AGENDA

TORRES STRAIT ISLAND REGIONAL COUNCIL

ORDINARY MEETING 25TH JULY 2012

Date: Wednesday 25th July 2012

Time: 9.00 pm to 5.00 pm

Venue: Kubin Community Hall, Kubin, Moa Island.

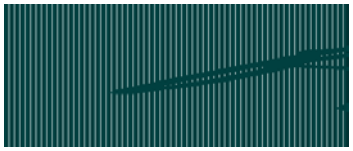
NOTICE OF MEETING

TORRES STRAIT ISLAND REGIONAL COUNCIL

To: The Mayor and Councillors of the Torres Strait Island Regional Council.

In accordance with Regulation 55(1) of the *Local Government (Operations) Regulation 2010,* the **Meetings of Council for the month of July for the purpose of Budget** will be held on Tuesday 24th July at 10.00am – 5.00pm and the **Ordinary Meeting** at 9.00am – 5.00pm **on Wednesday 25th July 2012**, at the *Kubin Community Hall,* Kubin, Moa Island.

All Councillors will travel to Kubin on the morning of Monday 23rd July 2012, and returning to their respective Islands on Thursday 26th July 2012.



John Scarce
CHIEF EXECUTIVE OFFICER
17th July 2012

NOTICE OF MEETING

TORRES STRAIT ISLAND REGIONAL COUNCIL

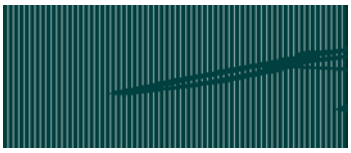
To: The Mayor and Councillors of the Torres Strait Island Regional Council.

In accordance with Regulation 55(1) of the *Local Government (Operations) Regulation 2010,* the dates, times and venue of the **Standing Committees** for the month of August are as listed:

Administrative & Regulatory Wednesday 29th August 2012, 9.00am to 5.00pm at the TSIRC Conference Room, Victoria Parade, Thursday Island.

Infrastructure & Planning Thursday 30th August 2012, 9.00am to 5.00pm at the TSIRC Conference Room, Victoria Parade, Thursday Island.

Please advise Dinah Sailor of your availability.



John Scarce
CHIEF EXECUTIVE OFFICER
17th July 2012

Items - **Page:**

Wednesday 25th July 2012

1.	**9.00 – 9.05pm**	Opening Prayer	
2.	**9.05 – 9.10am**	Welcome	
3.	**9.10 – 9.15am**	Apologies	
4.		Deputations - Nil	
5.	**9.15 – 10.15am**	Presentation **– TSRA Community Development** - Annalisa Koeman/John Ramsay	
6.	**10.15 – 10.30am**	Business Arising from Special Meeting Minutes	
7.		Confirmation of Special Meeting Minutes	**5**
	10.30 – 11.00am	MORNING TEA	
8.	**11.00 – 11.10am**	Councillor Superannuation	**14**
9.	**11.10 – 11.20am**	Statement of Principles	**17**
10.	**11.20 – 11.30am**	TSRA Board membership	**21**
11.	**11.30 – 11.45am**	LGOC	**24**
12.	**11.45 – 12.00am**	Community Grants	**26**
13.	**12.00 – 12.45pm**	Executive Managers Reports	**32**
		Corporate & Finance	**32**
	12.00 – 12.15pm	*13.1 Record Management System*	**32**
		Engineering Services	**38**
	12.15 – 12.20pm	*13.2 (i) Development Application – Badu Island Pre-Prep Lease*	**38**
	12.20 – 12.30pm	*13.2(ii) Development Application – Badu Island Child Care Lease*	**42**
	12.30 – 12.45pm	*13.2(iii) Coastal Presentation*	
14.	**12.45 – 12.50pm**	**LATE REPORTS**	
15.	**12.50 – 1.00pm**	**GENERAL BUSINESS** (to be tabled)	
	1.00 – 2.00pm	***LUNCH***	
16.	**2.00 – 2.15pm**	CLOSED BUSINESS	**46**
	2.00 – 2.15pm	*16.1 CEO Contract (presented by Mayor)*	**47**
	2.00 – 2.15pm	*16.2 Insurance*	**61**
17.	**2.15 – 2.30pm**	**Business Arising from Information Reports Reports (see separate Booklet)**	
		(Includes Closed Business General Discussions)	
		END OF CLOSED BUSINESS	
		COUNCIL MEETING CLOSE	

Torres Strait Island
REGIONAL COUNCIL

MINUTES

ORDINARY MEETING

THURSDAY 31 MAY 2012

Please find attached Minutes of the above meeting held on Thursday 31st May 2012 at 1.00pm – 3.35pm at *the TSIRC Conference Room, level 3, 111-115 Grafton Street,* Cairns.

Torres Strait Island Regional Council (TSIRC)
Ordinary Meeting
Held at the *TSIRC Conference Room, Level 3, 111-115 Grafton Street,* Cairns
Thursday 31 May 2012
1.00pm – 5.00pm

THURSDAY 31ST MAY 2012

Present: Cr. Fred Gela, Mayor
Cr. Keith Fell, Deputy Mayor, Division 4 – Mabuiag Island
Cr. Dimas Toby, Division 1 – Boigu Island
Cr. Joel Gaiden, Division 2 – Dauan
Cr. Ron Enosa, Division 3 – Saibai Island
Cr. Horace Baira, Division 5 – Badu Island
Cr. David Bosun, Division 6 – Kubin, Moa Island
Cr. Toshie Kris, Division 7 – St. Pauls
Cr. Mario Sabatino, Division 8- Hammond
Cr. Getano Lui (Jnr), Division 9 - Iama
Cr. Ted Billy, Division 10 - Warraber
Cr. Phillemon Mosby, Division 11 – Poruma Island
Cr. Fraser Nai, Division 12 – Yorke Island
Cr. Jerry Stephen, Division 13 – Ugar Island
Cr. Jimmy Gela, Division 14 – Erub Island
Cr. Aven Noah – Division 15 – Mer Island
Mr. John Scarce, Chief Executive Officer
Ms Dania Ahwang, Deputy Chief Executive Officer
Mr. Anthony Bird, Executive Manager Corporate & Finance
Mr. Patrick McGuire, Executive Manager Engineering Services
Mr. David Abednego, Executive Officer
Mr. Chris McLaughlin, Chief Legal Officer
Mrs Dinah Sailor, Executive Secretary.

Observers: Nil

In Attendance: Mr. Douglas Stephen, IT Manager
Mr. Andrew Cortis, Systems Administrator

Apologies: Mr. Anthony Bird, Executive Manager Corporate & Finance
Mr. David Abednego, Executive Officer

1.40pm: Council Special Meeting commenced

OPENING REMARKS

- Mayor Fred Gela went through proceedings for today's meeting noting that only those items on the Agenda is to be discussed today.
    - Agenda Item 9.2 on the Agenda *"Tender Evaluation Poruma Sewerage"* has been withdrawn awaiting Native Title consent.

- Noted that Councillors will be using Meeting IPADS to access the Agenda for today's meeting with the assistance of CEO, IT Manager and Systems Administrator in navigating the agenda on the IPADS.

COUNCIL REMUNERATION

- It was noted:
  - That the remuneration allowance is taxable.
  - CEO to provide a report with pros and cons on Superannuation for July Council Meeting so Councillors can discuss further on which directions they would like to take and make a decision.
  - .

RESOLUTION

Moved Cr. Bosun, *Seconded* Cr. Noah that Council in accordance with section 43 of the *Local Government (Operations) Regulation 2010*, Council Authorises the Chief Executive Officer to seek changes to the remuneration on behalf of the Mayor, Deputy Mayor and Councillors, the request being: That the Council remuneration be equivalent to that of a category four (4) remunerated Council.

- Mayor 80% equals $109,719
- Deputy Mayor 50% equals $68,575
- Councillors 42.5% equals $58,288

Motion Carried.

Against: Cr. Sabatino

LGAQ BOARD

- It was noted:
  - The Indigenous Councils have the ability to nominate 2 representatives to the LGAQ Board.
  - At this time three (3) nominations have been put through for the two (2) positions on the LGAQ Board:
    1. Torres Strait Island Regional Council
    2. Palm Island Council
    3. Lockhart River Council
  - Voting will take place for the two (2) positions.

RESOLUTION

Moved Cr. Nai, *Seconded* Cr. J. Gela that Council ratifies the action of the Chief Executive Officer in nominating Cr. Fred Gela Mayor to stand for LGAQ Board.

Motion Carried.

