health	123 - 124	35
Financial risks assessment	125	35
Five considerations of financial sustainability revisited	126	37
Summary of Friends Of Douglas Shire financial model provisions	127 - 128	38
Detailed budget estimates	129	39
Infrastructure	130 - 139	39
Assets and liabilities	140 - 149	42
THE REGIONAL ECONOMY AND ECONOMIC DEVELOPMENT	150 - 177	43
SENSITIVITIES	178 - 180	46
TRANSITION PROCEDURES	181 - 190	48
CONCLUSION	191 - 195	50
ATTACHMENTS		
1. Submission of former Douglas Shire Council to the Queensland Local Government Reform Commission – May 2007	Separate document on compact disc	
2. Friends Of Douglas Shire detailed financial analysis and modeling	Separate document on compact disc	
3. Petition from the voting public of the area of the former Douglas Shire to the Hon. Minister for Local Government in support of de-amalgamation and requesting referral of the matter to the Boundaries Commissioner	Separate hard copy document	
4. Letters of support for the prospect of de-amalgamation received from interested parties	Separate hard copy documents	
5. Volume of media extracts evidencing wide spread and sustained community discontent in respect of the outcomes of amalgamation of the former	Separate document on compact disc	

*Friends Of Douglas Shire – Proposal to Minister For Local Government supporting de-amalgamation of former Douglas Shire from Cairns Regional Council*

Douglas Shire with the former Cairns City Council		
6. Report to the former Douglas Shire Council on the outcomes of a referendum carried out by the Council to assess the community's desires to move to an un-subdivided local government with a reduced number of councillors – February 2007	Separate document on compact disc	
7. Report of Professor Don Bursill, Chief Scientist of South Australia on effective treatment of Douglas water supplies	Separate document on compact disc	
8. No Lessons Learned: A Critique of the Queensland Local Government Reform Commission Final Report - Brian Dollery, Chong Mun Ho and James Alin – University of New England	Separate document on compact disc	

### Present and pre-amalgamation Douglas and Cairns Shire boundaries



## **EXECUTIVE SUMMARY**

1. The Queensland government has set out a process and conditions for local governments which were forcibly amalgamated in 2008 by the former Labor government to bring about de-amalgamation if that is shown to be the strong will of the community and is economically viable and sustainable.
2. The following is a summary of the key decision points and the decision makers:
  - i. Decision to refer a de-amalgamation proposal to the Queensland Boundaries Commissioner - Minister for Local Government
  - ii. Decision to recommend that a de-amalgamation proposal should proceed to a poll - Queensland Boundaries Commissioner
  - iii. Decision to proceed to a poll (i.e. to give the electors of the proposed de-amalgamated local government the right to decide) - Minister for Local Government
  - iv. Overall community support for de-amalgamation - enrolled voters in the proposed de-amalgamating council voting by way of poll
  - v. De-amalgamation approval - Executive Council based on the recommendations of the Minister for Local Government.
3. The Minister for Local Government has publicly invited proposals from communities seeking to de-amalgamate. The proposals must be lodged with the Minister by **29 August 2012**. The Minister will assess which proposals meet the prescribed requirements. The Minister will only assess de-amalgamation proposals based on the 2008 pre-amalgamation local government boundaries. In order to be referred to the Commissioner by the Minister for Local Government, a proposal must include the following information/requirements:
  - Acknowledgement that de-amalgamation costs will be the responsibility of the de-amalgamating council not the remaining council, should a de-amalgamation occur.
  - Support by way of a signed petition of 20 per cent of the voting population of the proposed de-amalgamating council. The petition may be submitted either electronically or in hard copy and must include each petitioner's signature, name and address.
  - The petition must be supported by a strong, evidence-based submission which demonstrates that:
    - de-amalgamation will either maintain or improve service delivery to the community being de-amalgamated
    - the regional economy and economic development will not be adversely affected by the de-amalgamation
    - the proposed de-amalgamated local government will be financially sustainable based on a standard delivery model for a local government.
  - A standard delivery model is one in which services are performed in-house with its own systems and governance structures.
  - If an outsourced model is also proposed, the benefits of this model as opposed to a standard delivery model should be detailed and quantified. This includes how risks associated with an outsourced model are to be effectively managed.
4. This proposal has been developed by Friends Of Douglas Shire (FODS) in response to the Minister's invitation. FODS is a group of local volunteers which has, for the past four and

a half years, been working with the community in support of the community's desires for de-amalgamation.

5. As part of its research in the preparation of this proposal the FODS has, amongst other things, drawn upon the experience of the restructuring of the Delatite Shire in north east Victoria.
6. Delatite Shire was created as a result of amalgamation in the early 1990's of the former Benalla Shire and the former Mansfield Shire as part of a wholesale restructure of local government in Victoria by the then Kennett government.
7. As a consequence of widespread community discontent, the Mansfield community agitated for around 10 years to bring about de-amalgamation and the restoration of an independent Mansfield Shire.
8. The community's actions resulted in success in 2002.
9. Unlike Benalla and Mansfield however which were of similar size, the former Cairns City Council area is very large in population and budget compared to the former Douglas Shire. Consequently the community of the former Douglas Shire has largely taken the view that the amalgamation was more of a "takeover" by Cairns than it was a partnering of two communities with similar values and ideals. (Refer map page 3).
10. The similarities between the Delatite restructure and de-amalgamation of the former Douglas from Cairns are however limited.
11. Specifically, as part of this proposal:
  - It is acknowledged and agreed on behalf of the community of the former Douglas Shire area that all the demonstrated direct costs of de-amalgamation will be met by the proposed New Douglas Shire, once established. The financial analysis and modeling included as an integral part of this proposal demonstrate that the proposed new Council, and therefore the community it will represent, can readily meet those costs with no negative impact whatsoever on the current rates imposed on the community.
  - It is not proposed that Cairns Regional Council (CRC) be dissolved and two new local governments formed. Rather it is proposed the former Douglas Shire, which makes up the bulk of Division 10 in the CRC, be separated and the balance of Division 10 which was part of the former CCC be absorbed into the neighbouring Division 9 with a concurrent or subsequent restructure of the boundaries of the other eight remaining Divisions to facilitate electoral roll equalities.
  - Unlike the Delatite restructure proposals, this proposal does not model the economic impact on CRC or document the consequent changes in demographics. Given that only four years has elapsed since amalgamation it is obvious than any return to pre-amalgamation boundaries will restore to a large extent the

demographics which existed pre-amalgamation. In the longer term however it is believed the economic impact would be positive because of the large distance between the two major population centres, the cost of doing business between them and the different aspirations of the two communities.

12. This proposal has been developed to not only properly respond to the Minister's invitation for proposals but also to demonstrate confidence that a New Douglas Shire (NDS) can be economically, socially and environmentally sustainable and that responsible and stable governance can be established and maintained.
13. This proposal nevertheless has some limitations which are acknowledged and stated upfront. These include:
  - Recognition that this proposal has been prepared with limited access to critical information.
  - A detailed financial analysis has been undertaken and a 5 year budget projection has been developed based on publicly available information only, largely derived from the CRC's web site.
  - There has been no access to the non public financial information within CRC and in particular, despite requests to CRC to provide it, the quantum of CRC revenue from rates and charges derived from the former Douglas Shire area and the amounts of expenditure in the area. Nevertheless the FODS has a great deal of confidence in the financial analysis it has prepared and the estimates of the costs of de-amalgamation. This analysis and estimations are a major foundation supporting this proposal.
  - In those instances where financial assumptions have been made because additional data and information is not available, those assumptions are documented. The FODS welcomes any independent and more informed analysis of its costings and estimations.
14. FODS has already provided its financial assumptions and estimations to the Queensland Treasury Corporation (QTC). They were delivered to QTC with an offer of ongoing dialogue and support with QTC in its analysis and critique of the work. No response has as yet been forthcoming.
15. Having drawn attention to the limitations inherent in preparing the financial considerations of this proposal, the proposal also includes:
  - An assessment of the social, economic, environmental and governance impacts of de-amalgamation not only on the proposed NDS area, but throughout the region.
  - A summary of the service delivery, environmental planning, corporate management and representational issues that have fuelled the desire for former Douglas residents to de-amalgamate.

16. This proposal also addresses the mechanics of bringing de-amalgamation to fruition and in summary recommends:

- The CRC retains responsibility for the former Douglas area as it does now until March 2014. At that point in time the New Douglas Shire is proclaimed and elections for four Councillors and a popularly elected Mayor be conducted.
- The State Electoral Commission conducts the election and the costs are borne by NDS once it is established.
- The NDS is provided with an interim CEO who is appointed by the Local Government Department or the Queensland Local Government Association, at the cost of the NDS. The interim CEO will operate under the direction of the newly elected council until such time as the Council is in a position to recruit and appoint a CEO of its own choice.
- The former Douglas Shire Planning Scheme still exists in its own right and is being used by CRC. The NDS will continue to apply the Scheme until reviewed by the new council.
- Processes are put in place for independent assessment of the assets and liabilities to be transferred from the CRC to NDS and the transfer of those assets and liabilities on proclamation of NDS.
- A stakeholder representative group is established to oversight the transition process to be known as the Transition Reference Group.



## **INTRODUCTION**

17. On July 27 2007 the Labor government in Queensland announced the forced amalgamation of the Douglas Shire with the Cairns City Council. The decision was made despite overwhelming opposition by the residents of Douglas as evidenced by various polls, letters to the editor and large demonstrations (Refer attachment 5).
18. Douglas residents have continued to demonstrate their opposition to the forced amalgamation and the consequent detrimental impacts to community lifestyle, amenities and aspirations.
19. On June 29 2012, the Minister for local Government, the Honourable David Crisafulli announced the appointment of a Boundaries Commissioner charged with the responsibility of examining proposals from amalgamated local government areas which show strong community interest in de-amalgamating.
20. Communities determined to de-amalgamate have been given until 29 August 2012 to present a submission to the Minister for Local Government. A submission must meet the following criteria.
  - Provide a strong, evidence-based, community-backed submission based on the pre-amalgamation local government boundaries.
  - Table a detailed estimate of the potential financial costs.
  - Demonstrate an understanding that the former shire wishing to de-amalgamate will have to meet all costs involved.
  - Provide a petition signed by at least 20 per cent of the voting population.
21. The amalgamation of the former Douglas Shire with the then Cairns City Council made no sense from the start. The Douglas Shire in a submission to the Queensland Local Government Reform Commission – May 2007 (Attachment 1) clearly demonstrated that it more than adequately met the Local Government Reform objectives prescribed by the Local Government and Other Legislation Amendment Act 2007 No. 21, 2007.
22. The Douglas Shire literally “ticked all the boxes” in respect of these objectives which were to:
  - Facilitate optimum service delivery to Queensland communities.
  - Ensure that local governments effectively contribute to and participate in Queensland regional economies.
  - Manage economic, environmental and social planning consistently with regional communities of interest.
  - Effectively partner local government with other levels of government to ensure sustainable and viable communities.(Refer attachment 1 pages 10 – 14)
23. In addition, the Douglas Shire was financially very strong with a low dependence on grants and little debt. Its infrastructure was in good shape. Rates were comparable or less than neighbouring local governments and the provision of services considerably better.

24. A tourism levy and a contribution from general revenue funded the most successful local tourism organisation in the State.
25. At the time of amalgamation Douglas Shire in its own right was a conservation and tourism icon.
26. The former Douglas Shire Council won state and national environmental and planning awards. The Douglas Shire was remarked upon by the then Governor General, Sir Michael Jeffery, during a visit to the Shire by him in 2005 as follows:

*“Your shire community has created a model for others to emulate in sustainability, in infrastructure, in industry, and in lifestyle. I know that this hasn’t happened by accident. It is the result of people having a vision, working through difficulties, and ultimately finding solutions that have established a distinct regional identity.”*
27. The former Douglas Shire area is geographically isolated with clearly defined boundaries. It is unique to the extent that it sits between, and is surrounded by, world heritage listed areas of two different kinds. Additionally, 80% of the former Shire area is world heritage listed. Palm Cove on the northern beaches of Cairns and Port Douglas are separated by 50 kms in distance, most of which is world heritage listed area and cannot be developed. (Refer map page 3).
28. Since amalgamation in 2008, the residents of the former Douglas Shire have seen substantial increases in rates and other service costs.
29. Representation has been reduced from seven (7) elected councillors to just one (1) and the area that this single councillor has to represent has increased in size. The former Douglas Shire has been subsumed into the Cairns Regional Council’s (CRC) Division 10 which also includes the Cairns northern beaches communities of Palm Cove and Clifton Beach. Division 10 is larger in area than the other nine CRC Divisions combined. It stretches from Clifton Beach in the south right up to the borders of the Wujal Wujal Shire Council on the Bloomfield River. (Refer map page 3).
30. The Port Douglas, Mossman and Daintree water supplies have gone from being the most pristine chemical free water supplies in the country to expensive, chlorinated and low pressure water supply systems.
31. The award winning Douglas Shire Planning Scheme is under a real threat as it is scheduled to be amalgamated with the CRC’s Planning Scheme in the near future with no guarantees that long standing environmental provisions will remain a part of the Scheme.

## **BACKGROUND**

32. When the Beattie Labor government announced its plans for local government reform in 2007 and established the Queensland Local Government Reform Commission, the Douglas Shire Council, using external expertise, resolved to make a submission to the Commission. (Refer attachment 1).
33. The submission concluded, unequivocally, that the Douglas Shire should remain as an independent local government.
34. The Reform Commission, for reasons which are not well documented, chose to ignore the Council's submission and the objectives for reform of local government in Queensland, and recommended the amalgamation of the Douglas Shire with Cairns City Council.
35. The only criticism of the former Douglas Shire leveled by the Commission appears to be the poor governance record evident in the final term of the Douglas Shire Council. In other words, a protracted dispute between the Mayor and four (4) members of the six (6) member council over a period of four (4) years was sufficient reason for the Commission to recommend bringing to an end 105 years of local government in Douglas. (Refer Section 4, paragraph 3 of the report of the Local Government Reform Commission – Volume 2).
36. The Reform Commission's report contained a number of glaring failings which were not limited only to the Douglas Shire. These glaring failings are encapsulated in a report titled "No Lessons Learned: A Critique of the Queensland Local Government Reform Commission Final Report" - Brian Dollery, Chong Mun Ho and James Alin – University of New England. (Refer attachment 8).
37. Firstly, the Commission made no attempt to quantify the costs of amalgamation despite acknowledging that significant costs existed.
38. Secondly, the Commission completely ignored evidence and experiences resulting from structural reform that has occurred in Victoria, South Australia and New South Wales over the last two decades. This evidence and experience clearly demonstrated that the promised savings were rarely delivered. The Commission also failed to look at the plethora of evidence from overseas experience which pointed to the same conclusions.
39. Thirdly, the Commission did not consider any other structural reform options that might exist as an alternative to amalgamation.
40. Fourthly, no research was undertaken outside of Queensland in developing the Commission's report and recommendations. The Commission simply relied on outcomes of previous Queensland mergers in the 1990s involving Mackay, Cairns, Ipswich, Warwick and Cooloola. This, in spite of the fact that no formal assessments have ever been undertaken to analyse the consequences, good or bad, of these amalgamations.

41. Fifthly, the Commission made no attempt to define a minimum level of financial sustainability for local government and only looked at 109 of the 158 Councils that had already been assessed by Queensland Treasury Corporation (QTC). Herein lay another problem as the QTC has a narrow band of definition for financial sustainability. In the case of the Douglas Shire, it was rated as moderate but the term is misleading. By QTC definition “moderate” means “a high capacity to meet its financial commitments”.
42. Finally, the Commission produced no empirical evidence that would support its optimism that amalgamation would produce more effective and efficient councils.
43. Following the announcement that the Douglas Shire would be forcibly amalgamated with the Cairns City Council, the residents of Douglas took to the streets to express their opposition to the decision and to demand its reversal.
44. On August 5<sup>th</sup> 2007 over 3000 residents marched through the main street of Port Douglas to ANZAC Park where community leaders representing all forms of business, social and political interests in the Shire spoke passionately against the amalgamation.
45. The then Liberal National Party (LNP) Shadow Minister for Local Government, Howard Hobbs, addressed the rally and declared that an LNP government, when elected, would move expeditiously to return local government and local democracy to Douglas.
46. Over the following several months a network of residents formed under the banner Friends of Douglas Shire (FODS) to continue efforts to reverse the decision to amalgamate Douglas with Cairns.
47. The steering committee of the FODS liaised with the leadership of the LNP and obtained written commitments from Lawrence Springborg and JP Langbroek that Douglas would be free to re-establish its local government under an LNP government.
48. The FODS called a public meeting in Mossman in August 2008 to gauge the sentiment of the community after five (5) months of Cairns Regional Council governance and service provision.
49. Over 800 people attended the meeting. The largest number ever to attend a public meeting in Mossman. Speaker after speaker rose to chronicle the unpopular experiences that had resulted from the amalgamation. This despite the herculean efforts on the part of the lone Douglas (Division 10) representative to “make things work.”
50. In the end, the attendees voted unanimously to empower a FODS steering committee to continue the fight to de-amalgamate from the Cairns Regional Council and to re-establish local government and local democracy for the community of the former Douglas Shire.
51. In October 2008 Premier Anna Bligh visited Mossman and met with several hundred residents at a community gathering at the Mossman Hall. The Premier was intent on lauding Labor Party achievements in the area but was instead faced with many angry residents recounting the profound unpopularity of her Government’s amalgamation

policies and demanding a return to local democracy.

52. In early 2011, the Premier returned, this time to Port Douglas. She came to commit State funding for the Port Douglas Waterfront Redevelopment Project but at a Chamber of Commerce luncheon at the Sheraton Mirage she was, once again, faced with demands for de-amalgamation.
53. During October and November of 2011, the FODS prepared a financial analysis of the costs associated with de-amalgamation and the re-establishment of local government in Douglas. (Refer attachment 2).
54. A public meeting was convened in December 2011 in Mossman to present the financial analysis to the community. The meeting was attended by more than 300 people, including the then Shadow Minister for Local Government, David Gibson, and the LNP candidate for Cook, David Kempton. Both spoke favourably about the financial analysis and both committed to supporting the de-amalgamation of Douglas.
55. After the presentation, those in attendance, in an overwhelming vote of support, re-affirmed their desires to continue efforts to de-amalgamate.
56. Throughout the entire four and a half years since the amalgamation of Douglas with Cairns community unrest in the Douglas area has been simmering. Occasionally the “pot boils over” however as the media reports can attest. (Refer attachment 5).
57. The Hon. Campbell Newman, MP was elected Premier of Queensland in March of 2012. He committed to appoint a Boundaries Commissioner within 100 days of attaining office to consider submissions from communities whose local governments had been amalgamated and which demonstrated a strong desire to de-amalgamate.
58. On 29 June 2012, the Minister for Local Government, Hon. David Crisafulli, MP. announced the appointment of the Boundaries Commissioner and established the terms of reference for a de-amalgamation process.
59. It is in response to the experience of the last four and more years that the Friends of Douglas Shire makes this submission on behalf of the whole community of the former Douglas Shire, confident that all the criteria have been positively addressed for a favourable recommendation by the Boundaries Commissioner and subsequently a favourable decision by the honourable Minister to de-amalgamate Douglas from the Cairns Regional Council and re-establish the Douglas Shire Council.

## **CONSULTATION AND SUBMISSIONS**

60. The Friends OF Douglas Shire (FODS) is recognised in the former Douglas Shire area as the legitimate community representative body to voice the community's concerns about dissatisfaction with the CRC since amalgamation and to represent the community's desires for de-amalgamation and the re-establishment of the Douglas Shire as a local government in its own right. The FODS role in this regard is clearly demonstrated in the foregoing background and in the following paragraphs.
61. FODS first formal submission and presentation took place 3<sup>rd</sup> September 2007. It was to the Senate inquiry into a federally funded plebiscite on the issue of forced amalgamations in Queensland following the State government's decree that denied local councils the right to any vote on the issue. The plebiscite result in Douglas was overwhelmingly against amalgamation with over 80% of electors wanting to retain their Shire.
62. FODS had met with the then Premier in Cairns on 25<sup>th</sup> September 2007 to urge her to exclude Douglas from the amalgamation process. To no avail, and generally with no response or no more than mere rhetoric.
63. Over the next four years, dissatisfaction in the Douglas community has been well represented in the media, both in Douglas, Cairns and nationally. They include local and national ABC, the Cairns Post, The Port Douglas and Mossman Gazette, Newsport, The FNQ Independent, Radio Port Douglas, ABC Television, Channels 7 & 9, 4CA FM and innumerable letters to the media from residents. (Refer attachment 5 for a sample of this media).
64. FODS has initiated community letters and email campaigns to the State government both before and since amalgamation.
65. FODS has continually engaged with and received great encouragement from former opposition leaders and shadow Ministers for Local Government. In particular, FODS has been supported by Howard Hobbs, MP who has given consistent and pragmatic advice on the community's plight. That support has been replicated by David Gibson, MP and the new Member for Cook, David Kempton. Both Howard Hobbs and David Gibson have addressed every public meeting FODS has convened with the exception of Professor Don Bursill's presentation on a way forward to a chemical free water supply. This presentation, by the way, was delivered to a packed Port Douglas community hall.
66. No meaningful dialogue to attempt to address the community's issues and dissatisfaction was possible with either the former Member for Cook, Jason O'Brien or the Labor government at any level.
67. From the start FODS has consistently engaged and involved the community in its advocacy of the issues that have arisen since amalgamation. FODS has organised very well attended rallies on each anniversary of amalgamation and has taken part in every Port Douglas Carnivale street parade over the last four years.

68. FODS' initiatives have always been advanced with a whole of community approach.
69. FODS presented a petition containing almost 3000 signatures to the Queensland parliament in 2008. It was handed to the then Premier, Hon. Anna Bligh MP, when she visited Mossman to "hear our concerns". The response to the petition from the government was nothing but silence.
70. FODS organised a successful and peaceful protest rally in Cairns when the Queensland parliament was convened there in October 2008. Whilst the community's concerns received good media coverage the State government remained silent and aloof.
71. In an effort to try to make the amalgamated Cairns Regional Council work for the disaffected community of Douglas, local business, political and social leaders successfully lobbied the CRC for the formation of consultative committees and for community meetings to address specific issues. These issues included skyrocketing rates and charges and the deterioration of the Douglas Shire water supplies.
72. The Douglas Advisory Board (DAB) and the Douglas Community Water Reference Group (DWRG) were created by the CRC involving community representatives. These groups were given a mandate to operate in a consultative way on "Douglas specific" issues.
73. Unfortunately, it quickly became clear that both groups had been created to "rubber stamp", and thereby gives legitimacy to, CRC decisions. Decisions that did not reflect the aspirations of the community. Meetings became fewer and farther between. The DWRG has not been convened in over a year despite some significant and wasteful expenditure decisions being made in that period by Cairns Water. The DAB has met once in the last fourteen (14) months despite its charter requiring it to meet every three (3) months. No explanation has ever been offered by CRC councillors or staff for these failings and communication by the CRC with these groups has ceased. This, despite numerous requests to CRC for an explanation by community representatives of the groups.
74. The effective silencing of these two groups by ignoring their existence is testament to CRC's arrogance and determination not to involve the community in its deliberations and operational processes.
75. Since amalgamation, formal deputations have attended Ordinary Meetings of Council regarding the rates and the water issues. These have been organised by FODS. The CRC has never responded formally to any of these deputations or taken any action to address the issues raised.
76. The first deputation was regarding the substantial increase in rates and charges in the former Douglas Shire area in the very first year of CRC's administration following amalgamation. The second deputation was regarding the dismantling and consequent

deplorable state of the community's three (3) chemical free water supply systems. This latter deputation was met with hostility by both CRC Councillors and staff.

77. Whilst both deputations had full community support and attracted a capacity public attendance at the Council meetings the CRC is yet to respond, formally or otherwise, to either.
78. FODS also met with the former CEO of CRC, Lyn Russell, soon after her appointment. The meeting was requested by FODS to outline community distress about a range of issues since amalgamation. Ms. Russell indicated that regular meetings and dialogue would be initiated but nothing ever happened. The CEO's role was, of course, to make the amalgamation work. But in late April 2010, when addressing a Port Douglas Chamber of Commerce luncheon she was quoted as saying "All I can do is appreciate your frustration. I also don't agree with what was done".
79. Much of the aforementioned is testament to the fact that the CRC's supposed consultative processes have been nothing more than lip service. FODS contends the CRC has seriously failed to meet its fundamental obligations to act in the best interests of the community.
80. FODS remains engaged with the community through its website, social media platforms and, most importantly, on the street.
81. FODS is directly responsible for compilation of the petition containing more than 2000 signatories which forms an integral part of this proposal. (Refer attachment 3).
82. Similarly, FODS has encouraged the attached letters of support from significant organisations in the community and from individuals. (Refer attachment 4).



## **CAIRNS REGIONAL COUNCIL**

83. Cairns Regional Council has a total population of approximately 156,000 made up of 10 Divisions of roughly equal population.
84. The former Douglas Shire constitutes the bulk of Division 10 in both area and population. 75% of the population in Division 10 resides in the former Douglas Shire area whose current resident population is approximately 11,000 people.
85. The traditional way of dividing a local government area into two would be to dissolve the Council, create two new ones and hold fresh elections in each.
86. However, because of the disparities in population and revenue base of the remainder of the Cairns Regional Council and a New Douglas Shire (NDS), it is not advocated that CRC be dissolved and two new local governments formed. Rather it is proposed the former Douglas Shire area be separated away from Division 10 and the balance of that Division, which was part of the former Cairns City Council (CCC), be absorbed into the neighbouring Division 9 with a concurrent or subsequent restructure of the boundaries of the other eight remaining Divisions to facilitate electoral role equalities.
87. FODS considers all of this is achievable by an appropriate determination by Order in Council.
88. Whilst FODS has not considered in any detail the potential impacts of de-amalgamation on the CRC. It is reasonable to assume that the status of CRC post amalgamation would, in every respect, be as it was for the former CCC pre-amalgamation. That is, the former CCC was a viable and sustainable local government in its own right prior to amalgamation with Douglas Shire. There is no evidence to suggest that CRC will be negatively impacted by a “divorce” from the former Douglas Shire.
89. If a negative impact was to be the case it would only serve to support the view by many in the former Douglas Shire community that the “marriage” with Douglas has been a net revenue bonus for the former CCC.
90. This view has of course been fuelled by the apparent reluctance of CRC staff to release financial information to the former Douglas community when requested to do so.

## **FORMER DOUGLAS SHIRE**

91. In essence this proposal advocates returning the former Douglas Shire to its pre-amalgamation boundaries.
92. There is no better assessment of the social, environmental and financial attributes of the former Douglas Shire than the then Douglas Shire Council submission to the Queensland Local Government Reform Commission of May 2007. (Refer attachment 1). It is very useful to consider this submission.