LGOC BUILDING SERVICES

RECOMMENDATION

That Council:

- *Adopts the Public Benefit Assessment April 2012;*
- *Reaffirms to establish a Local Government Owned Corporation Structure for its Building Services Unit in accordance with the Local Government Act 2009;*
- *Authorises the CEO to forward the Public Benefit Assessment to the State Government to establish the LGOC; and*
- *Authorises the transmittal of resources and staff to the LGOC to commence operation in its own right as soon as practicable after the State Government Authorises the establishment.*
- *Requests all Councillors to furnish with the CEO by the 15 July 2012, language name for the Corporation so a report can be written for consideration at the July Ordinary meeting.*

- CEO to provide background information and attachments regarding LGOC and email to all Councillors.

- ***Moved* Cr. Mosby *Seconded* Cr. Stephen that the propose recommendation be let "LAY ON TABLE".**

Motion Carried

ANNUAL REPORT 2010-2011

RESOLUTION

Moved Cr. Nai, *Seconded* Cr. Billy that Council adopts the Annual Report for 2012-2011.

Motion Carried.

Against: Cr. Stephen

2010 FINANCIAL STATEMENTS

Chair or Audit Committee Eric Muir to attend Council Ordinary meeting to do a presentation on Council's Audit.

RESOLUTION

Moved Cr. Sabatino, *Seconded* Cr. Kris that Council acknowledges that it has been presented with:

- A copy of the Queensland Audit Office stamped report for the Financial Statements ending 30 June 2011;
- The transmittal letter to the Mayor for the period ending 2011; and
- The transmittal letter to the Mayor for the period ending 2010.

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Motion Carried.

PLANNING DEVELOPMENT APPLICATION – SAIBAI IBIS STORE

RESOLUTION

Moved Cr. Enosa, *Seconded* Cr. Fell that Council advises IBIS that is supports the proposed development and will consent to an application for Building Works, subject to the following conditions:

(a) The applicant is to ensure that any works are limited to the approved lease area;
(b) The applicant is to obtain Building Approval in accordance with the Building Act prior to commencing construction; and
(c) The proposed use is required to be adequately serviced by provision of water supply, sewerage disposal, electricity and telecommunications and any infrastructure upgrade costs are to be borne by the applicant.

Further to the above, that Council provide the applicant with the following advice:
State Planning Policy 3/11: Coastal Protection identifies the subject site as being within the 'High' Hazard Area. For further information, refer to http://www.derm.qld.gov.au/coastalplan/

Motion Carried.

PLANNING DEVELOPMENT APPLICATION – DAUAN IBIS STORE/DWELLING AND CREATION OF LEASE

RESOLUTION

Moved Cr. Kris, *Seconded* Cr. Gaiden that Council advises the applicant that is supports the proposed development and will consent to an application for Building Works, subject to the following conditions:

(a) The applicant is to ensure that any works are undertaken in accordance with the submitted plans and are limited to the approved lease area;
(b) The applicant is to obtain Building Approval in accordance with the Building Act prior to commencing construction; and
(c) The proposed use is required to be serviced by provision of water supply, sewerage disposal, electricity and telecommunications to the satisfaction of Council, and any infrastructure upgrade costs are to be borne by the applicant.

Motion Carried.

IBIS IAMA

Cr. Lui gave a briefing on lease of Iama IBIS:

- IBIS proposal to renew the lease was declined by the Community of Iama, subjected to be negotiated because the land where the IBIS Store is located is reclaimable land and so has been reversed to the Community.
- Wishes of the Community is to:
    1. Lease to IBIS for a 5 year lease
    2. Within the 5 years it will be a Community run store with IBIS as the Wholesale Supplier or get someone else in to take care of that business for the Community
- That is the wish of the Community and it's been put forward at the Community Public Meeting and endorsed.

- Have had discussions with Chief Legal Officer (CLO) to see Community organising with running of the store further down the track.
- Looking forward for some feedback on the matter if CLO has had discussions with IBIS on the Community's wishes.

CLO to liaise with Cr. Lui and Cr. Toby out of session on the issue regarding their Community's aspirations to take over the running of IBIS.

PLANNING DEVELOPMENT APPLICATION – PORUMA SEWERAGE SCHEME

RESOLUTION

Moved Cr. Mosby, *Seconded* Cr. Nai that Council issue a Development Permit for 'Prescribed Tidal Works' and an 'Environmentally Relevant Activity' (ERA 62(2)(b) - Operating a sewage treatment works, other than no release works, with a total daily peak design capacity of 100 to 1500 EP) with the inclusion of the following conditions***:***

1. The proposed development is to be undertaken in accordance with the following approved drawings:

Plan/Document number	Plan/Document name	Date
AECOM Dwg 60150055-28 Rev 0	Poruma Island Sewerage Scheme Ocean Outfall Pipeline Layout Plan	8/8/2011
AECOM Dwg 60150055-29 Rev 0	Poruma Island Sewerage Scheme Ocean Outfall Pipeline Longitudinal Section – Sheet 1 of 2	8/8/2011
AECOM Dwg 60150055-30 Rev 0	Poruma Island Sewerage Scheme Ocean Outfall Pipeline Longitudinal Section – Sheet 2 of 2	8/8/2011
AECOM Dwg 60150055-31 Rev 0	Poruma Island Sewerage Scheme Sewage Treatment Plant Layout Plan	8/8/2011
AECOM Dwg 60150055-32 Rev 0	Poruma Island Sewerage Scheme Sewage Treatment Plant Operators Building	8/8/2011
AECOM Dwg 60150055-33 Rev 0	Poruma Island Sewerage Scheme Ocean Outfall Details	8/8/2011

1. This approval is valid for two (2) years. Works must substantially commence within this time, otherwise the approval will lapse.

2. The applicant is to obtain relevant approvals under the Building Act 1975.

3. The applicant is to obtain Native Title consent prior to commencement of works.

Motion Carried.

PLANNING DEVELOPMENT APPLICATION – BADU ISLAND CHILD CARE CENTRE

- Applicant acknowledged that the site was in the wrong location when they submitted this application and are now negotiating with the PBC for a suitable location for the Child Care Centre.

RECOMMENDATON

Further that the Department of Education, Employment and Workplace Relations that is supports the proposed development, subject to the following conditions:

1. *Development is to be undertaken generally in accordance with the approved plans, being as follows:*
   - *Drawing No. THI1101_BAD_WD001B – Site Plan*
   - *Drawing No. THI1101_BAD_WD101B – Floor Plan*
   - *Drawing No. THI1101_BAD_WD201B – Elevations*
   - *Drawing No. THI1101_BAD_WD301B – Sections*

2. *Relevant approvals under the Building Act 1975 must be obtained prior to commencement of works;*
3. *The proposed development is to be connected to water supply, sewerage, electricity and telecommunications infrastructure to the satisfaction of Council. Details of these connections must be provided to Council prior to lodging an application for Building Works.*

RESOLUTION

Moved Cr. Baira, *Seconded* Cr. Sabatino that Council haven't rejected the Child Care Centre, but only rejects this Application until further negotiations with the PBC for a suitable location.

Motion Carried

It was resolved that Council break for afternoon tea at 3.10pm.

CLOSED BUSINESS

Moved Cr. Fell, *Seconded* Cr. Enosa that in accordance with Regulation 71 of the Local Government Operation Regulation it is resolved for the meeting to go into closed session to discuss section the appointment, dismissal or discipline of employees, starting or defending legal proceedings involving it, other business for which a public discussion would be likely to prejudice the interests of the local Government further the public in attendance are asked to leave.

Motion Carried.

Noted:

- Cr. Toby declaration of conflict of interest but was advised he was safe to stay on during this session.

- Cr. Stephen declaration of material personal interests and he excused himself from the meeting during this session.

END OF CLOSED BUSINESS

ISSUES RATIFIED FROM CLOSED BUSINESS

ENTERPRISE DIVESTMENT

RESOLUTION

Moved Cr. Fell, *Seconded* Cr. Gaidan that Council acknowledges that it has been presented with:

(1) That in accordance with Chapter 4, Sections 176 and 185 of Local Government (Finance, Plans and Reporting) Regulation 2010 (Qld), Council enter into negotiations with the following entities with a view to those entities acquiring the following businesses, buildings and associated non-current assets and staff on terms acceptable to the Chief Executive Officer of Council, and recommend grant of trustee leases to each entity over relevant land as presented:

UGAR ISLAND

Entity	Enterprises
Kos and Abob Fisheries (TSI) Corporation	Freezer

MABUIAG ISLAND

Entity	Enterprise
Aiaga Whap	Guesthouse

(2) That the Council refrain from pursuing round 3 tender for remaining undivested enterprises and proceed to divest remaining undivested enterprises by way of Expression of Interest in accordance with Chapter 4, Sections 176 and 185 of Local Government (Finance, Plans and Reporting) Regulation 2010 (Qld), where such applicant is eligible under section 185(1)(b).