93. Extracts of the submission are drawn to the Minister’s attention hereunder:

### **“2.1 Profile.**

*The Douglas Shire occupies an area of 2,445 km<sup>2</sup> that is well defined by natural boundaries with mountains to the north and west, and coastline to the east. It is the only place in the world where two World Heritage Areas meet – the Great Barrier Reef and the Wet Tropics of Far North Queensland. More than 80% of the Shire is World Heritage Listed.*

*The Douglas Shire is a growth Shire with an estimated population of 11,771 people as at 30 June 2006. The Shire’s population grew by 3.7% between 2005 and 2006<sup>1</sup> and the Department of Local Government, Planning and Sport’s median forecast for growth in the Shire averages 2.1% p.a. over the next 20 years<sup>2</sup> compared with a 1.9% annual average growth rate projected for the State as a whole.*

*The Shire has a robust economy, built on a carefully managed balance between a relatively new tourism industry and an established agriculture sector. The Shire accommodates a million visitors a year and produces half a million tonnes of sugar cane, cattle and a variety of fruit crops. It also has one of the oldest intact surviving indigenous communities in the world – the Kuku Yalanji.*

### **2.2 SSS Involvement**

*Douglas Shire Council (DSC) joined Cook Shire Council and the Wujal Wujal Aboriginal Shire Council to form a Review Group for the Size, Shape and Sustainability Review process. The Councils received approval from the Minister to undertake their review on 8 January 2007 and were well advanced in completing the Initial Review Phase when the State Government called the process to a halt in April 2007.*

*In the Initial Review, DSC had identified the area of Julatten & Mt Molloy in Mareeba Shire as significant Communities of Interest requiring consideration for boundary review and a number of areas where shared resourcing and joint enterprise activities could benefit DSC and neighbouring local governments. The physical segregation of the Shire from Cairns by World Heritage areas and the two-lane coastal highway was considered a significant barrier to amalgamation or major boundary review to the south. Community consultation on these issues was scheduled for the Comprehensive Review Phase.*

### **2.3 Financial Sustainability**

*Douglas Shire Council is in a very strong financial position. Data from the DSC audited Financial Statements and the Department of Local Government, Planning and Sport’s Comparative Information show that the Council is almost entirely self-funding with little reliance on operating grants and subsidies (less than 5%) and generating an annual surplus from its operations. The Shire Council has no net debt, with a surplus of cash and investments over borrowings and fully funds its depreciation.*

*Quote from the Minister of Local Government, Planning and Sport, the Hon Andrew Fraser, MP by letter to Douglas Shire Council dated 8 March 2007:*

***“It [the Douglas Shire Council] is financially sound and has an enviable reputation for its widely admired planning initiatives”***

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<sup>1</sup> Population and Housing Fact Sheet, Department of Local Government, Planning and Sport, March 2007

<sup>2</sup> Population and Housing Fact Sheet, Department of Local Government, Planning and Sport

94. The former Douglas Shire Council’s submission makes significant commentary about the quality and range of services provided by the Douglas Shire Council at the time:

*“The Douglas Shire Council already participates in shared service models where it makes sense to do so. The Shire is physically segregated from neighbouring Council areas by natural geography which constrains options for shared infrastructure and services in areas such as water and waste water. The Douglas Shire Council has entered into a joint service delivery/cost sharing model for landfill services with Cairns and owns and operates the Daintree River Ferry providing concessional fares to Wujal Wujal residents and Cook Shire residents who live within the vicinity of the river.*

*Most residents and businesses in the Douglas Shire enjoy a high level of service at competitive rates and charges:*

- √ *Douglas has one of the cleanest water supply systems in the southern hemisphere at a domestic water cost calculated at 30%<sup>3</sup> less than Cairns with connections to 84% of the Shire’s properties;*
- √ *After completion of the upgrade to the Mossman Sewage Treatment Plant which is budgeted and programmed for completion within three years, up to 80% (currently 66%) of the Shire will be on network sewerage with treatment to tertiary standard. Port Douglas is already fully seweraged to tertiary treatment standard and recycles 100% of its waste water. By comparison Cairns currently treats its sewage to only secondary standard;*
- √ *There are 334 kms of road in the Shire, 54% of which are sealed. Douglas Shire Council Works teams provide most of the road upgrade and maintenance services for the Department of Main Roads in the Shire. This is a testament to the cost and quality of Douglas Shire Council roads maintenance and construction capabilities;*
- √ *Residents of Douglas Shire do not pay gate entry tip fees for domestic and green waste and 93%<sup>4</sup> of the Shire’s properties are serviced for waste collection. When tip fees are taken into account Douglas residents pay less for solid waste services than residents in Cairns<sup>5</sup>. By contrast Douglas Shire waste management practices represent best practice, in particular its landfill management practices;*
- √ *Douglas Shire Council opened a new modern library facility in 2006 which is supplemented by mobile library services to other parts of the Shire;*
- √ *Residents of Douglas, visitors and members of communities of interest in Mareeba Shire enjoy the 75 hectares of maintained parklands and sporting facilities within the Shire boundaries.*

#### **4.1.3 Manage economic, environmental and social planning consistently with regional communities of interest**

*“The Douglas Shire Council is at the forefront of economic, environmental and social planning within the region.*

*The Douglas Shire Council 2006 Planning Scheme (Douglas Shire Planning Trilogy)*

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<sup>3</sup> Based on assumed household usage of 656kl per annum and using DLGPSR Comparative Information

<sup>4</sup> Based on DLGPSR Audited Financial Statements 2004/05

<sup>5</sup> Based on DLGPSR Comparative Information 2004/05

won its category and the overall State award for Excellence in Planning in the Planning Institute of Australia's Queensland Division. The Scheme was awarded a Certificate of Merit in the National Awards in 2007. The Planning Scheme recognises the importance of managing forecast population growth of between 24% and 55%<sup>6</sup> over the next 20 years within the context of sound environmental, social and economic management.

*“The judges agree that this trilogy of hard fought initiatives reflect excellence in achieving environmental outcomes which are of international significance, but which seriously attend to local concerns and overwhelming desires. The trilogy makes creative, appropriate and courageous use of legislative instruments to maximum effect.”* [Awards for Excellence in Planning: Planning Institute of Australia, Queensland Division]

*Other examples where the Douglas Shire Council excels in the areas of economic, social and environmental planning include:*

- √ *1998 Comprehensive Tourism Strategy and \$400,000 annual contribution to the tourism industry;*
- √ *Contribution of \$50,000 to the 2007 Port Douglas Carnivale;*
- √ *Support to the cane industry through a Joint Venture Partnership with the Douglas Shire Council, which is aimed at encouraging agricultural diversity and innovation in areas such as ethanol, farm forestry, cocoa production, low GI sugar, bagged food-grade sugar for food manufacturing;*
- √ *Recent completion of the 2007 Comprehensive Community Engagement Strategy. This will provide invaluable, community representative opinions and priorities to feed into the Council's future short and long term strategic and operational planning;*
- √ *Publication of the 34 page Community Directory providing a comprehensive list and information on community organisations and services in the Shire;*
- √ *Facilitation of a Native Title land settlement on State government and Council land for the Kuku Yalanji indigenous residents of the Shire;*
- √ *Winner of the 2003 Banksia Environmental Award for environmental leadership in infrastructure and services from the Banksia Environmental Foundation for the Shire Council's excellence in environmental management;*
- √ *Level 5+ accreditation under the Cities for Climate Protection programme;*
- √ *Adoption of the Douglas Shire Water Quality Improvement Plan as a model for improving Great Barrier Reef water quality, working in partnership with FNQNRM and the local agricultural sector;*
- √ *In consultation with the Department of Main Roads, developed new scenic road construction standards for the road through the Daintree rainforest,*
- √ *Queensland Winner of the 2006 Clean Beach Challenge, Keep Australia Beautiful Award, Resource Conservation and Waste Management Category”.*

95. FODS advocates that de-amalgamation of the former Douglas Shire from CRC will facilitate the return of local government services to the former Douglas Shire community which were the envy of many local governments across Australia then and will be again under a New Douglas Shire.

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<sup>6</sup> DLGPSR Population and Housing Fact Sheet, Douglas Shire

## **NEW DOUGLAS SHIRE**

96. What will a New Douglas Shire (NDS) look like and how would it address its major service delivery and value for money obligations?
97. The proposed NDS is the same as the former Douglas Shire in area and it is proposed it will be similar in structure.
98. FODS proposes that de-amalgamation in this instance can be very straightforward with no adverse impact on ratepayers in the community in the form of additional impost by way of rates and charges.
99. FODS proposes that a NDS would assume it's responsibilities, address current major considerations and operate by the following means:

1. Rate revenue

Rate revenue is estimated to have increased by at least 50% and possibly more across the Shire since amalgamation in 2008. (Note the financial modeling produced by FODS estimates a mere 20% increase in General rates in the first year of amalgamation and only CPI increases since, and CPI increases only for utilities and other charges for the entire period since amalgamation. This is an extremely conservative approach).

The FODS financial model proposes no rates and charges increases are required over and above CPI (or its local government equivalents) to cover the costs of de-amalgamation and that those costs can be effectively absorbed with no adverse impact on the other services and financial obligations of NDS. (Refer attachment 2).

2. Fixed assets and physical infrastructure

The fixed assets and physical infrastructure of the former Douglas Shire remain intact and largely unchanged from the time of amalgamation. For example:

- The former Douglas Shire Council Chambers still exist and operate, albeit with a reduced staff. Even the name “Douglas Shire Council” still appears in wrought iron on the fascia of the building.
- The works depots at Port Douglas, Mossman and Cow Bay still exist and are in use.
- The three drinking water reticulation schemes (Mossman/Port Douglas, Wonga and Daintree) have had only minor changes to them, most of which this community would seek to reverse back to their pre-amalgamation status under NDS. The foundation of these three systems is state of the art ultra-filtration of raw water which is able to remove particles above 0.02 microns. This includes even the smallest virus. Currently under the CRC water treatment arrangements Giardia and Cryptosporidium, both of which exist in raw water, are not fully removed by conventional sand filters and chlorine and have been identified by local doctors as a health risk. This, and the concern about the taste and health impacts of chlorination, drove the

investment in membrane/UV irradiation as the sole means of treating water to a standard that met NHMRC Guidelines (which have since been adopted by all State governments). The Douglas Shire water treatment systems exceeded NHMRC standards and therefore attracted State government subsidies for their construction. The former Douglas Shire operated these systems for five years, adequately achieving the monthly water testing standards. The systems were highly valued by the community. Additionally, these systems were almost entirely gravity fed, requiring minimal pumping and they maintained high pressure, an important means of preventing contamination through backflow. CRC abandoned the gravity feed approach, deliberately reduced pressure in the systems, contaminated the water through inept management and added chlorine to solve the resultant problems. The CRC then failed to consider the recommendations of Don Bursill, Chief Scientist of South Australia and Chair of the NHMRC. (Refer attachment 7).

Mr. Bursill is Australia's leading drinking water scientist and he offered CRC advice on how to locate the contamination, fix it and trial a chlorine free approach.

The NDS would seek to return its water treatment facilities to chemical free systems (acknowledging fluoride will still have to be added). Former Douglas Shire had the expertise to do it and NDS can do it as well.

- At the time of amalgamation the Mossman Sewage Treatment Plant was budgeted and programmed for completion within three years, meaning that up to 80% of the Shire would be serviced by reticulated sewerage with treatment to a tertiary standard. Port Douglas is already fully seweraged to tertiary treatment standard and recycles 100% of its waste water. NDS will, as a priority, reinvigorate efforts to bring to fruition the completion of sewerage reticulation and treatment of the balance of the beach communities (Newell Beach, Cooya and Wonga townships).
- In relation to hard rubbish management the former Douglas Shire operated a number of waste transfer stations. These waste transfer stations operate now as they did at amalgamation. They operated on the basis of a co-operative agreement between the former DSC and former CCC. The agreement was an initiative of Douglas Shire motivated by the need to close the landfill site in the mangroves at Killaloe. The system is sound and with improved management could increase waste treatment and reuse by up to 60% for Cairns, Mareeba and Douglas. The NDS will seek to resume the resources sharing/shared services arrangements which existed between the DSC and CCC prior to amalgamation.
- There are 334 kms of roads in the former Douglas Shire area, 54% of which were constructed to sealed standard at the time of amalgamation. Former Douglas Shire works teams provided most of the road upgrade and maintenance services for the Department of Main Roads in the Shire. This is testament to the cost and quality of Douglas Shire Council roads maintenance and construction capabilities. FODS does not have access to information to make an assessment of roads upgrades in the former Douglas Shire area since amalgamation but estimates annual investment in road improvements to be similar to that of the former Douglas Shire in 2008. No new roads have been opened by CRC within the area. The NDS will retain its roads and bridges

maintenance capabilities and expertise post de-amalgamation as most of the staff employed by the former Douglas Shire and most of the equipment used by them are largely unchanged.

3. Non-fixed assets (excluding cash)

- Larger loose plant and equipment owned by the former Douglas Shire is mostly unchanged. The former Douglas Shire had very little of its own plant and equipment in any event as there were a lot of contractors with a wide variety of equipment and many expert operators among them able to supply all the machinery needs of Douglas more cost effectively than the Council owning and operating its own. The NDS will resume ownership of remaining former DSC plant and equipment post de-amalgamation and resume the use of external contractors in the manner of the former Douglas Shire when equipment is needed which the Council does not itself own.
- At the time of amalgamation the former Douglas Shire light vehicle fleet was almost entirely leased. Once NDS is established the new council could quickly and cost effectively lease a new fleet to meet its requirements. (Note that the financial aspects of fixed and non- fixed assets are addressed in the section entitled “Financial Considerations”).

4. Shared Services

There are limited opportunities for shared services arrangements between a NDS and the remaining CRC. The reason for this is that the physical separation between Cairns and the Douglas makes it nearly impossible or impractical. (Refer map on page 3). Except in the case of waste management the former Douglas Shire Council saw little opportunity for resources sharing and co-operative service delivery arrangements with neighbouring Councils. (Refer Attachment 1 - page 10).

However there may be opportunities for further shared services arrangements between Cairns and Douglas in, for example, staff training and development and library services. These can be explored post amalgamation but nevertheless are supported in principle by FODS.

5. Workforce

Most of the administrative and outdoors workforces employed by CRC within the area of the former Douglas Shire are still doing the same jobs they did prior to amalgamation, albeit under a different management and corporate structure.

Below middle management level there has been no significant loss of expertise as a result of redundancies and attrition

Additional staff would have to be recruited however by NDS, which have been estimated at about twenty (20) in number. These are mostly at senior and middle management levels.

It is envisaged these staff would be recruited by an interim CEO employed by NDS as previously described.

6. Transfer of responsibilities from Cairns Regional Council to a New Douglas Shire Council

Transitional arrangements would need to be put in place to transfer CRC managed operational activities to the NDS post de-amalgamation. FODS proposes that a memorandum of understanding (MOU) between the CRC and NDS to take effect from the date of creation of NDS be documented and agreed. This MOU would clearly describe the functions to be performed and the approach to be taken to transfer operational responsibilities, operating procedures, records and information from CRC to NDS in the initial period of NDS being established. FODS proposes that either the Local Government Department or the Local Government Association of Queensland be appointed to liaise with CRC to develop this MOU well in advance of de-amalgamation.

7. Planning Scheme

The former Douglas Shire Planning Scheme currently remains substantially unchanged and is fully operational and managed by CRC staff. It is an outstanding Scheme. The Scheme needs only minor changes, however it is proposed this is a matter for the new council. The point is there is an operational Planning Scheme in place with no pressing need for change. The NDS will simply assume responsibility for the Scheme's administration once NDS is proclaimed.

8. Community engagement

The former Douglas Shire Council had an outstanding record in community engagement and wide spread participation in community affairs. This was largely driven by the staff of the Council who had been specifically recruited for their community engagement expertise and experience. Whilst some of this expertise has been lost since amalgamation it can nevertheless be replaced.

In 2007 the former Douglas Shire completed a "Comprehensive Community Engagement Strategy". This document will provide an invaluable starting point to further engage community representative opinions and priorities to feed into the Council's future short and long term strategic and operational planning.

The former Douglas Shire Council had established strong economic and development links with its major industries of sugar and tourism. The Douglas Shire Council's partnership with, and investment in, the sugar industry was founded on value adding, diversification and sustainability. The partnership includes CSIRO, Federal government agencies, State agencies and community NGOs. These links and relationships can readily be rekindled.

9. Tourism promotion

The former Douglas Shire Council funded tourism promotion through a user pays levy (Special Area Promotions Charge). Whilst the funding, not the levy, still exists, its continuation into the future is in doubt given recent comments emanating from representatives of the CRC. Without a levy there is no other obvious means for a



user pays system to fund tourism promotion in Douglas.

Port Douglas, the Daintree Rainforest and the Great Barrier Reef have ensured the Douglas region has an outstanding and unique tourism product. The attributes of this product were recognised and strongly protected by the Planning Scheme.

Tourism Port Douglas Daintree (TPDD) currently remains a well resourced, highly professional organisation. This is something which is under threat if dedicated funding is discontinued following the expiration of existing agreements in 2013.

FODS proposes the NDS re-establish the tourism levy as the primary means for funding tourism promotion in the Shire and seek to extend current dedicated funding for tourism promotion into the future.

#### 10. Daintree Plan

Daintree conservation and visitor management was, and still is, a controversial issue in the community, particularly with tourism related business operators in the Daintree area.

The former Douglas Shire developed, in consultation with key stakeholders, the Daintree Plan which encapsulated a reconsideration of how to care for the environment, people, the economy, tourism and infrastructure in a concise document.

The Daintree Plan was given only temporary support by the CRC and soon discontinued.

Similarly, plans to vastly improve the entrance to the Daintree at the ferry precinct were initiated and commenced by DSC and this was continued by CRC. Whilst the Daintree Gateway Master Plan was adopted by the previously elected CRC, there have been no on the ground improvements to date.

FODS proposes the NDS will reinvigorate the “Daintree Plan” and “Daintree Gateway” master planning, reinstating the management and operational principles around which the Daintree tourism icon can be promoted and exploited in a manner which sustains the resource into the future.

#### 11. Port Douglas Waterfront

Plans to redevelop the Port Douglas Waterfront were initiated and commenced by the DSC in 2006. Consultants were engaged and this engagement was continued by CRC.

Following extensive consultation the Port Douglas Waterfront Master Plan was adopted by CRC in November 2009.

In August 2011 CRC endorsed a Port Douglas Waterfront Master Plan Implementation Consultation Report, which includes a location for a lagoon pool, the waterfront park concept design, road network upgrades concept design, car parking concept design, relocation of the current public boat ramp and a landscape design guide.

At the time of writing the CRC is about to consider whether it will reaffirm its endorsement of the Port Douglas Waterfront Master Plan.

There is concern amongst some members of the Douglas community that a New Douglas Shire may not be able to afford the cost of the proposed waterfront upgrades without significant financial impacts upon ratepayers.

The FODS rejects this suggestion.

Whilst the Port Douglas waterfront project may well be expensive, if it is to proceed as proposed it will need to attract significant external funding assistance from other levels of government. This will be the case whether CRC remains responsible for the project or a NDS assumes responsibility for it.

FODS suggests the project will not proceed in full as proposed in the absence of external funding support and there is nothing to suggest the CRC will be any better at securing that support than a NDS would be.

The Port Douglas waterfront redevelopment project is the most important project in the history of Port Douglas since the late 1980's. Whilst aspects of the Master Plan have been the subject of some controversy in the community and may be revisited by a NDS, the FODS proposes that the implementation of the Port Douglas Master Plan becomes a priority project for the NDS once established.

## **FINANCIAL CONSIDERATIONS**

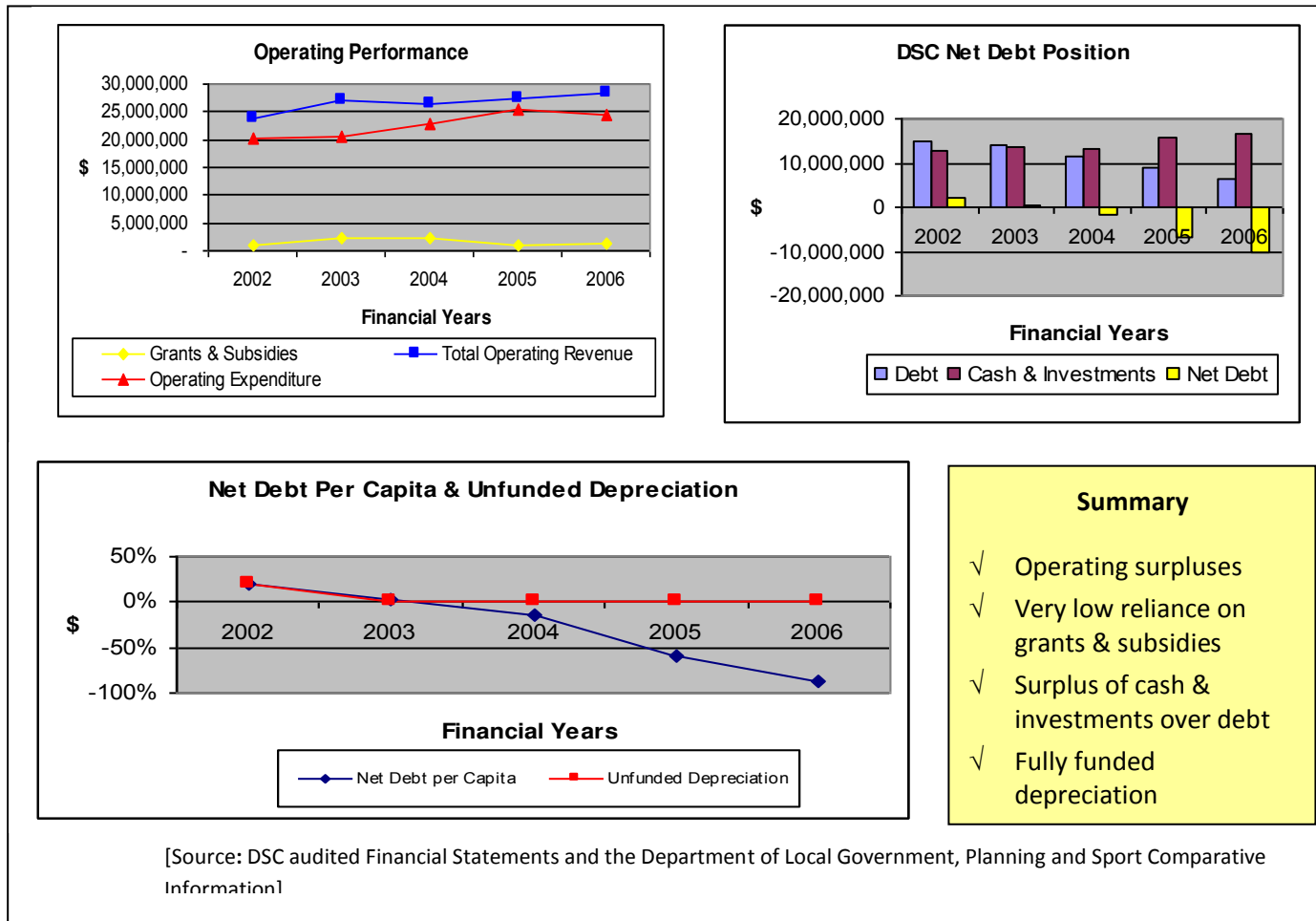
### **BACKGROUND**

100. Prior to amalgamation of the former Douglas Shire with Cairns City Council a submission on behalf of the Shire to the Boundaries Commission established by the then Minister for Local Government, Hon. Andrew Fraser, MP, presented the following facts in respect of the Shire's financial position:

#### ***“1.1 Financial Sustainability***

*Douglas Shire Council is in a very strong financial position. Data from the DSC audited Financial Statements and the Department of Local Government, Planning and Sport's Comparative Information shows that the Council is almost entirely self-funding with little reliance on operating grants and subsidies (less than 5%) and generating an annual surplus from its operations. The Shire Council has no net debt, with a surplus of cash and investments over borrowings and fully funds its depreciation.*

*Quote from the Minister of Local Government, Planning and Sport, the Hon Andrew Fraser, MP by letter to Douglas Shire Council dated 8 March 2007: **“It [the Douglas Shire Council] is financially sound and has an enviable reputation for its widely admired planning initiatives”***



**Conclusion:** Douglas is a Shire of more than 2,400 km<sup>2</sup> defined by natural boundaries and a population of almost 12,000 residents. It is a growth Shire with a forecast of up to 55% population increase by 2026. It has a robust economy built on a carefully managed balance of resort and environmental tourism and agriculture. Douglas was in a SSS Review Group with Cook and Wujal Wujal Councils and is in a very strong financial position”

(Refer Attachment 1 – pages 5 – 6).

101. At the time of amalgamation of the former Douglas Shire Council (DSC) and CCC the CRC assumed substantial assets from the former DSC including:

• Land	\$ 10.6 million
• Buildings	\$ 15.6 million
• Plant and equipment	\$ 2.7 million
• Road, bridges and drainage	\$ 197.8 million
• Water supply infrastructure	\$ 38.2 million
• Sewerage infrastructure	\$ 16.5 million
<b>Total</b>	<b>\$ 281.4 million</b>

102. Cash on hand transferred from DSC to CRC at amalgamation included:

• Restricted reserves	\$ 15.4 million
• Depreciation reserves	\$ 4.7 million
• Retained surplus (unconstrained)	<u>\$ 4.8 million</u>
Total	\$ 24.9 million

103. The former DSC operated four funds as follows:

	<u>2007/08 Budget</u>
• General Fund	\$ 24.9 million
• Cleansing Fund (Waste Management)	\$ 2.8 million
• Water Supply Fund	\$ 4.9 million
• Sewerage Fund	<u>\$ 5.8 million</u>
Total	\$ 38.4 million

#### **FRIENDS OF DOUGLAS SHIRE FINANCIAL MODEL FOR DE-AMALGAMATION**

104. In late 2011 the Friends Of Douglas Shire (FODS) enlisted voluntary local expertise to develop a financial model for “de-amalgamating” the former DSC from the CRC.

105. There was a view abroad in the former Douglas Shire community, and one which was vocally put about by then local state member of parliament, Jason O’Brien, since the advent of the amalgamation that “the egg could not be unscrambled and to attempt to do so would be far too costly”. FODS set out to challenge this notion and to provide the community with a more objective assessment of the potential costs of de-amalgamation.

106. The financial model produced on behalf of FODS was created by the following means:

- It was produced with publicly available information only. That is, information was obtained largely from what is publicly available on the CRC website including: CRC financial reports for the years 2007/08 to 2010/11 inclusive, CRC capital works programs reports for the years 2007/08 to 2010/11 inclusive, CRC capital assets management plans as far as they were available. (It should be noted that no assistance was expected to be forthcoming from CRC or its staff in developing the financial model and on that basis none was asked for).
- The final Douglas Shire Council (DSC) budget of 2007/08 was used as the starting point and as the basis for constructing detailed financial estimations of revenues and expenditures for the financial years 2008/09 to 2011/12 inclusive assuming the DSC had not been amalgamated with the CRC.
- The assumed 2010/11 budget results were extrapolated to produce financial projections for a New Douglas Shire (NDS) for the period 2012/13 to 2016/17 inclusive.

107. The FODS financial model for de-amalgamation is included as Attachment 2.

## **FINANCIAL MODEL ASSUMPTIONS**

108. A number of assumptions had to be made to produce the financial model, largely as a consequence of an absence of substantiated information. These assumptions include:

- General rates within the former Douglas Shire area of Division 10 of the CRC increased by 20% over the former DSC rates in 2008/09 when the CRC rating regime was applied. (Anecdotal evidence suggests that rates have increased by more than 50% across the board however a far more conservative approach to this estimate has been taken).
- Water supply, Sewerage and Waste Management charges have increased by either the Wage Price Index (public sector) or Local Government Price Index only. (Anecdotal evidence is insufficient to assume higher increases).
- There will be NO REDUCTION in total rates revenue, i.e. the total rates take, applied by a New Douglas Shire (NDS) upon de-amalgamation.
- The NDS will NOT receive back any of the former DSC cash reserves when de-amalgamation occurs. That is, none of the \$24.9 million referred to at paragraph 102 above will come back to NDS.
- No non-recurrent grants funds have been included in the model from 2012/13 as a potential funding source.
- Any borrowings existing with the former DSC at the time of amalgamation have been fully repaid. (The former DSC was on track in 2007/08 to retire debt within 3 years).
- Annual operating income and expenditure has been extrapolated from the former DSC budget of 2007/08 to 2010/11 applying known annual Local Government Price Indices and then applying 4% per annum for the period 2012/13 to 2016/17.
- No economies in operational procedures have been assumed to lower costs for NDS compared with the former DSC.
- The area comprising the NDS will be that of the former DSC.
- Elected representatives for NDS will comprise a Mayor and four (4) councillors. This differs from the former DSC which comprised a Mayor and six (6) councillors and is in keeping with a survey of residents conducted by the former DSC prior to amalgamation which demonstrated support for a reduction in the number of elected representatives and an un-subdivided local government area. (Refer Attachment 6).