Motion Carried

CLOSING REMARKS

Mayor

- Sought Input from Councillors for agenda items to Council meeting. Councillors to email the items to the Mayor.
- Looking at input from Cr. Noah around the Communications Network

CEO

- expressed his apology to all Councillors on some issues regarding Island Kastoms and advised it was not his intention to come across as being disrespectable.
- Encouraged all Councillors to speak to him or any of the staff or Executives that if they feel that we are disrespecting Island Kastoms or anything like that to them up at the time.
- Encouraged Councillors to email him on any urgent issues they may have and he will endeavour to get all the information out to everyone or answer any questions they may have and may be able to resolve but needs to flag it now instead of letting the issue linger on or waiting for the next Council Meeting to address the issue.

COUNCIL MEETING CLOSED

5.00pm With no further discussions, the meeting closed in prayer by Cr. Lui (Jnr)

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

ORDINARY MEETING July 2012
DATE: 25 July 2012
AGENDA ITEM: 8
SUBJECT: SUPERANNUATION
AUTHOR: Chief Executive Officer, Mr John Scarce

RECOMMENDATION

That Council in accordance with section 226 of the Local Government Act 2009 allow an individual Councillor to contribute to the LG Super, and that Council facilitates this contribution.

PURPOSE

The purpose of this report is to provide Council with a report on superannuation for a Councillor.

BACKGROUND

218 Members of LG super scheme

(1) The following persons are automatically members of the LG super scheme (***automatic members***)—

(a) an employee of a local government (other than the Brisbane City Council) while their employment continues;
(b) an employee of the super board while their employment continues.

(2) The following persons are eligible to become a member of the LG super scheme (***eligible members***)—

(a) a councillor of a local government (other than the Brisbane City Council);
(b) an employee of the Brisbane City Council;
(c) a contractor of a local government;
(d) an employee of a local government entity;
(e) a member of the governing body of a local government entity;
(f) a person for whom a local government or local government entity is required under the *Superannuation Guarantee (Administration) Act 1992* (Cwlth) to contribute to a superannuation scheme;

(g) a person for whom the super board is required under the *Superannuation Guarantee (Administration) Act 1992* (Cwlth) to contribute to a superannuation scheme;
(h) a person who is entitled, or conditionally entitled, to payment of an amount from the LG super scheme, in accordance with an agreement or court order made under the *Family Law Act 1975* (Cwlth);
(i) another type of person (including a person who is an employee of an entity that is an 'Associated Employer' under the trust deed) prescribed under a regulation;
(j) a person—
(i) who was, but is no longer, a member of the LG super scheme because the person was a type of person mentioned in paragraphs (a) to (g) or (i); and
(ii) whose benefit under the LG super scheme has not been fully paid out, withdrawn or transferred from the LG super scheme;
(k) a person—
(i) who was, but is no longer an automatic member; and
(ii) whose benefit under the LG super scheme has not been fully paid out, withdrawn or transferred from the LG super scheme;
(l) the spouse of an automatic member;
(m) the spouse of a person mentioned in paragraphs (a) to (h).

(3) If a person mentioned in subsection (2)(g) becomes a member of the LG super scheme, this part applies to the super board—
(a) with all necessary changes; and
(b) with any changes prescribed under a regulation.

226 Super scheme for councillors

(1) A local government (other than the Brisbane City Council) may, for its councillors—
(a) establish and amend a superannuation scheme; or
(b) take part in a superannuation scheme.

(2) If it does so, the local government may pay an amount from its operating fund to the superannuation scheme as a contribution for its councillors.

(3) However, the local government must not make contributions to the superannuation scheme—
(a) of more than the proportion of a salary that is payable by the local government for its standard permanent employees under the LG super scheme; or
(b) for a person who is no longer a councillor.

(4) A councillor of the local government may enter into an arrangement with the local government under which—
(a) the councillor agrees to forgo a percentage or amount of the remuneration that the councillor is entitled to as a councillor; and
(b) the local government agrees to contribute the percentage or amount to the superannuation scheme for the councillor.

(5) A ***superannuation scheme*** is a superannuation scheme that complies with the Commonwealth Super Act.

OFFICER COMMENT

The reading of section 218 and 226 of the Act:

Indicates that an individual Councillor can be part of the LG Super.

That a Councillor must contribute 6% of their remuneration in order for Council to contribute 12%.

A Councillor must contribute to be eligible.

CONSULTATION

LGAQ

LINKS WITH STRATEGIC PLANS

Governance

Outcome:

> Transparent, efficient operations that provide valued local government services to Torres Strait communities.

STATUTORY REQUIREMENTS

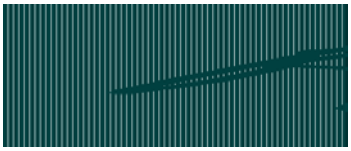
Section 13 218 and 226 Local Government Act 2009

FINANCE AND RISK

12% contribution for each individual Councillor equates to approximately, $93,000.

CONCLUSION

For Council decision



John Scarce
CHIEF EXECUTIVE OFFICER

ATTACHMENTS: Nil

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

ORDINARY MEETING JULY 2012
DATE: 25 July 2012
AGENDA ITEM: 9
SUBJECT: STATEMENT OF PRINCIPLES
AUTHOR: Chief Executive Officer, Mr John Scarce

RECOMMENDATION

From list of options

PURPOSE

The purpose of this report is for Council to determine the future of self determination of the TSIRC and Torres Strait area.

BACKGROUND

Council was amalgamated on the 15th March 2008 under a forced amalgamation process, made up of 15 separate Island Councils and the Island Co-ordinating Council.

The real reason for amalgamation has never been explained to offer any comment in the background to this report.

OFFICER COMMENT

Amalgamation from operating in the environment for over four years has truly only resulted in financial savings to both the State and Federal Government, while the impact to TSIRC both financially and reputational is enormous.

Without conducting some serious economic analysis in a short period of time, I cannot comment on the likely effects of de-amalgamation, socially,

financially or environmentally on the individual Island Communities that wish to de-amalgamate.

Without conducting some serious survey analysis, I cannot comment on how de-amalgamation would affect the future aspiration of self government, it may be portrayed as a backward step in the eyes of those who are needed to make Territory decisions (if that is the way forward).

Cr Lui put forward a Statement of Principles for Council as a guide:

"Torres Strait Islanders are the original owners and prior occupiers of Zenadth Kes (Torres Strait), (Mabo 1992 – High Court decision) As defined by Zenadth Kes.

- *Full restoration of self-management to individual island communities, i.e. the authority and the capacity to control and manage our own affairs, to make authoritative decisions that affects our everyday lifestyles and livelihood.*
- *To be influential in the framing of government policies by the (State and Federal) Governments that will affect Zenadth Kes.*
- *The deeds of grant in trust land tenure to be returned to individual Island Community and to be vested in a Land trust.*
- *Self determination to be phased in over the next five years.*
- *That a form of Regional Governance be established in working towards granting greater regional autonomy to Zenadth Kes."*

De-amalgamation requests to be accepted by Government by the 29th August 2012, the cost of de-amalgamation to be borne by the Local Authority.

Some things I have thought about for consideration, it is not an exhaustive list there is plenty more, for self government and answers to some of these will guide the form self government and the timeframe.

1. Is the ultimate self government Territory – Statehood - independence - other?
2. How long should the ultimate self government process take?
3. What steps do you consider should be taken along the way?
4. Would you consider de-amalgamation as a step?
5. Would you consider amalgamation with TSC a step?
6. Would you consider the responsibilities of TSRA conferred to TSIRC as a step?
7. From your understanding of the integrated service delivery model is this a step?
8. What are the hindrances to ultimate self government?

CONSULTATION

Nil

LINKS WITH STRATEGIC PLANS

Governance

Outcome:

Transparent, efficient operations that provide valued local government services to Torres Strait communities.

STATUTORY REQUIREMENTS

Local Government Act 2009

FINANCE AND RISK

Not determined

A quality economic analysis to be undertaken within a month minimum $100,000.

A survey analysis to be undertaken within a month minimum $75,000.

OPTIONS

No particular order as I see it.

1/ That Council adopt the Statement of Principles as the guide, and form a select committee of five to flesh out actions for Council resolution. (With or without pursing de-amalgamation)

2/ That Council authorises the CEO to undertake an economic analysis and survey to determine the effects and cost of de-amalgamation, at a cost of about $175,000.