## **FINANCIAL MODEL SPECIFIC PROVISIONS**

109. The financial model for de-amalgamation has been constructed to portray a conservative but very possible and realistic financial scenario for the period 2012/13 to 2016/17 inclusive. That is, five (5) years following de-amalgamation. It models the financial scenario for this period for the same four funds operated by the former DSC, namely:

- General Fund
- Cleansing Fund
- Water Supply Fund
- Sewerage Fund

110. Two primary provisions are included. These are:

- The General Fund only will bear the costs of establishing the NDS. (It will of course be a matter for the elected Council of NDS to decide if the other three funds make a contribution to these costs).
- The “one off” costs of establishing the NDS and facilitating de-amalgamation include:
  - Staff recruitment to re-establish professional expertise \$500,000
  - Information Management including:
    - Information Technology reinstatement \$500,000
    - Professional transfer of records to NDS \$200,000
    - Reinstatement of policies, local laws etc ~~\$100,000~~\$800,000
  - Inaugural elections costs \$100,000
  - Re-procurement of disposed of plant & equipment \$400,000
  - Signage, letterhead & other corporate identifications \$200,000
  - Legal expenses (property titles, assigning loans, assigning contracts etc) \$300,000
  - Costs of re-establishment referendum \$200,000
  - Contingencies \$500,000

Total “one off” de-amalgamation costs (estimated) **\$3,000,000**

## **FIVE CONSIDERATIONS OF FINANCIAL SUSTAINABILITY WHICH NEED TO BE RESPONDED TO**

111. In preparing the model FODS considered that after efficiently and effectively meeting the day to day obligations and expenses of running the new Shire there are five primary considerations of financial sustainability for the NDS which need to be addressed:

1. Does the Council have sufficient security of “own source” revenue?
2. Are there sufficient funds being generated to replace depreciating assets?
3. Are there sufficient funds being generated to provide desired new assets into the future?
4. Are debts servicing commitments reasonable and manageable?
5. Are significant and sustained budget deficits able to be avoided?

These five considerations are revisited and responded to later in this submission at paragraph 126.

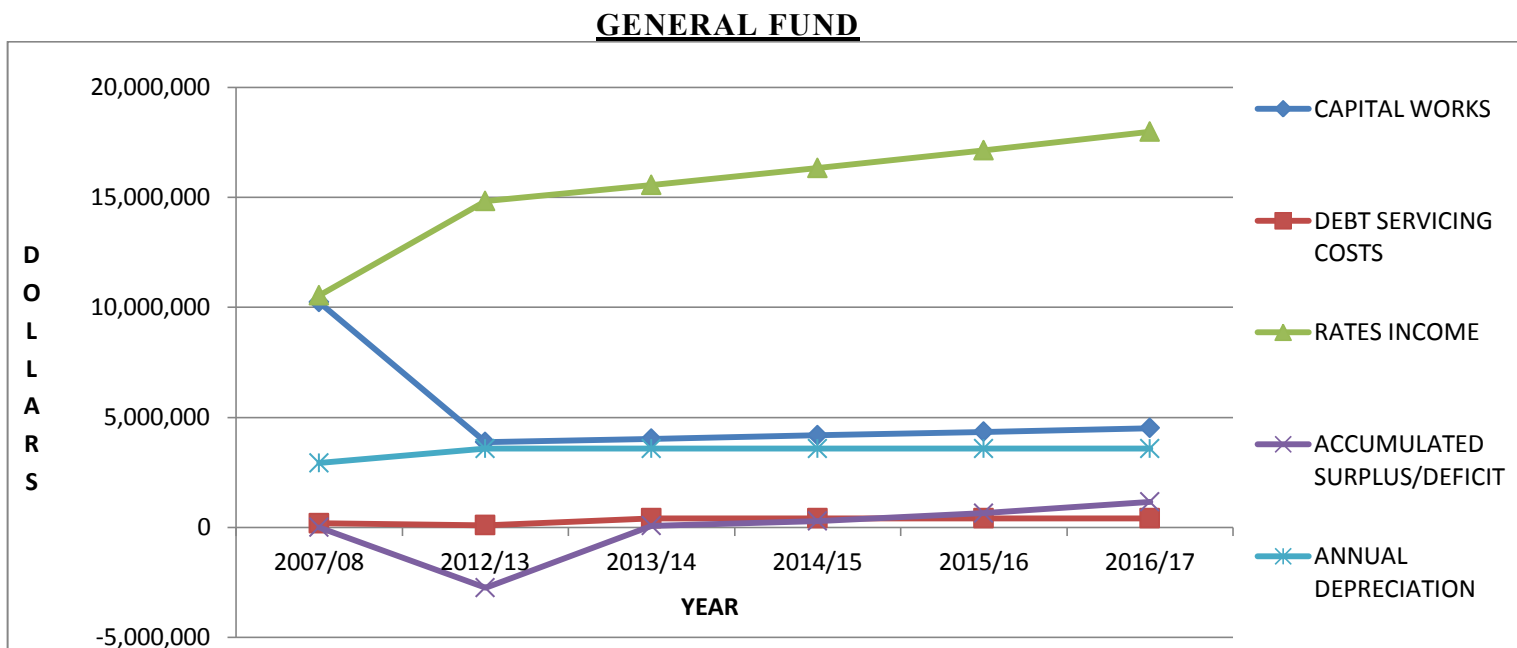
**FINANCIAL MODEL OUTCOMES**

112. In order to meet the one-off costs of de-amalgamation and establish a financially viable NDS, one-off borrowings of \$2.75 million are proposed. These borrowings have been included in the model and financed over ten (10) years with an annual debt servicing commitment of \$410,000. The assumed interest rate is eight (8) percent for the life of the loan. (The Business Lending Rate of the four major banks at the time of developing the model was between 7.6% and 10%).

113. In respect of the NDS General Fund, applying the aforementioned methodology (paragraph 106), assumptions (paragraph 108) and specific provisions (paragraph 109) the outcomes over a five year period are as follows:

- Rates income of \$15 million is generated in year 1 (assumed at 2012/13) rising to \$18 million in year 5 (assumed at 2016/17).
- Annual depreciation of assets at \$3.6 million is funded.
- Debt servicing costs amount to 1.5% of total recurrent revenue.
- Funds available from internal sources for new capital works amount to \$300,000 after funding depreciation in year 1 and rise to \$1 million in year 5. (These funds can of course be used to fund new capital works directly or alternatively to fund the costs of new borrowings for capital works purposes if that is the wish of the new Council).
- An operating surplus exceeding \$1.1 million is generated by year 5.

114. A graphical representation of the General Fund results appears hereunder: (Note the year 2007/08 – the last year of DSC appears for comparative purposes)

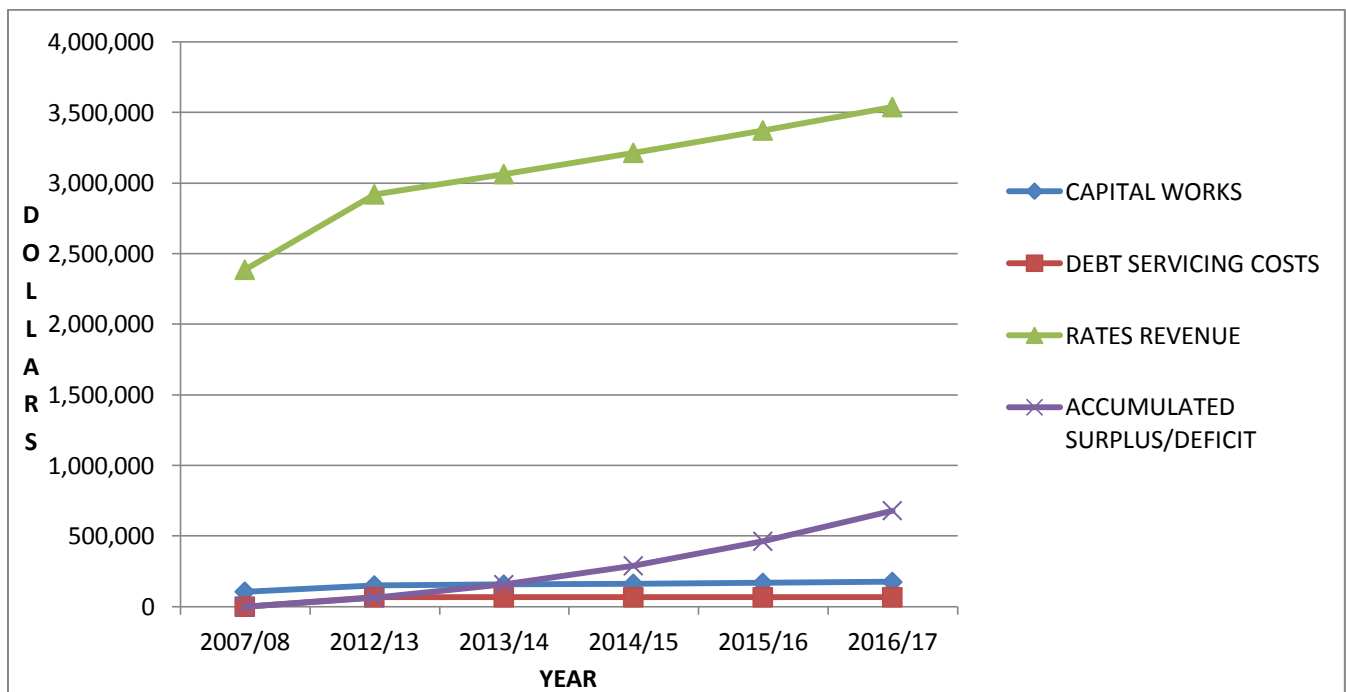


115. In respect of the NDS Cleansing (Waste Management) Fund the results are as follows:

- Rates income of \$2.92 million is generated in year 1 (assumed at 2012/13) rising to \$3.46 million in year 5 (assumed at 2016/17).
- Annual depreciation of assets at \$11,000 is funded.
- Debt servicing costs amount to less than 2% of total recurrent revenue.
- Funds available from internal sources for new capital works amount to \$149,000 after funding depreciation in year 1 and rise to \$165,000 in year 5. (These funds can of course be used to fund new capital works directly or alternatively to fund the costs of new borrowings for capital works purposes if that is the wish of the new Council).
- An operating surplus exceeding \$680,000 is generated by year 5.

116. A graphical representation of the Cleansing Fund results appears hereunder: (Note the year 2007/08 – the last year of DSC appears for comparative purposes).

### CLEANSING FUND



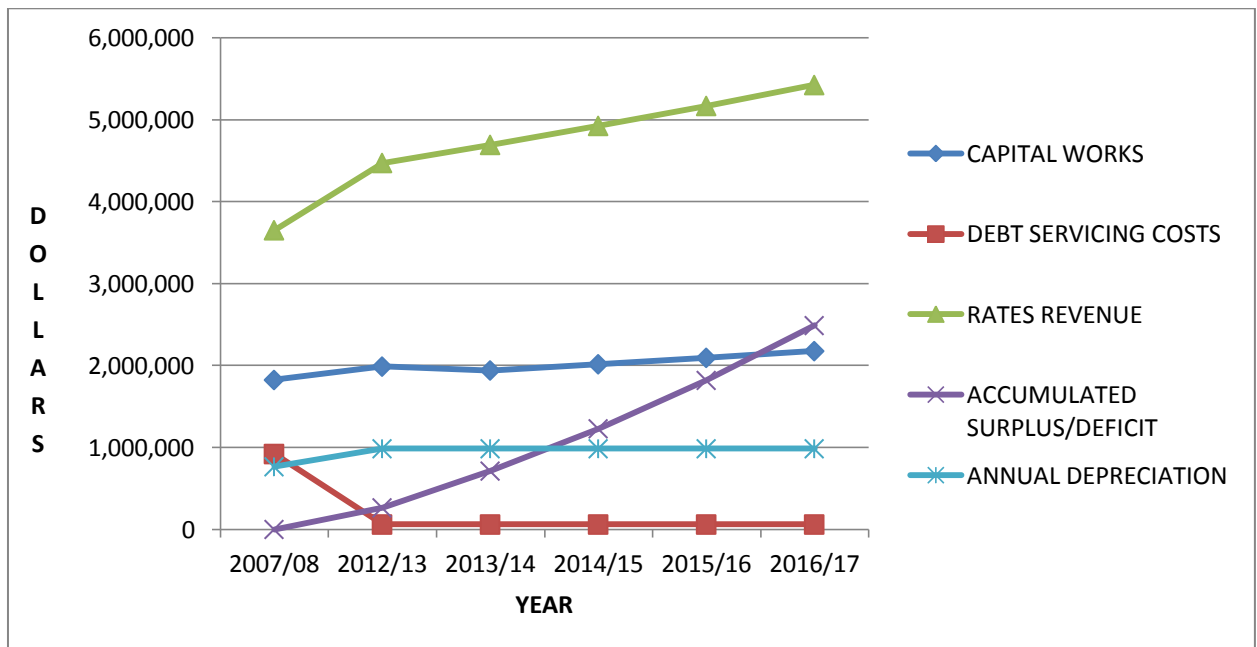


117. With the Water Supply Fund the results are as follows:

- Rates income of \$4.48 million is generated in year 1 (assumed at 2012/13) rising to \$5.42 million in year 5 (assumed at 2016/17).
- Annual depreciation of assets at \$985,000 is funded.
- Debt servicing costs amount to less than 1.5% of total recurrent revenue.
- Funds available from internal sources for new capital works amount to \$1 million after funding depreciation in year 1 and rise to \$1.2 million in year 5. (These funds can of course be used to fund new capital works directly or alternatively to fund the costs of new borrowings for capital works purposes if that is the wish of the new Council).
- An operating surplus exceeding \$2.49 million is generated by year 5.

118. A graphical representation of the Water Supply Fund results appears hereunder:  
(Note the year 2007/08 – the last year of DSC appears for comparative purposes).

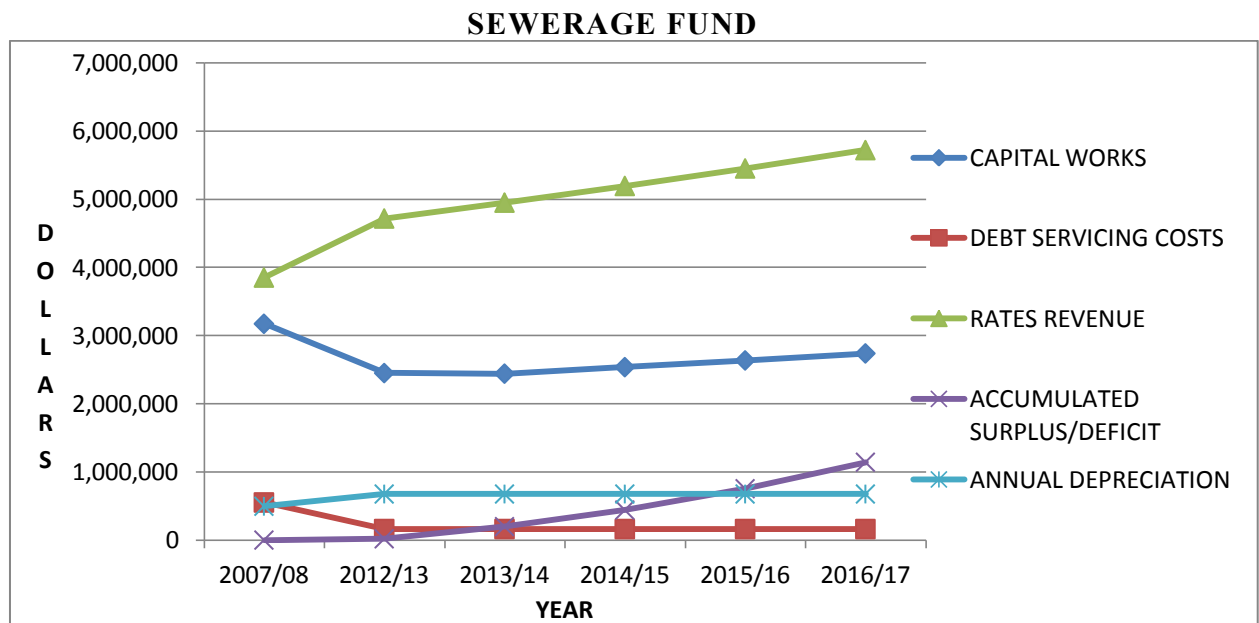
**WATER SUPPLY FUND**



119. Finally, with respect to the Sewerage Fund the results are as follows:

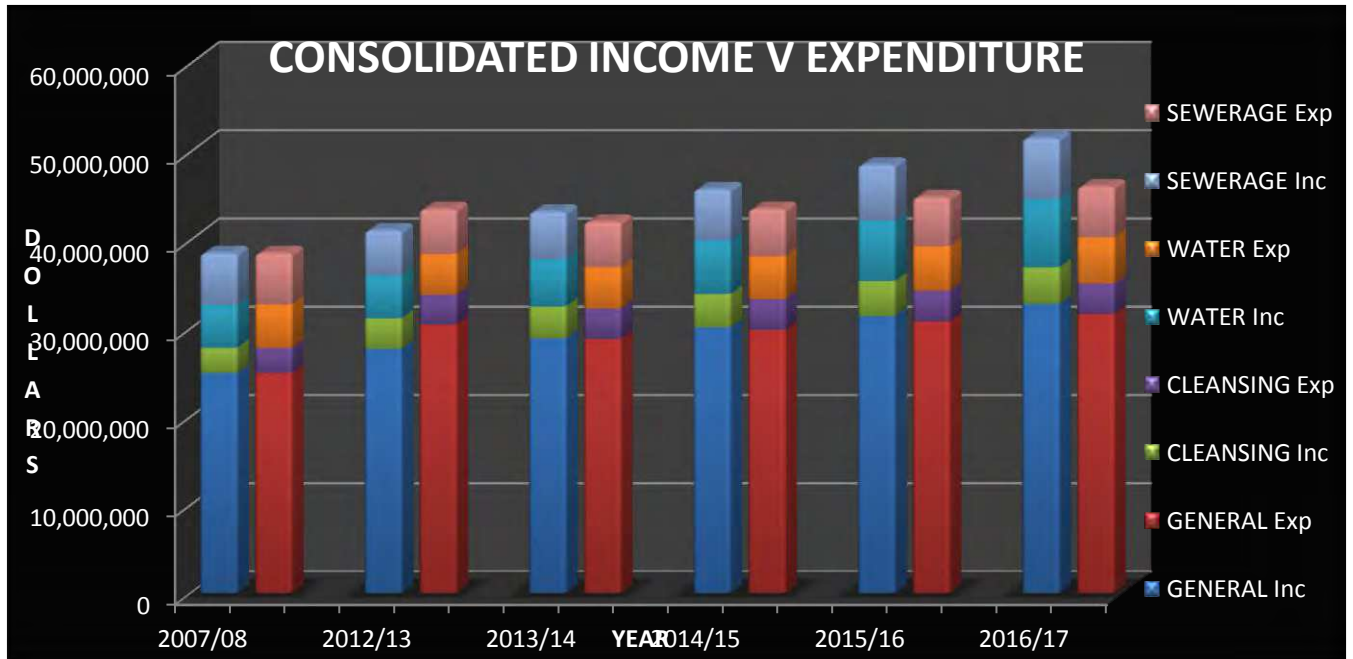
- Rates income of \$4.7 million is generated in year 1 (assumed at 2012/13) rising to \$5.7 million in year 5 (assumed at 2016/17).
- Annual depreciation of assets at \$675,000 is funded.
- Debt servicing costs amount to around 3% of total recurrent revenue.
- Funds available from internal sources for new capital works amount to \$1.8 million after funding depreciation in year 1 and rise to \$2.1 million in year 5. (These funds can of course be used to fund new capital works directly or alternatively to fund the costs of new borrowings for capital works purposes if that is the wish of the new Council).
- An operating surplus exceeding \$1.14 million is generated by year 5.

120. A graphical representation of the Sewerage Fund results appears hereunder: (Note the year 2007/08 – the last year of DSC appears for comparative purposes).



**CONSOLIDATED (All Funds) FINANCIAL POSITION – 5 YEAR OUTLOOK**

121. The stacked bar chart appearing hereunder clearly indicates the positive financial outlook for the NDS after 5 years of operation.



122. It needs to be stressed again that an extremely conservative approach has been taken to funding availability in the New Douglas Shire financial model including:

- The NDS will not receive back any of the former DSC cash reserves when de-amalgamation occurs. That is, none of the \$24.9 million referred to at paragraph 102 above will come back to NDS.
- No non-recurrent grants funds have been included in the model from 2012/13 as a potential funding source.
- Wage Price Index or Local Government Price Index increases only have been applied to all projected annual rates and charges with the exception of General rates in 2008/09 only.

**SOME INDICATORS OF FINANCIAL HEALTH**

123. For the purposes of comparison and to garner the Minister’s confidence that the NDS can maintain a healthy financial position comparable to that of the former Douglas Shire and indeed, the current Cairns Regional Council, an analysis of some important financial indicators has been carried out with the results appearing hereunder:

RATIO	DSC	DSC	CRC	NDS	NDS	NDS	NDS	NDS
	2006/07	2007/08	2009/10	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue Ratio	65.83	73.80	77.10	60.20	60.12	60.61	60.01	59.34
Debt Servicing Ratio	7.80	6.78	5.9	0.95	1.62	1.53	1.44	1.35
Debt Commitment Ratio	11.86	9.18	7.60	1.54	2.64	2.52	2.40	2.28
Own Source Revenue	N/A	88.98	N/A	92.37	86.21	92.83	93.08	93.34

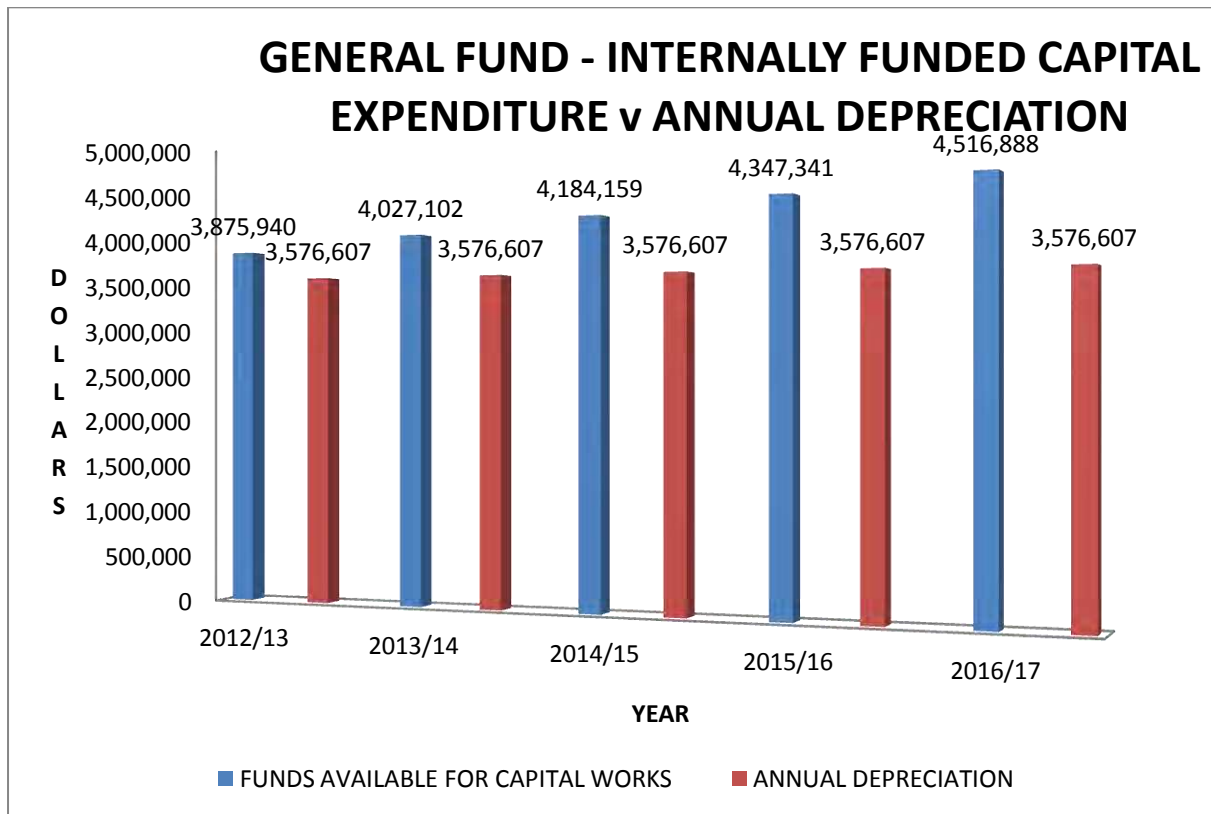
124. It is readily evident that the NDS demonstrates comparable if not superior, in some cases, financial health to both the current CRC and the former DSC.

**FINANCIAL RISKS ASSESSMENT**

125. It is prudent in developing any business case to undertake an assessment of the financial risks associated with a proposal. FODS has identified and addressed the following risks:

- Risk: New capital works not specifically identified – No new capital works have been specifically identified in the financial modeling.

Response: Whilst no new capital works have been specifically identified in the models new works can be financed from the funds identified as available annually for capital works purposes less the costs of funded depreciation. (Refer bar chart hereunder which portrays the situation in respect of the General Fund). A similar portrayal of the availability of funds for new capital works after funding depreciation in respect of the other three funds is evident as well. If the NDS proposes capital expenditures beyond the funds available in the model, external funding, which is not included (e.g. new borrowings or government grants), will need to be sourced. This may place additional pressure on the new Council.



- Risk: The costs to establish the New Douglas Shire (de-amalgamate) are not known with absolute certainty.

Response: The costs of de-amalgamation have been very carefully considered with the expertise of a 30+ year veteran in local government management being drawn upon. The estimates of the one-off costs of de-amalgamation compare favourably with similar estimates produced by other proponents of de-amalgamation in other areas of the State of Queensland and with estimates of similar local government restructures carried out interstate. However if the actual costs of de-amalgamation exceed the estimates in the model this could place additional financial pressure on the new Council.

- Risk: Debt apportionment has been assumed on the basis that the balance of loans raised by CRC from 2008/09 to the present for works carried out in Division 10 (or at least that part of the Division which comprises the former DSC) will have to be repaid by the NDS from the time of de-amalgamation. That is, the new Council will assume responsibility for the remaining loans balances.

Response: The approach taken in the model seems to FODS to be reasonable and equitable. If a different method of debt apportionment is applied additional financial pressure could be placed on the new Council.

- Risk: Annual operating costs and revenues from 2012/13 have been modeled applying annual increases based on local government price indices/wage price indices of 4% per annum.

Response: Historical evidence shows these indices have varied between 1.5% and

4.5 % over the last four years. Adopting an inflationary index of 4% appears reasonable based on past indicators. However if NDS cannot maintain its costs and revenues growth in accordance with this assumption additional financial pressure could be placed on the new Council.

- Risk: Annual operating costs and revenues are based upon the former DSC experience and the last budget of the former DSC has been used as the base line for constructing the models.

Response: It is considered this approach is reasonable and justified given that only four years have elapsed since amalgamation and there have been no significant changes to the operations of local governments over that period. Nor have there been significant changes in demand for services over those which were provided by the former DSC. However, if operational procedures have changed within the CRC which commit NDS to significantly increased operating costs or significantly reduced revenues, additional financial pressure could be placed on the new Council.

- Risk: It has been assumed no staff wages/conditions equalisation is necessary. That is there has been no significant, and therefore costly, increase in conditions for staff over those which applied under the former DSC.

Response: The FODS membership comprises people who still have close association with current members of the CRC staff who were also former DSC staff members. No indication has been discovered that there has been significant improvement in employment conditions with the advent of amalgamation. However if wages and conditions have improved markedly over the former DSC provisions additional financial pressure could be placed upon the new Council.