3/ That Council determine that the ultimate form of self government is (Territory – Statehood – independence- other).

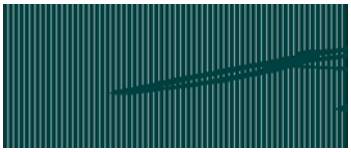
4/ That Council enter negotiations with TSC to amalgamate as a step towards self determination.

5/ That Council enter negotiations to have TSRA responsibilities conferred to TSIRC. (Along with the funding).

6/ or a combination of one or all of the above or something i have not even thought off.

CONCLUSION

For Council decision and direction.



John Scarce
CHIEF EXECUTIVE OFFICER

ATTACHMENTS: Nil

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

ORDINARY MEETING JULY 2012
DATE: 25 July 2012
AGENDA ITEM: 10
SUBJECT: TSRA BOARD MEMBERSHIP
AUTHOR: Chief Executive Officer, Mr John Scarce

RECOMMENDATION

Moved Cr Nai Seconded Cr Stephen That Council ratifies the actions of the Mayor by advising the Federal minister , the Hon Jenny Macklin, Minister for Families, Community Services and Indigenous Affairs and the TSRA Board that Council resolved that until a separate election is held by TSRA for positions on the Board that the previous approach of appointment for the TSRA that being the fifteen (15) directly elected to the divisions of the TSIRC and two (2) directly elected to the division of Bamaga and Seisia be continued.

Further that it is essential that the election time be brought forward.

Motion Carried

Against: Cr Baira
Cr Bosun
Cr Kris

PURPOSE

The purpose of this report is for Council to ratify actions of the mayor by authority of the full Council during discussion of the time.

BACKGROUND

Council at it training session in Cairns held the following discussion:

- *Discussions around the table by Councillors on the issue of TSRA Board members not elected after the Local Government Election included:*

- *No mandate to represent Communities by those who having lost the election and sits on the TSRA Boards.*
- *Concerns that those members who have lost the election and sits on the TSRA Board may not be giving the right direction to where Communities should be heading to get things moving towards the same direction.*
- *Caretaker Mode for TSRA Elections – need smooth transitions leading up to the TSRA Elections in September and that the people are properly informed of the decisions such as the TSRA Review.*

- *Mayor - general feeling of the discussions around the table are:*
  - *There is no dispute in disputing the separate election.*
  - *However in terms of the representation there and the concern leading up to the period of the caretaker provision where there needs to be a level of or have the involvement of the democratically elected Leader that rather than leave the job up to Administration there is Leadership around the table where the Administration of TSRA are able to engage with leading up to when the separate election takes place.*

- *Cr Kris advised:*
  - *The difference is that TSRA and TSIRC are now two separate Legislative body, unless they have been re-elected here and have the opportunity to put up their hands again for the upcoming elections.*
  - *Previously process within the Act was when you get elected the Minister appoints you to the TSRA Board but that does not exist anymore.*
  - *The process now is to go through an election process and the key point was that the current Board remains until the Election comes up.*
  - *Have MOU with TSRA and TSIRC which captures everything, delivery services etc.*
  - *Suggested that at the next Council meeting get TSRA to attend and do a presentation especially with the Integrated Services Delivery approach as it captures a lot of what was discussed around the table and how to walk in Partnership in our Region and how to approach both State and Commonwealth Government as Peak Organisations.*

OFFICER COMMENT

This report formalises the actions of the Mayor in sending the attached letter.

CONSULTATION

Full Council

LINKS WITH STRATEGIC PLANS

Governance

Outcome:

Transparent, efficient operations that provide valued local government services to Torres Strait communities.

STATUTORY REQUIREMENTS

Local Government Act 2009

FINANCE AND RISK

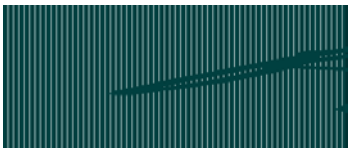
N/a

OPTIONS

As recommended

CONCLUSION

For Council decision and direction.



John Scarce
CHIEF EXECUTIVE OFFICER

ATTACHMENTS: Letter to TSRA and Minister

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

ORDINARY MEETING JULY 2012
DATE: 25 July 2012
AGENDA ITEM: 11
SUBJECT: COMMUNITY GRANTS
AUTHOR: Dania Ahwang Deputy Chief Executive Officer

RECOMMENDATION

For Council decision

PURPOSE

To seek Council decision on request to access Regional Budget for Community Grants funding.

BACKGROUND

Council budgeted 2012/13 Regional Community Grants funding of $50,000 (subject to approval of budget on 24 July 2012). Requests for access to this regional funding were to be assessed by full Council for decision.

OFFICER COMMENT

A request to grant access to $15,000 from the Regional Community Grants funding has been made by Cr Ron Enosa of Division 3 – Saibai Island.

This request is to cover:

- hire of musical instruments
- charters for invited music artists
- fireworks
- feasting

CONSULTATION

Executive Team

LINKS WITH STRATEGIC PLANS

The development of art and culture

STATUTORY REQUIREMENTS

N/A

FINANCE AND RISK

Capital Cost & Operating Cost
$15,000

Risk Assessment
N/A

SUSTAINABILITY

N/A

OPTIONS

1. Endorse as is
2. Endorse an alternative amount
3. Decline

CONCLUSION

For Council decision

Dania Ahwang
A/Chief Executive Officer

John Scarce

CHIEF EXECUTIVE OFFICER

Dania Ahwang

Deputy Chief Executive Officer

ATTACHMENTS: Letter of request from Cr Enosa received 12 July 2012

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

FROM COUNCIL SPECIAL MEETING 31 MAY 2012
DATE: 26 June 2012
AGENDA ITEM: 12
SUBJECT: LGOC BUILDING SERVICES
AUTHOR: John Scarce, Chief Executive Officer

RECOMMENDATION

That Council:

- Adopts the Public Benefit Assessment April 2012;
- Reaffirms to establish a Local Government Owned Corporation Structure for its Building Services Unit in accordance with the Local Government Act 2009;
- Authorises the CEO to forward the Public Benefit Assessment to the State Government to establish the LGOC; and
- Authorises the transmittal of resources and staff to the LGOC to commence operation in its own right as soon as practicable after the State Government Authorises the establishment.
- Requests all Councillors to furnish with the CEO by the 15 July 2012, language name for the Corporation so a report can be written for consideration at the July Ordinary meeting.

PURPOSE

The purpose of this report is to provide to Council the Australian Economic Groups findings on Corporatising the Building Services Unit of the Council and to reaffirm previous Council decision to establish the corporation.

BACKGROUND

Council at its meeting in February 2010, at St Pauls resolved:

Resolution
Moved Cr. Kris, *Seconded* Cr. Soki that Council undertakes the investigation into establishing an LGOC for the building team, authorising the CEO to engage suitable qualified persons or organisations to carryout business plans and public benefit assessment necessary.

Since that meeting Council has been presented with another 4 reports as the establishment of the LGOC progresses through the legislative frame work.

OFFICER COMMENT

Since the time of the St Pauls meeting, a Brief has been developed and let to Australian Economic Consultants. The requirements of the Brief were to:

Specifically, the Public Benefit Assessment is to assess:

Step 1 Identification and description of a realistic 'WITHOUT CHANGE' or 'BASE' case

Step 2 Identification and description of a realistic 'WITH CHANGE' or 'ALTERNATIVE' case

Step 3 Identification of all the major impacts of moving from the 'without change' to the 'with change' case

Step 4 Valuation of impacts

Step 5 Detailed assessment of non-valued impacts

Step 6 Timing, aggregation and presentation of results

Valuation of impacts is to be achieved through a discounted cashflow analysis.

The economic analysis is to be conducted over a twenty (20) year life span, incorporating full and transparent capital and operational benefits and costs with appropriate terminal values included at the end of the analysis.

Findings of the Analysis

Based on financial forecasts for the business, there appears to be strong potential for Council to earn decent commercial returns from the business should it be effectively managed and current funding arrangements continue. A corporate structure may best achieve this outcome, and would also ensure that all direct and indirect costs are appropriately identified and recovered by the business.

Features of the Building Services Unit that lend themselves to Corporatisation include:

- It could be argued that providing a building service, largely for external customers, is not really core business for the Council. It consumes financial, administrative and management resources which could be reallocated to other services.
- The unit already operates on a 'contract' service model delivering new building and maintenance services to a variety of internal Council service delivery managers, QBuild and other clients.
- There is little competition for building services in island communities at present and corporatisation, including the necessary step of full cost pricing, will ensure a fair and competitive market environment (but may also increase the risk to the corporatized entity from reduced 'sales').
- To the extent that Council's current cost recognition for BSU activities are inadequate, Council may be providing a subsidy on projects and to clients in addition to assuming risk for project overruns and delivery times, and the creation of a separate entity would remove this risk (although in the face of rising prices, funding allocations for housing and other building works will buy less).