## **FIVE CONSIDERATIONS OF FINANCIAL SUSTAINABILITY WHICH NEED TO BE RESPONDED TO – REVISITED**

126. At paragraph 111 five primary considerations for assessing financial sustainability were identified. This section will assess whether the financial model presented herein adequately addresses those considerations?

1. Does the Council have sufficient security of “own source” revenue?

The model proposes the NDS leaving annual rates and charges at Cairns Regional Council levels and providing for annual increases from year one (assumed at 2012/13) sufficient to meet the assumed costs pressures facing the New Douglas Shire (assumed at 4% annually).

The new Council’s security of own source revenue portrayed in the model is well in excess of 90%.

2. Are there sufficient funds being generated to replace depreciating assets?

The model clearly demonstrates there are more than adequate funds to set aside each year for future assets renewal and replacement as infrastructure deteriorates. This includes:

- General Fund                                 \$3.5 million
- Cleansing Fund                                 \$11,000

- Water Supply Fund \$985,000
- Sewerage Fund \$675,000

3. Are there sufficient funds being generated to provide desired new assets into the future?

The model demonstrates the General fund will have \$300,000 available after meeting depreciation commitments in year 1 (2012/13) rising to almost \$1 million in year 5 (2016/17). A significant surplus is generated after five years.

Likewise the Cleansing, Water Supply and Sewerage Funds have reasonable capacity available after funding depreciation and also generate expanding surpluses over the five year outlook. Both these facts point to significant capacity for future capital funding.

4. Are debts servicing commitments reasonable and manageable?

The model demonstrates that known existing borrowings and proposed future borrowings require relatively negligible debt servicing commitments across all four funds.

5. Are significant and sustained budget deficits able to be avoided?

The model demonstrates that long term operational deficits can be avoided and in fact all four funds generate significant surpluses over the five year forecast period as follows:

- General Fund \$1.1 million
- Cleansing Fund \$680,000
- Water Supply Fund \$2.5 million
- Sewerage Fund \$1.1 million

## **SUMMARY OF FRIENDS OF DOUGLAS SHIRE FINANCIAL MODEL PROVISIONS**

127. In summary, the Friends Of Douglas Shire submits that a New Douglas Shire could be established with the following assumptions:

- “One off” establishment costs of \$3 million.
- No revenues from the accumulated funds assumed by CRC from the former DSC at the time of amalgamation will come back to NDS. (Assumes a “worst case scenario”).
- New borrowings of \$2.75 million to finance the assumed deficit in year 2 (2013/14) costing \$410,000 per annum over 10 years.
- No other externally sourced non-recurrent funding is included as potential revenue. (Again assuming a “worst case” scenario).

- Revenue derived from Rates and Charges remain at CRC levels under a New Douglas Shire (subject to future price indices movements).
- Recurrent revenue (excluding General Rates) and recurrent expenditures have been extrapolated by known local government price indices and wage price indices from 2007/08 to 2011/12. General rates have been extrapolated applying a 20% increase in 2008/09 and known local government price indices and wage price indices from 2009/10 to 2011/12. A price index of 4% has been applied to all recurrent revenues and expenditures from 2012/13 to 2016/17.

128. Significantly, and this is a very important point. There will no additional impact upon rates and charges beyond what might be considered normal CPI movements imposed by the New Douglas Shire. That is, the status quo in terms of a financial impost on the ratepayers of the NDS will be maintained when compared to the current CRC rates burden. In that respect the model demonstrates that the costs of de-amalgamation can be absorbed.

#### **DETAILED BUDGET ESTIMATES**

129. Using all of the aforementioned assumptions and provisions the Friends of Douglas Shire has produced detailed estimates of income and expenditure for all four funds proposed to be managed by the NDS. (Refer attachment 2).

#### **INFRASTRUCTURE**

130. The maintenance and renewal of infrastructure is a major issue for local governments as many councils have ageing assets and no plans in place to address renewal costs. The need to ensure that infrastructure renewal requirements are adequately addressed was a priority for the former DSC and it is proposed it remain a priority for the NDS.

131. The former DSC was one of the few local governments in Queensland that fully funded depreciation. The financial model included in this submission prepared by FODS proposes continuing that enviable position.

132. At the time of amalgamation the former DSC had the following assets:

DSC PRE MERGER ASSETS	2007/08 VALUE
LAND	10,578,275
BUILDINGS	15,560,275
PLANT & EQUIPMENT	2,662,523
ROADS & BRIDGES	196,186,283
DRAINAGE	1,255,938
OTHER ASSETS	367,651
WATER	38,248,571
SEWERAGE	16,514,585
TOTAL	<u>281,374,101</u>



133. Annual depreciation provisions on these assets were funded in accordance with the straight line method of depreciation in most cases which is the accepted practice in most Australian local governments. Depreciation provisions in the final year of former DSC were as follows:

PRE MERGER ASSETS	2007/08 VALUE	DEPRECIATION RATE %	ANNUAL DEPRECIATION PRE-MERGER
LAND	10,578,275	0	0
BUILDINGS	15,560,275	0.04	622,411
PLANT & EQUIPMENT	2,662,523	0.12	319,513
ROADS & BRIDGES	196,186,283	0.01	1,961,863
DRAINAGE	1,255,938	0.01	12,559
OTHER ASSETS	367,651	0.02	7,353
WATER	38,248,571	0.02	764,971
SEWERAGE	16,514,585	0.03	495,438
TOTAL	281,374,101		4,184,108

134. Since the merger with the CRC the former DSC assets have been the subject of a number of revaluations with the consequence that the former DSC's assets values have been re-calculated as part of the financial modeling process with the following results:

DSC PRE-MERGER ASSETS	2007/08 VALUE	REVALUATION % CHANGE 2008- 11	2011/12 ASSUMED VALUE
LAND	10,578,275	0.92	9,732,013
BUILDINGS	15,560,275	1.13	17,583,111
PLANT & EQUIPMENT	2,662,523	1	2,662,523
ROADS & BRIDGES	196,186,283	1.17	229,537,951
DRAINAGE	1,255,938	1.06	1,331,294
OTHER ASSETS	367,651	1.06	389,710
WATER	38,248,571	1.06	40,543,485
SEWERAGE	16,514,585	1.03	17,010,023
TOTAL	281,374,101		318,790,110

135. New capital works have also been carried out within the area of the former DSC by the CRC in the four years since amalgamation. CRC records identify the following capital works have been carried out:

NEW CAPITAL WORKS - POST MERGER	2008/09	2009/10	2010/11	2011/12
<u>GENERAL FUND</u>				
LAND	0	0	1,151,175	647,000
BUILDINGS	0	347,420	522,544	1,258,800
PLANT & EQUIPMENT	0	0	111,400	8,000
ROADS & BRIDGES	1,630,000	3,190,631	4,322,823	1,952,500
DRAINAGE	0	11,297	0	0
OTHER ASSETS	0	1,006,150	201,931	129,000
<u>TOTAL</u>	<u>1,630,000</u>	<u>4,555,498</u>	<u>6,309,873</u>	<u>3,995,300</u>
<u>CLEANSING FUND</u>				
LAND	0	323,000	407,333	1,400,000
BUILDINGS	0	42,000	35,000	50,000
PLANT & EQUIPMENT	0	0	0	
ROADS & BRIDGES	0	0	0	
DRAINAGE	0	0	0	
OTHER ASSETS	65,000	230,000	0	
<u>TOTAL</u>	<u>65,000</u>	<u>595,000</u>	<u>442,333</u>	<u>1,450,000</u>
<u>WATER FUND</u>	818,538	992,659	1,269,257	5,627,747
<u>SEWERAGE FUND</u>	1,345,931	1,050,693	1,965,108	1,149,397

136. Annual depreciation on the revalued assets existing within DSC prior to amalgamation plus depreciation on new assets created within the former DSC area since amalgamation has been assessed as follows:

- General fund           \$3,576,607
- Cleansing Fund       \$ 10,980
- Water Supply Fund   \$ 985,034
- Sewerage Fund       \$ 675,635

137. A commitment to funding depreciation of the assets which will be resumed by NDS at the time of de-amalgamation has been included as an annual cost in the financial modeling.

138. At the time of the amalgamation of the DSC with CCC the DSC had not developed a Total Assets Management Plan. From documents publicly available, the CRC appears to have developed a Total Assets Management Plan for its water and sewerage infrastructure but not perhaps for its municipal infrastructure.

139. The FODS considers it should be a priority for NDS, once established, for it to assess and document a Total Assets Management Plan addressing ALL its infrastructure assets in

order to facilitate informed planning and financing of infrastructure provision, renewal and replacement into the future.

## **ASSETS AND LIABILITIES**

140. The FODS considers it is logical the fixed assets which will exist within the geographic area of NDS will be transferred to NDS and it will assume total responsibility for them from the date NDS is created.
141. Any liabilities attaching to those fixed assets are considered to include loans and other financial liabilities required to fund the provision of the asset. These also should logically transfer to NDS from the date it is created. The financial model addresses this requirement and includes expenditure commitments to finance borrowings taken out by CRC since amalgamation for infrastructure works within the former DSC area.

These have been identified to include:

POST MERGER BORROWINGS	2008/09	2009/10	2010/11	2011/12
GENERAL FUND	0	0	0	0
CLEANSING FUND	0	465,000	190,000	0
WATER FUND	408,700	181,713	0	0
SEWERAGE FUND	929,039	656,623	0	0

142. Non-fixed assets are all those assets that are not fixed assets and include cash, investment of unrestricted funds and some receivables, office furniture and equipment, movable plant and machinery, motor vehicles, and inventories of consumables, and funds invested to meet employee entitlements.

Non-fixed liabilities are those that do not attach to fixed assets. They include payables and liabilities for the acquisition of movable assets, those incurred for general council operations and liabilities for employee entitlements.

143. The FODS financial model DOES NOT include any assumptions that cash reserves assumed by CRC at the time of the merger of CCC and DSC will be returned to NDS at separation. This approach has been taken for two reasons:
1. The amounts of any restricted funds, and more particularly unrestricted funds, still held for works and services within the area of the former DSC are unknown.
  2. The FODS wished to assume a somewhat “worst case” scenario and in particular to assume that any unrestricted funds transferred from the former DSC to CRC at the time of the merger have long since been spent.
144. However, at separation date FODS considers that it is fair and reasonable that the monetary value of each new council's entitlements to CRC's net non-fixed assets and liabilities should be calculated.

145. The FODS suggest that a fair and reasonable approach to calculating NDS's proportionate entitlement to the monetary value of net non-fixed assets and liabilities could equal the proportion of rate revenue generated in the area of the former DSC compared with that generated in remaining area of the CRC.
146. Other possible ways of dividing non-fixed assets and liabilities could include:
- On the basis of resident population.
  - On the basis of total population.
  - On the basis of resident population plus non-resident ratepayers.
  - On the basis of the number of ratable properties.
147. Irrespective of the methodology to be applied, a financial adjustment should be made at separation date to account for non-fixed assets and liabilities.
148. On separation date all contingent liabilities should be identified to the extent possible. The two "new" local governments should agree on how those liabilities are to be extinguished in the event that they become actual liabilities at some time in the future.
149. The FODS considers that the following separation process could be followed:
- During the period prior to separation, an independent assessment should determine the physical distribution of all non-fixed assets and liabilities on separation date and should assess the value of those assets.
  - During the month before separation, CRC should convert into cash as many of its "surplus to needs" realisable non-fixed assets as possible, and should liquidate as many of its similar non-fixed liabilities as possible.
  - On the day before separation an independently assessed physical inventory of all consumables should be conducted.
  - On separation date, all non fixed assets and liabilities shall be assumed by either NDS or the restructured CRC in accordance with this methodology.
  - After separation, an independently conducted due diligence audit should provide an opinion to the both NDS and the restructured CRC on the extent to which the above principles and processes have been followed, and on the fairness of the actual separation result. The FODS considers the Local Government Department or the Local Government Association of Queensland should undertake this audit.

## **THE REGIONAL ECONOMY AND ECONOMIC DEVELOPMENT**

150. It is not anticipated that removal of the former Douglas Shire area from CRC will measurably affect the economy of the CRC in the short term.
151. In the longer term it is envisaged that vibrant, healthy tourism and agricultural economies in the former Douglas Shire area will benefit the regional economy with additional traffic through the Cairns International Airport and improved patronage of other services that are only available in larger regional centres like Cairns (e.g. larger vessel slipping, tourism and agricultural engineering, food, hotel and retail services etc).
152. The Douglas economy is primarily based on tourism and agriculture (mainly sugar cane)

which are both stand-alone industries that have always related well to their counterparts in the Cairns Region and further afield.

153. The Douglas Tourism industry, centred on Port Douglas, the Daintree Rainforest and the Great Barrier Reef, was and always will be, a stand-alone international and domestic destination with a great reputation. This is regardless of the local government structure which prevails in the region.
154. The Douglas tourism sector however, it is fair to say, will receive far greater support from a NDS than it would from the CRC. This is evident from the clear intentions of the CRC to discontinue funding for Tourism Port Douglas Daintree (TPDD) in the next financial year.
155. The tourism industry in Douglas was supported by the former Douglas Shire Council for many years with its own Douglas Strategic Plan, a first for the State of Queensland. This plan is still current and its strategies and actions were funded by the tourism levy put in place by the DSC and by a research partnership with CSIRO.
156. The Douglas Planning Scheme gave strong protection to the former Shire's identity, beauty and function and was developed in close collaboration with all stakeholders, specifically the tourism and agricultural sectors.
157. Specific planning features that protected these values include the three (3) story height limit, fixed urban footprint and other special provisions in the Planning Scheme. These features combined with a highly professional and coherent industry gave the Douglas Region a clear identity of its own and a reputation to be proud of. Testament to this claim is the improvement in this year's visitor numbers in the Douglas area in very difficult economic times.
158. Daintree, and more specifically the Daintree river to Cape Tribulation coast, receives annual visitation numbers of 400,000+. More than Kakadu or Uluru (Ayers Rock).
159. At the time of amalgamation the "Daintree Rescue Program" was coming to an end and people were seeking a fresh planning approach that addressed economic, social, environmental and infrastructure issues as a package.
160. The entrance to Daintree remains a disgrace and a significant source of community agitation. The area is looking tired and tacky and visitor infrastructure is falling apart.
161. Ongoing conservation efforts are needed to better manage the environmental and scenic attributes that underpin the tourism economy.
162. The former Douglas Shire invested heavily in the sugar industry in a number of different but integrated ways. The Shire was built on sugar. It was the foundation of its economy for nearly 100 years. It has become ingrained in the local culture and provides a part of the scenic beauty that supports the tourism industry – the green paddocks with a rainforest mountain backdrop.
163. The former Douglas Shire Council initiated a close collaboration with a dying sugar industry early in 2000 with a proposal that canvassed a partnership that included value adding, diversification and sustainability.
164. At the time of amalgamation, the sugar industry revenue to Douglas was steady at over \$30m with a high local economic multiplier of 3.5. The Council was naturally concerned a collapse

in the industry and consequently the potential closure of the Mossman Mill resulting from inadequate throughput (it got down to less than 500,000 tonnes) would also mean overnight ruin for all the sugar cane farmers in the Shire.