CONSULTATION

For the purposes of this report, the Building Services Unit has been consulted with.

LINKS WITH STRATEGIC PLANS

Housing and Economic Development

Outcome:

Improvement of health, wellbeing and living standards by providing affordable, appropriate housing.

Strategy:

Value for money in the provision of housing
Build internal expertise in housing construction and maintenance

Action:

Review procurement processes including analysis of economic order quantities, internal supplies, resources and sustainable technology

STATUTORY REQUIREMENTS

The Queensland *Local Government Act 2009* is the guiding piece of legislation including the elements associated with national competition reform and significant business activities.
The new Act continues the commitment to the principles of NCP, and still requires local governments to follow the principles and processes that underpin NCP.
The Local Government (Beneficial Enterprises and Business Activities) Regulation 2009 has key NCP provisions previously contained in the 1993 Act.

FINANCE AND RISK

Operating Cost

Initial estimates are in the order of $250,000 to structure the business.

Due to the integrated nature of the accounts it was quite difficult to extract building costs from the standard reports. Queries were written to extract the data. This data was then used to develop the financial models. Again due to the Council having no real defined overhead structure for the Building Unit, proxies were used. These proxies were based upon industry

averages in construction firms of the same size as the Building Services Unit.

The cashflow assessment for the corporatised scenario to 2030, including an estimate of its terminal value of the business in the final year, reports a net present value of total net cash flows (after tax equivalent payments) for the business of $40M at a discount rate of 11%. Overhead and capital costs are explicitly accounted for in the model.

The cashflow is identifying a positive net present value – therefore the change in operating structure for the Business Services Unit is a positive change for the Council.

Risk Assessment

The biggest risks for Council from adopting the LGOC model include:

- Funding agencies not agreeing to the inclusion of a commercial profit margin on works undertaken by the business unit (although it is possible that the level of the margin could potentially be negotiated with the relevant agencies if necessary);
- Loss of 'first right of refusal' should funding agencies decide to test the competitiveness of the marketplace, given the fact that the business unit is almost entirely reliant on external funding sources;
- The potential need to ensure price and service competitiveness for continued access to funding programs;
- The ability to source necessary skilled resources to undertake the required works, and retain existing resources (noting that the business is currently reliant on contractors and one or two key personnel);
- Retention of an appropriately skilled General Manager/CEO and Board of Directors at an affordable cost; and
- Whether grant funds can only be paid to Council rather than the LGOC and, if so, whether there are any issues with a direct pass-through to the LGOC from Council.

It will be important for the business unit to have in place flexible recruitment/contracts to cope with potential significant fluctuations in activity from period to period, and to mitigate any risks associated with the potential loss of funding.

SUSTAINABILITY

A Corporatised Entity will assist Council's financial sustainability through the appropriate recovery of all direct and indirect costs from funding agencies, as well as the provision of taxation equivalent and dividend payments, as long as it retains access to external funding and is able to compete effectively on a level playing field

OPTIONS

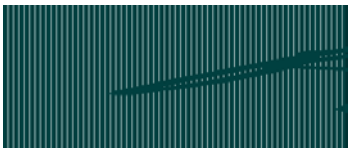
Council has three options associated with this project:

1. Corporatise the Building Services Unit
2. Implement a different level of reform for the Building Services Unit
3. Maintain the Base Case / Business as Usual approach.

CONCLUSION

At its February meeting at St Pauls the Council resolved to undertake an assessment of Corporatising the Building Services Unit.

A specialist consulting firm was engaged to undertake the works. A 20 year cashflow was developed based upon real data and proxies for Corporate Overheads. The findings of the analysis based upon the cashflows is such that there is a benefit to the Council in corporatising the Building Services Unit.



John Scarce
CHIEF EXECUTIVE OFFICER

ATTACHMENTS: PBA April 2012

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

FROM ADMINISTRATIVE & REGULATORY STANDING COMMITTEE MEETING JUNE 2012
DATE: 26 June 2012
AGENDA ITEM: 13.1
SUBJECT : RECORDS MANAGEMENT PROCESS
AUTHOR: Executive Manager Corporate and Finance

RECOMMENDATION

That Council:

- *Invites tenders for the implementation of an Electronic Records Management System including all system design, hardware requirements, software development, project management, implementation and ongoing support.*
- *Endorses, the attached project plan; and*
- *Implements a centralised records management function with records and other like deliverables being profiled in Cairns.*

PURPOSE

The purpose of this report is to receive direction from Council on records management processes in the Council.

BACKGROUND

A record is a *Document(s)* produced or received by a person or organisation in the course of business, and retained by that person or organisation.

A record may incorporate one or several *documents* (e.g. when one document has attachments), and may be on any medium in any format. In addition to the content of the document(s), it should include contextual information and, if applicable, structural information (i.e. information which

describes the components of the record). A key feature of a record is that it cannot be changed.

Prior to Amalgamation in 2008, individual Islands managed their own record keeping processes. At Amalgamation, records management was centralised on Thursday Island.

Records Management as a process has not been delivered in a robust, structured manner at the Council. There are numerous cases where the logistics of records management has meant that the Council has not received records in a timely manner.

There are a number of weaknesses in the supply chain of records, namely;

- The length of time to travel from the Cairns Mail Centre to Thursday Island;
- The lack of a coordinated approach to records management at the TI administration centre; and
- The lack of a centralised record keeping database to capture all records.

OFFICER COMMENT

The management of electronic records is complex, requiring a large range of functionality to be implemented well.

Clearly, a system to meet these needs – an Electronic Records Management System (ERMS) – requires specialised software. This software may consist of a specialist package, a number of integrated packages, custom-designed software or some combination; and in all cases, there will be a need for complementary manual procedures and management policies. The nature of an ERMS will vary from organisation to organisation.

Given the diverse and complex operating nature, the Council will require an ERMS that is flexible but at the same time relatively easy for users to navigate.

Moving to a new piece of software is not something that is done 'lightly'. There are many factors to consider; namely

1. Tender Documentation (Functional Specification)
2. Resources
3. Evaluation
4. Implementation Timeframe
5. "Go Live" Dates
6. Post "Go Live" support from Vendor
7. Total Cost

A high level project plan is attached in Appendix 1.

This plan has the Council advertising in July / August. The timing in this project plan is quite tight, with very little room for slippage. It has the Council making a decision by December on a new records management system. Such timing should allow for the implementation of the new system in January 2013. Projects of this nature typically experience long lead times.

Centralised Records Management

Centralising an ERMS is the most cost effective means of achieving results. Staff and Hardware (scanning capability) are not required to be duplicated. Additionally a centralised records management unit allows for better skills transfer and provides for a more productive environment. It is proposed to have all scanning of records occur at the Cairns Office, principally due to resource constraints at other locations.

Centralising the records management function in Cairns significantly reduces the risks identified in the supply chain of records. The records will not have to wait to go to TI, once in Cairns, they can be scanned and profiled and sent electronically reducing Council's wait time by a minimum of five (5) days (associated with travel only). When handling times associated with the TI Post Office and Council internal processes are included, records may be able to be received up to two to three weeks in advance.

Having all records stored in one location also reduces the risk of "lost" records. A singular storage point also improves the Council's ability to find older records as well – over time.

CONSULTATION

Department of Local Government

LINKS WITH STRATEGIC PLANS

Council's Corporate Plan has as an outcome for Governance that is:

Transparent, efficient operations that provide valued local government services to Torres Strait Communities.

Strategies associated with such include:

- *An organisation that manages risk in a pro-active, recognised manner; and*
- *Delivery of sustainable, value for money services through rigorous analysis* and prioritisation of works.

Tendering for the new software is Council being transparent in its operations and seeking value for money.

STATUTORY REQUIREMENTS

175 Large-sized contract—tenders needed first

(1) A local government can not enter into a large-sized contract unless the local government first invites written tenders for the contract under section 177.

177 Tender process

(1) This section is about how a local government must invite written tenders for—
(a) a large-sized contract; or
(b) a valuable non-current asset contract.

(2) The local government must either—
(a) invite written tenders under subsection (4); or
(b) invite expressions of interest under subsection (5),

before considering whether to invite written tenders under subsection (6)(b).

(3) However, the local government may invite expressions of interest under subsection (5) only if the local government—
(a) decides, by resolution, that it would be in the public interest to invite expressions of interest before inviting written tenders; and
(b) keeps a record of its reasons for making the resolution.

(4) The invitation for tenders must—
(a) be made by an advertisement in a newspaper that circulates generally in the local government area; and
(b) allow written tenders to be given to the local government for at least 21 days after the advertisement is published.

Basically, the legislation requires the Council to Tender for 21 days on large contracts. The Contract Term in this case is expected to be five (5) years with a two (2) year extension at Council discretion.

FINANCE AND RISK

Capital Cost

It is expected that the Capital costs of implementation will be in the order of $0.4M including all hardware and training. This cost has been met by a State Government Grant.

Operating Cost

Ongoing operating maintenance costs are expected to be in the order of $0.3M per annum including salaries and operating costs. These costs are currently budgeted for.

Risk Assessment

Typically risks in this type of transaction revolve around the following:

- Tender Documentation (Functional Specification)
- Resources
- Evaluation
- Implementation Timeframe
- “Go Live” Dates
- Post “Go Live” support from Vendor
- Total Cost

Should these risks not be mitigated, there is a real chance of Council suffering reputational risk and some financial risk associated with on-going operations.

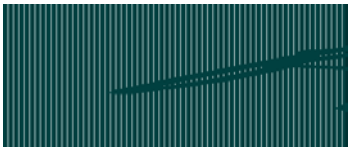
The Tender process will firm up pricing associated with the implementation. Funding is being provided by the State Government for this process.

Records Management has been specifically identified in the Council's Risk Register as a High Risk item.

CONCLUSION

Council currently undertakes records management in an adhoc manner using a number of electronic and manual processes including email, core financials and storage on "H:" drive. As Councils workflow's grow and become more sophisticated, the ability of these current processes to meet the Council needs will be less and less.

At present, the system is not meeting Council requirements. Tendering for a whole of local government solution will allow the Council to manage its workflows better and meet its legislative requirements associated with State Archives and the Local Government Act 2009.



John Scarce

CHIEF EXECUTIVE OFFICER

Mr Anthony Bird

Executive Manager Corporate and Finance

ATTACHMENTS: Project Plan

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

COUNCIL ORDINARY MEETING JULY 2012
DATE: 25th July 2012
AGENDA ITEM: 13.2 (i)
SUBJECT: DEVELOPMENT APPLCIATION – BADU ISLAND PRE-PREP LEASE
AUTHOR: Patrick McGuire – Executive Manager Engineering Services

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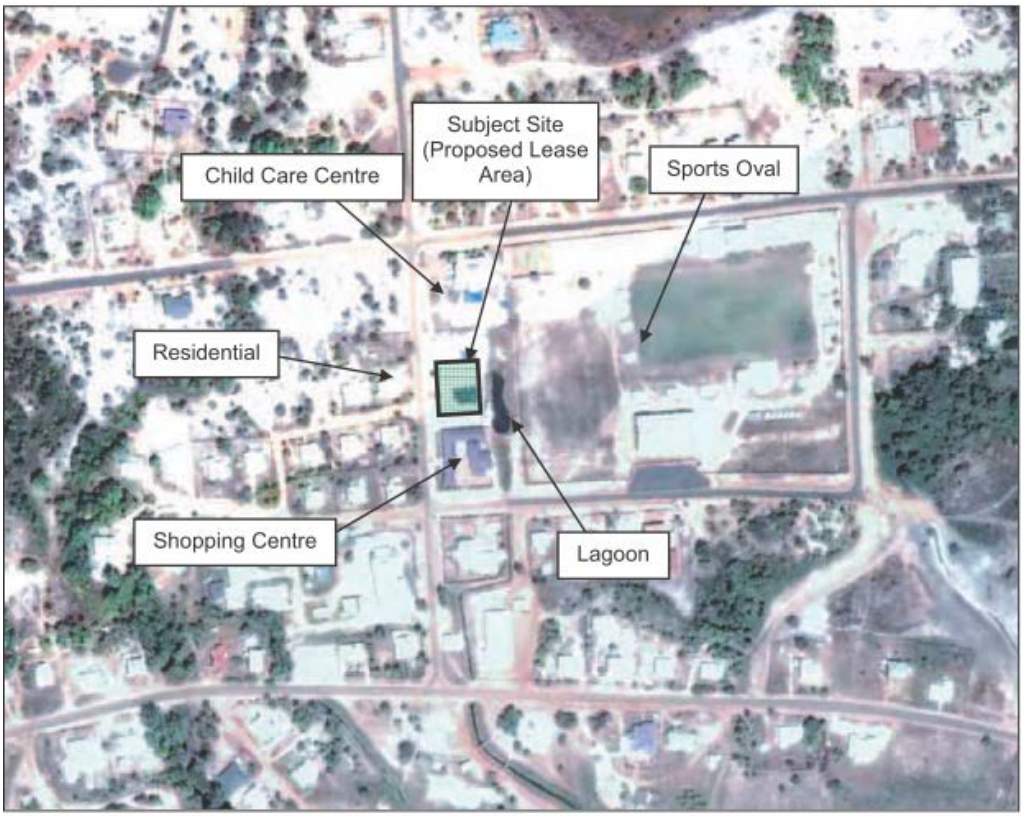
APPLICANT: Department of Education, Training & Employment c/- Victor Ferros Town Planning Consultants

LOCATION: Nona Street, Badu Island

PROPERTY DESCRIPTION: Part of Lot 7 on TS158 (Proposed Lease BN on SP248112)

ATTACHMENTS: Proposed Lease Plan (SP248112)
Referral Agency Responses

LOCALITY PLAN



EXECUTIVE SUMMARY

Council has received an application from the Department of Education, Training & Employment to create a new lease for a proposed Pre-Prep Facility at Nona Street, Badu Island. The proposed development has previously been approved by Council and this application simply seeks to create a lease over the site. A plan of the proposed lease is attached as ***Appendix 1****.*

An assessment of the proposed development has been undertaken to determine its consistency with the Torres Strait Sustainable Land Use Plans and relevant State Government legislation. A summary of the relevant matters is provided as follows:

- *As the proposed lease term exceeds 10 years, the proposed development involves 'Reconfiguration of a Lot' which is identified as 'assessable development' under the Sustainable Planning Act 2009 (SPA). Council is therefore required to issue a formal Development Permit.*
- *The applicant has obtained all relevant State Agency approvals which are required before Council can issue an approval. A copy of these approvals, known as Referral Agency Responses, is provided as* ***Appendix 2.***
- *The proposed future use of the lease area (Pre-Prep Facility) is not 'assessable development', so Council is not required to, and cannot, issue a formal approval for the use.*
- *Notwithstanding the above, the proposed use is considered to be relatively consistent with the SLUP for Badu Island and has previously been informally approved by Council.*

RECOMMENDATION

Based on the above, the recommendation is as follows:

That Council issue a Development Permit for 'Reconfiguration of a Lot' with the inclusion of the following conditions:

1. The proposed development is to be undertaken in accordance with the following approved drawings:

Plan/Document number	Plan/Document name	Date
SP248112	Plan of Lease BN	18/8/2011

2. This approval is valid for two (2) years. A plan of survey must be lodged with council for endorsement within this time, otherwise the approval will lapse.

3. The subject site is to be connected to water supply, sewerage, electricity and telecommunications infrastructure to the satisfaction of Council. Details of these connections must be provided to Council prior to endorsement of the plan of survey.

DISCUSSION

1. SUSTAINABLE PLANNING ACT 2009 (SPA)

The proposed use would be defined as a 'Material Change of Use' and may require a 'Development Permit' where a formal planning scheme was in place. As this is not the case, no formal approval is required to be, or can be issued for the use.

Notwithstanding the above, the application includes 'Reconfiguration of a Lot' which is identified as 'assessable development' under the Sustainable Planning Act 2009 (SPA).

Council is therefore required to issue a formal Development Permit for this aspect of development.

Referrals

SPA includes a range of 'triggers' which can draw various State Agencies into the assessment of a development application. The subject application triggered assessment by the following agencies:

- Department of Environment and Resource Management (DERM).

DERM approved the application, subject to conditions. A copy of their response is attached as **Appendix 2**. These conditions will form part of the final approval and will have to be complied with by the applicant.