165. The Mossman Mill is isolated and there is no other mill within economical transport distance.
166. Not only would the collapse of an entire industry leave farmers and support services without an income, it would have a dramatic effect on the shire's scenic beauty and put pressure on the planning scheme to allow the cane paddocks to be developed for housing.
167. The Mossman Mill Board and cane farmers strongly supported the fixed urban footprint, a key feature of the Planning Scheme, as the primary means of maintaining the industry's resource base. With the price of sugar over its worst and on the rise, more cane is currently being planted for the first time in years. It is vital the industry's resource base receive continued protection from the Planning Scheme and its fixed urban footprint
168. The former Douglas Shire Council's innovative planning agenda, the first of its kind in Australia, was developed primarily to support an ongoing agricultural economy as well as preserving cultural and scenic amenity.
169. The collaboration with the Mill was in several parts:
  - Joint support and funding for a detailed financial analysis and assessment for diversification and value adding to support the viability of the Mill and hence the farms supplying it. It helped set the industry on a new direction, it gave hope to millers and growers of a brighter future, it has left legacies in specialised products like bagged sugar and both Daintree Heritage Chocolate and co-generation are back on the agenda with the new owners more capable of funding these initiatives.
  - The Great Barrier Reef catchment's first Water Quality Improvement Plan ultimately led to the Australian Government funded Reef Rescue Plan and the State's Reef Plan. This was a Douglas Shire Council/CSIRO/sugar industry initiative strongly supported by the community, the conservation and tourism sectors. Both these initiatives have bipartisan support at the Federal and State government levels and have indicated ongoing funding into the future for the whole east coast of Queensland.
170. The types of economic partnerships cited here between the tourism and sugar industries and the Council have ceased since amalgamation.
171. The sugar industry has survived its most critical time, in part thanks to the former Douglas Shire Council/CSIRO/sugar industry partnerships that gave hope and options to growers and the Mossman Mill through those difficult years. The local industry is on a more secure footing now with higher sugar prices and a new, better resourced mill owner (McKay Sugar).

172. The salient point about capacity to contribute to the regional economy and economic development however is this. FODS contends that specific support and advocacy for the Douglas regional economy (as distinct from the larger Cairns region) will be more rigorously supported by NDS than it would by CRC. Past experience, which the foregoing paragraphs clearly evidence, supports this opinion.
173. Not only that, it is the “locals” who have the knowledge and experience of the Douglas regional economy and who can best contribute to addressing the issues and challenges which need to be confronted into the future. NDS, picking up on the approaches employed by the former Douglas Shire, will have much more incentive to engage the local community on regional economic development matters than has been evident from the CRC post amalgamation.
174. In further support of these assertions, there are a number of economic risks and some opportunities that were being addressed by former Douglas Shire Council which have been neglected or abandoned by the CRC since amalgamation. This is because the CRC has not demonstrated adequate understanding to deal with these difficult issues.
175. It has already been stated that there is a very real risk that in the next financial year the Tourism Port Douglas Daintree (TPDD) will lose its funding as a consequence of CRC policy and budgetary decisions further resulting in erosion in its partnerships and identity.
176. FODS proposes that NDS will positively contribute to the local and regional economy and economic development by:
- Re-establishing the tourism levy to fund ongoing promotion via TPDD.
  - Acting on the Daintree Planning Package to address environmental protection, the Daintree gateway presentation, electricity supply issues north of the Daintree river, infrastructure and community needs all in a single package.
  - Re-establishing close links and co-operation with the sugar industry.
  - Rebuilding the partnerships between industry, agriculture and the community.
  - Re-establishing industry links with research and development organisations like CSIRO and James Cook University.
177. FODS is of the opinion that the CRC has taken insufficient interest in all of these initiatives.

## **SENSITIVITIES**

178. From the Cairns Regional Council’s perspective sensitivities are considered to include but are perhaps not limited to:
- A potential significant work load in facilitating the de-amalgamation process as a consequence of matters such as transfer of records, identifying and transferring assets and liabilities and the like. This could be potentially stressful to staff. FODS proposes a Memorandum Of Understanding (MOU) (refer paragraph 184) be developed in advance of de-amalgamation which would identify realistic and achievable timelines for this work, having regard to the daily workloads of CRC

staff. The MOU would also include NDS meeting the costs of such work by CRC staff.

- Job security for current CRC staff. FODS proposes that employment protection provisions similar to those established in advance of the 2008 amalgamations by the Local Government Workforce Transition Code Of Practice be put in place either by the State government or the CRC itself. If the latter, employment protection provisions could be included in the MOU referred to in the previous paragraph or by similar undertaking.
- Future roles and responsibilities of staff. There will perhaps be a small number of current staff within CRC who are faced with the prospect of making a choice as to whether they wish to continue to be employed with CRC or transfer their employment to NDS. To a significant degree this may be dictated by each individual's role within the CRC and on where they are primarily based (i.e. Mossman or Cairns). FODS proposes that the interim CEO define an organisation structure to meet the staffing needs of NDS. As far as is possible positions should be allocated to existing staff based on roles, responsibilities and primary location matched against each individual's expertise and capabilities. The interim CEO can then negotiate individual appointments to those positions.
- Maintenance of conditions of employment. FODS proposes that all conditions of employment existing with CRC at the time of de-amalgamation be honoured by NDS and enshrined in way similar to the Local Government Workforce Transition Code Of Practice which was put in place prior to the 2008 amalgamations. Failing that a MOU as referred to earlier should be put in place.

179. From the CRC's perspective the sensitivities seem to be confined to issues internal to the organisation. FODS is not of the view there are community based or other external sensitivities which need to be addressed. By and large there is widespread support in the Cairns community itself for de-amalgamation and all of the Mayoral and Division 10 candidates in the recent Council elections publicly supported de-amalgamation.

180. From the New Douglas Shire's perspective sensitivities may include:

- Assurance to the community that rates won't increase significantly upon de-amalgamation. The FODS stands by its financial analysis and modeling. FODS considers that de-amalgamation can occur with no noticeable difference in costs to the community.
- Drinking water. This matter is probably dearer to the hearts of Douglas residents than any other single issue and the community would expect the new Council to return drinking water supplies to a chemical free state. FODS considers this is highly desirable. After all it is one of the catalysts for the community seeking to de-amalgamate from Cairns. FODS proposes the NDS pursue the adoption of the recommendations of Professor Don Bursill to achieve a chlorine free water supply. (Refer attachment 7).
- The Planning Scheme. The existing Douglas Shire Planning Scheme was a long time in the making. It was ambitious and innovative. The Douglas community is very concerned it is soon to be amalgamated with the "Cairns Plan" making a single



CRC Scheme with the potential of losing key Douglas Scheme features. FODS proposes that the preservation of the Douglas Planning Scheme becomes a priority issue for the NDS once established.

- Funding of foreseeable major capital works. There is some concern in the communities which were the former Douglas Shire that a NDS will not have the capacity to fund major works like the Port Douglas waterfront and sewerage of the smaller coastal communities. The FODS financial model has made no allowance whatsoever for the very real possibility that NDS will attract State and Federal government funding for works such as this. In fact NDS will be entitled to the same external funding support that CRC would have been entitled to. In any event the FODS financial modeling shows a reasonable capacity to finance new capital works into the future after fully funding depreciation in the absence of any external capital funding. History shows the former DSC was very good at attracting external funds, building partnerships and delivering on key projects.
- Minimal opportunities for shared servicing arrangements. This may be a sensitivity for the State government more than anyone else. Suffice it to say there were some resource sharing arrangements in place between the former Douglas Shire and the former Cairns City Councils prior to amalgamation. There is no foreseeable reason why these arrangements cannot be reinstated. In any event FODS proposes that NDS will actively seek out opportunities for resources sharing and co-operation in the future as any potential improvements in service delivery outcomes and value for money are in the community's best interests. This submission has identified elsewhere the potential for co-operation in staff training and development and library services.

## **TRANSITION PROCEDURES**

181. It is proposed the transition process begin immediately after the referendum, should the former Douglas community vote in support of de-amalgamation.

### **Transition Reference Group**

182. FODS proposes the formation of a nine (9) member transition committee, known as the "Transition Reference Group" (TRG), chaired by the Commissioner and to include:
- The CRC Mayor.
  - The Division 10 Councillor.
  - One administrative staff member from Mossman (representative of proposed NDS staff).
  - One administrative staff member from Cairns (representative of remaining CRC staff).
  - One outdoors staff member from Mossman (representative of proposed NDS staff).
  - One outdoors staff member from Cairns (representative of remaining CRC staff).
  - Two representative members of the proposed NDS community.
183. The charter of the TRG would need to be documented and it is suggested the Local Government Department should attend to this. However, essentially the charter of the TRG will be to oversight the transition process and to provide a reference point for consultation and

communication to the various stakeholders represented by the group.

184. The NDS would meet the expenses of the TRG as part of the costs of de-amalgamation.

### **Memorandum Of Understanding**

185. Transitional arrangements will need to be put in place to transfer CRC managed operational activities to the NDS post de-amalgamation.
186. FODS proposes a Memorandum Of Understanding (MOU) be documented in advance of de-amalgamation and to apply to the New Douglas Shire once established, and the Cairns Regional Council. The MOU will form an important statement of principle, direction and commitment by the two local governments to provide for the orderly and manageable transfer of responsibilities from Cairns Regional Council to a New Douglas Shire Council. The MOU should commit the two parties to ensuring their respective communities are well served during the initial period which will begin immediately following proclamation of NDS.
187. FODS proposes the MOU should take effect from the date of creation of NDS. This MOU would clearly describe the functions to be performed and the approach to be taken to transfer operational responsibilities, operating procedures, records and information from CRC to NDS in the initial period of NDS being established – “the transition phase”. It should also provide for ongoing management of the day to day operations of the two local governments during the transition phase.
188. FODS proposes that either the Local Government Department or the Local Government Association of Queensland be appointed to liaise with CRC to develop this MOU to ensure the interests of both prospective parties are considered when developing the MOU.

### **Financial transitional arrangements**

189. On separation date all contingent liabilities should be identified to the extent possible. The two “new” local governments should agree on how those liabilities are to be extinguished in the event that they become actual liabilities at some time in the future.
190. The FODS considers that the following process be followed to bring about the financial transition:
- The independent assessments referred to hereunder shall be facilitated by either the Department of Local Government or the Local Government Association of Queensland.
  - During the period prior to separation, an independent assessment should determine the physical distribution of all non-fixed assets and liabilities, including cash, on separation date and should assess the value of those assets.
  - During the month before separation, CRC should convert into cash as many of its “surplus to needs” realisable non-fixed assets as possible, and should liquidate as many of its similar non-fixed liabilities as possible.

- On the day before separation an independently assessed physical inventory of all consumables should be conducted.
- On separation date, all non fixed assets and liabilities shall be assumed by either NDS or the restructured CRC in accordance with the above principles and processes.
- After separation, an independently conducted due diligence audit should provide an opinion to the both NDS and the restructured CRC on the extent to which the above principles and processes have been followed, and on the fairness of the actual separation result. If any unfairness is identified, the Minister be empowered to instruct the two Councils to rectify the situation.

## **CONCLUSION**

191. FODS considers this proposal clearly demonstrates that de-amalgamation of the former Douglas Shire from Cairns Regional Council is from a practical perspective achievable and the cost can be afforded by the community.
192. It is evident from the background to this proposal that amalgamation of the Douglas Shire Council with Cairns City Council made no sense when it was proposed and an independent and unsolicited assessment by the University of New-England supports the opinion that local government amalgamations in Queensland have produced little, if any, benefits to communities. (Refer attachment 8).
193. Continued discontent with the decline in, and nature of, service delivery by Cairns Regional Council since amalgamation has been clearly demonstrated.
194. Support by the community for de-amalgamation and a preparedness to meet the costs of it are overwhelmingly demonstrated by the results of the petition signed by over 2000 signatories. The petition forms part of this proposal. (Refer attachment 3).
195. The FODS therefore commends this proposal to the honourable Minister for referral to the Boundaries Commissioner for the conduct of a referendum of the registered voters of the former Douglas Shire area.

## **ATTACHMENTS**

1. Douglas Shire Council submission to the Local Government Reform Commission – May 2007.
2. Friends Of Douglas Shire De-amalgamation financial analysis and modeling.
3. Petition to the Minister for Local Government, Hon. David Crisafulli MP signed by members of the community within the area of the former Douglas Shire in support of de-amalgamation and requesting referral of the matter to the Boundaries Commissioner.
4. Letters of support for the prospect of de-amalgamation received from interested parties.
5. Volume of media extracts evidencing wide spread and sustained community discontent in respect of the outcomes of amalgamation of the former Douglas Shire with the former Cairns City Council.
6. Report to the former Douglas Shire Council on the outcomes of a referendum carried out by the Council to assess the community's desires to move to an un-subdivided local government with a reduced number of councillors – February 2007.
7. Report of Professor Don Bursill, Chief Scientist of South Australia on effective treatment of Douglas water supplies.
8. No Lessons Learned: A Critique of the Queensland Local Government Reform Commission Final Report - Brian Dollery, Chong Mun Ho and James Alin – University of New England