2. TORRES STRAIT SUSTAINABLE LAND USE PLANS

While no formal planning scheme exists for the Torres Strait Islands Regional Council area, Sustainable Land Use Plans have been prepared for each island which allow for a planning assessment to be undertaken. These SLUP's are informal in nature, however provide much of the same information and planning direction as a planning scheme. A brief summary and assessment against the relevant SLUP is provided in the following:

Summary Table

Land Use Category:	Community
Tenure:	DOGIT
Coastal Hazard:	Not Applicable
Slope Analysis:	Flat Slope
Vegetation Classes:	Regional Ecosystem - Non-Remnant Vegetation Communities – Regrowth
Watercourses & Habitats:	Low Value Habitat
Acid Sulphate Soils:	Applicable
Bushfire Risk:	Not Applicable
Service Availability:	- Water - Sewer - Electricity - Telecommunications

Land Use Category

A review of the proposal against the Badu Island SLUP indicates that the site is included in the 'Community' Land Use Category. The creation of a lease for a Pre-Prep Facility is considered to be consistent with the intent of this land.

Relevant Mapping/Compliance Issues

- Potential Acid Sulphate Soil

Significant disturbance of Acid Sulphate Soils is unlikely to occur given that the site is located well above 5m AHD, so management procedures would not be warranted.

Services

The subject site is located in an area which is considered to be able to be serviced with water supply, sewerage, electricity and telecommunications. A condition of approval has been added to ensure that these services are connected to the satisfaction of Council.

3. INTERNAL REFERRAL COMMENTS/CONDITIONS

Engineering

Not applicable.

Environmental

Not applicable.

Communities

Not applicable.

4. STATE REFERRAL AGENCY COMMENTS/CONDITIONS

Not applicable.

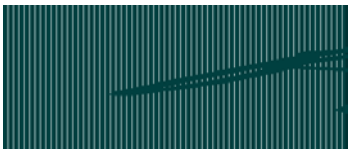
5. OTHER CONSIDERATIONS

Not applicable.

6. RECOMMENDATIONS

From the information provided, the proposed development appears to be relatively consistent with the relevant legislative requirements and planning guidelines and therefore should be supported by Council.

Report Prepared By: *RPS (Cairns) – Evan Yelavich*
Date Prepared: *26 June 201*



John Scarce

CHIEF EXECUTIVE OFFICER

Patrick V McGuire

Executive Manager Engineering Services

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

COUNCIL ORDINARY MEETING MAY 2012
DATE: 15 May 2012
AGENDA ITEM: 13.2 (ii)
SUBJECT: DEVELOPMENT APPLICATION – BADU ISLAND CHILD CARE CENTRE
AUTHOR: Patrick McGuire – Executive Manager Engineering Services

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APPLICANT: Department of Education, Employment and Workplace Relations

LOCATION: Chapman Street, Badu Island

PROPERTY DESCRIPTION: Part of Lot 7 on TS158

ATTACHMENTS: Thinc Projects Site Plan, Floor Plans, Elevations and Sections

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LOCALITY PLAN

EXECUTIVE SUMMARY

Council has received an application from the Department of Education, Employment and Workplace Relations to establish a 50-place childcare centre at Chapman Street, Badu Island. Plans of the proposed development are ***attached****.*

An assessment of the proposed development has been undertaken to determine its consistency with the Torres Strait Sustainable Land Use Plans and relevant State Government legislation. A summary of the relevant matters is provided as follows:

- *It has been determined by the Department of Environment and Resource Management that a lease is not required for the site given that Council will own and operate the proposed facility.*
- *As no lease is required, the proposal does not include 'Reconfiguration of Lot' or any other 'assessable development' under the Sustainable Planning Act 2009; therefore, Council is not required to issue a formal approval (i.e. development permit).*
- *Notwithstanding the above, an assessment of the proposed land use has been undertaken to ensure that relevant planning matters have been addressed prior to the construction stage.*
- *Council is required to consent to an application for Building Works as land owner, so conditions of approval can be imposed on the basis that they must be complied with prior to providing this consent.*

RECOMMENDATION

Based on the above, the recommendation is as follows:

That Council advises the Department of Education, Employment and Workplace Relations that is supports the proposed development, subject to the following conditions:

4. Development is to be undertaken generally in accordance with the approved plans, being as follows:
    - Drawing No. THI1101_BAD_WD001B – Site Plan
    - Drawing No. THI1101_BAD_WD101B – Floor Plan
    - Drawing No. THI1101_BAD_WD201B – Elevations
    - Drawing No. THI1101_BAD_WD301B – Sections

5. Relevant approvals under the Building Act 1975 must be obtained prior to commencement of works;
6. The proposed development is to be connected to water supply, sewerage, electricity and telecommunications infrastructure to the satisfaction of Council. Details of these connections must be provided to Council prior to lodging an application for Building Works.

DISCUSSION

7. SUSTAINABLE PLANNING ACT 2009 (SPA)

The proposed use would be defined as a 'Material Change of Use' and may require a 'Development Permit' where a formal planning scheme was in place. As this is not the case, no formal approval is required to be, or can be issued for the use.

As the proposed land use is not 'assessable development' under SPA, conditions cannot be formally issued in relation to it. Usually conditions would be imposed through a lease agreement, however as a lease is not required, it is recommended that Council impose conditions that must be met prior to lodgement of an application for Building Works, which Council must consent to as trustee (land owner).

Referrals

SPA includes a range of 'triggers' which can draw various State Agencies into the assessment of a development application. The subject application does not include any triggers as it does not include 'assessable development'.

8. TORRES STRAIT SUSTAINABLE LAND USE PLANS

While no formal planning scheme exists for the Torres Strait Islands Regional Council area, Sustainable Land Use Plans have been prepared for each island which allow for a planning assessment to be undertaken. These SLUP's are informal in nature, however provide much of the same information and planning direction as a planning scheme. A brief summary and assessment against the relevant SLUP is provided in the following:

Summary Table

Land Use Category:	Conservation
Tenure:	DOGIT
Coastal Hazard:	Not Applicable
Slope Analysis:	Flat – Moderate Slope
Vegetation Classes:	Regional Ecosystem - Non-Remnant Vegetation Communities - Cleared
Watercourses & Habitats:	Low Value Habitat Low Value Watercourse
Acid Sulphate Soils:	Applicable
Bushfire Risk:	Not Applicable
Service Availability:	- Water - Sewer - Electricity - Telecommunications

Land Use Category

A review of the proposal against the Badu Island SLUP indicates that the site is included in the 'Conservation' Land Use Category. The establishment of a child care centre is considered to be generally inconsistent with the intent of this land, however it is noted that the site is not unduly constrained by natural features or at risk of natural hazards, so a community facility such as is being proposed is considered appropriate.

Relevant Mapping/Compliance Issues

- Potential Acid Sulphate Soil

Significant disturbance of Acid Sulphate Soils is unlikely to occur given that the site is located well above 5m AHD, so management procedures would not be warranted.

Services

The subject site is located in an area which is considered to be able to be serviced with water supply, sewerage, electricity and telecommunications. A condition of approval has been added to ensure that these services are connected to the satisfaction of Council.

9. INTERNAL REFERRAL COMMENTS/CONDITIONS

Engineering

Not applicable.

Environmental

Not applicable.

Communities

Not applicable.

10. STATE REFERRAL AGENCY COMMENTS/CONDITIONS

Not applicable.

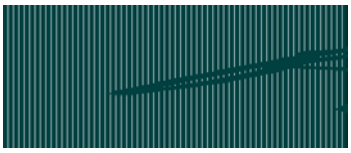
11. OTHER CONSIDERATIONS

Not applicable.

12. RECOMMENDATIONS

From the information provided, the proposed development appears to be relatively consistent with the relevant legislative requirements and planning guidelines and therefore should be supported by Council.

Report Prepared By: *RPS (Cairns) – Evan Yelavich*
Date Prepared: *7 February 2012*



John Scarce

CHIEF EXECUTIVE OFFICER

Patrick V McGuire

Executive Manager Engineering Services

ATTACHMENTS: Pages from Badu IDAS forms.

CLOSED BUSINESS

Moved Cr ……. Seconded Cr……. that in accordance with Regulation 71 of the Local Government Operation Regulation it is resolved for the meeting to go into closed session to discuss section the appointment, dismissal or discipline of employees, starting or defending legal proceedings involving it, other business for which a public discussion would be likely to prejudice the interests of the local Government further the public in attendance are asked to leave.

Torres Strait Island
REGIONAL COUNCIL

TORRES STRAIT ISLAND REGIONAL COUNCIL

Lot 12 Francis Road Hammond Island QLD 4875
Ph: (07) 40486200 Fax: (07) 4069 1868
All Correspondence to: Chief Executive Office
PO Box 501, Thursday Island Qld 4875

The Hon Jenny Macklin MP
Minister for Families, Housing, Community Services and Indigenous Affairs
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

FAX: (02) 6273 4122

1st June 2012

Dear Minister Macklin,

RE: TSRA BOARD REPRESENTATION

Firstly Council acknowledges that a separate election is true democracy and supports it whole heartedly.

However the Council considers that TSRA will not be properly represented from Council election declaration of poll until TSRA election declaration of poll.

We propose that you, as Minister responsible for TSRA, appoint in our case, the 15 Councillors elected as a result of the TSIRC election, to the board of TSRA effective immediately, and that they hold that position until the declaration of poll for TSRA.

The Torres Strait has already been through two periods of caretaker, State and Local elections, and this has caused the area great pain with uncertainty, and essential programmes being placed on hold, our proposal is to ensure that the TSRA does not have a caretaker period and the much needed programmes delivered by TSRA are not placed on hold.

Please do not hesitate to have me contacted to discuss this matter further; I can be reached on Fred.Gela@tsirc.qld.gov.au.

Yours truly.

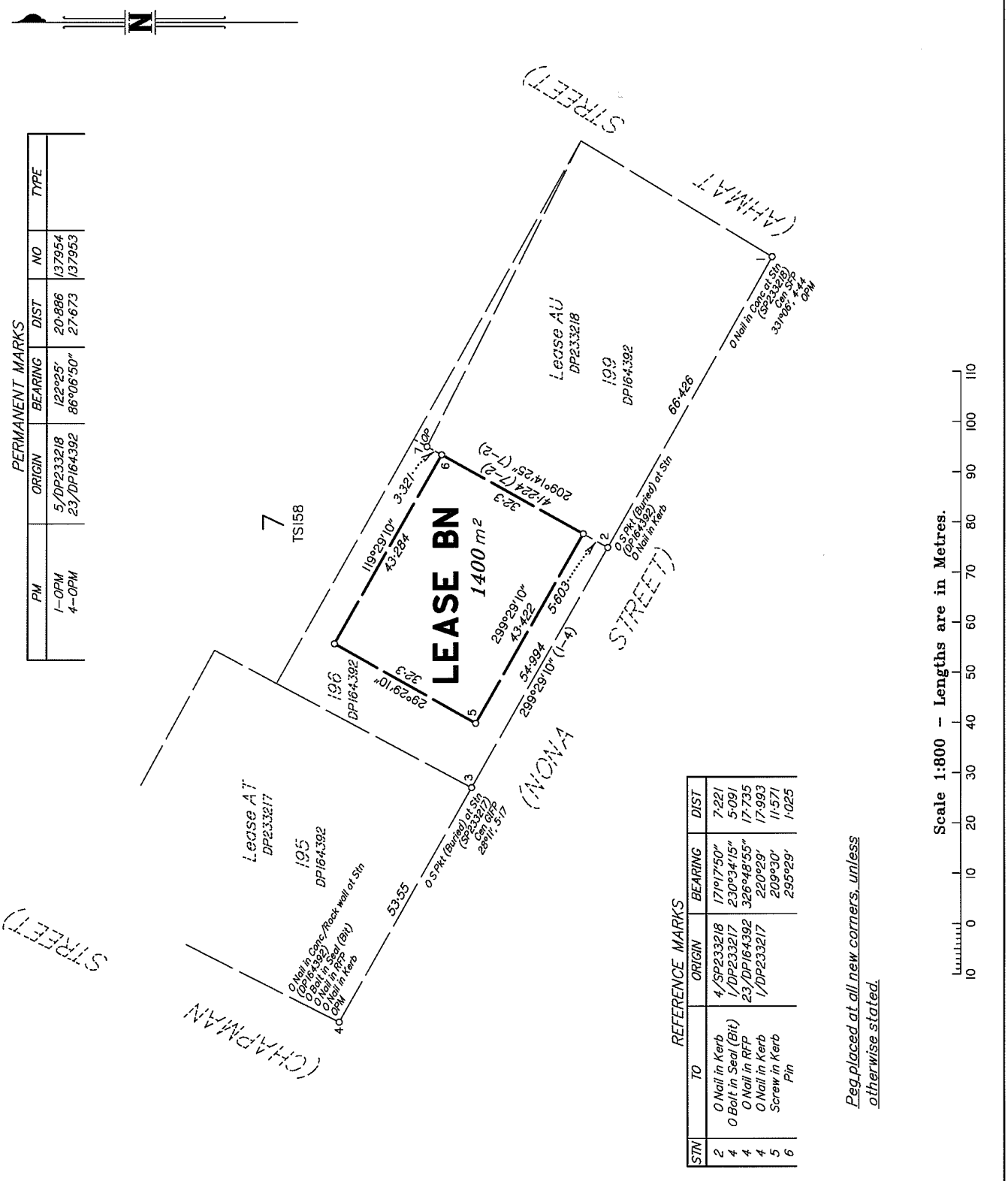
Cr Fred Gela
MAYOR

PR107668_01/PJO/Cairns

Land Title Act 1994 ; Land Act 1994
Form 21 Version 2

SURVEY PLAN

Sheet 1 of 1



RPS Australia East Pty Ltd (ACN 140 292 762) hereby certify that the land comprised in this plan was surveyed by the corporation, by Graeme Leigh JOHNSTONE, surveying graduate, for whose work the corporation accepts responsibility, under the supervision of Stephen James REDGWELL, cadastral surveyor, and that the plan is accurate, that the said survey was performed in accordance with the Survey and Mapping Infrastructure Act 2003 and Surveyors Act 2003 and associated Regulations and Standards and that the said survey was completed on 30/06/2011.

S. Redgwell
Authorised Delegate

18.8.2011
Date

0 50mm 100mm 150mm

State copyright reserved.

Plan of Lease BN

in Lot 7 on TS158

PARISH: DUNCAN COUNTY: Torres

Meridian: MGA Vide DP233218 F/N's: No

Scale: 1:800

Format: STANDARD

SP248112

Plan Status:

WARNING : Folded or Mutilated Plans will not be accepted.
Plans may be rolled.
Information may not be placed in the outer margins.

(Dealing No.)

Registered

5. Lodged by

(Include address, phone number, reference, and Lodger Code)

1. Certificate of Registered Owners or Lessees.

I/~~We~~ TORRES STRAIT ISLAND REGIONAL COUNCIL

DEED OF GRANT IN TRUST

THE GRANTEE TO HOLD THE SAID LAND IN TRUST FOR THE BENEFIT OF ISLANDER INHABITANTS AND FOR NO OTHER PURPOSE WHATSOEVER

(Names in full)

* as Registered Owners of this land agree to this plan ~~and dedicate the Public Use Land as shown hereon in accordance with Section 50 of the Land Title Act 1994.~~

~~* as Lessees of this land agree to this plan.~~

Signature of *Registered Owners ~~*Lessees~~

* Rule out whichever is inapplicable

6. Existing / Created

Title Reference	Description	New Lots	Road	Emts	Lease	Profit a prendre
21296126	Lot 7 on TS158	—	—	—	BN	—

Lease BN does not affect any of the leases lodged or registered against CT 21296126 as at 16/08/2011.

2. Local Government Approval.

*

hereby approves this plan in accordance with the :

%

Dated this ..... day of .....

..... #

..... #

* Insert the name of the Local Government. % Insert Integrated Planning Act 1997 or
# Insert designation of signatory or delegation Local Government (Planning & Environment) Act 1990

Lots	Orig

7. Portion Allocation :

8. Map Reference :
7377–42424

9. Locality :
BADU ISLAND

10. Local Government :
TORRES STRAIT ISLAND REGIONAL

11. Passed & Endorsed :

By : RPS Australia East Pty Ltd
Date : 18.8.2011
Signed : S. Ridgewell
Designation : Cadastral Surveyor

12. Building Format Plans only.

I certify that :

* As far as it is practical to determine, no part of the building shown on this plan encroaches onto adjoining lots or road;
* Part of the building shown on this plan encroaches onto adjoining * lots and road

....
Cadastral Surveyor/Director* Date
*delete words not required

13. Lodgement Fees :

Survey Deposit	$.....
Lodgement	$.....
.....New Titles	$.....
Photocopy	$.....
Postage	$.....
TOTAL	$.....

14. Insert Plan Number SP248112

3. Plans with Community Management Statement :

CMS Number :

Name :

4. References :

Dept File :

Local Govt :

Surveyor : PR107668

Notice

Decision notice

This notice is issued by the Department of Environment and Heritage Protection pursuant to section 287 (concurrence agency response) (decision notice) of the Sustainable Planning Act 2009 ("the Act").

Torres Strait Island Regional Council
PO Box 501
THURSDAY ISLAND QLD 4875
Attn: Evan Yelavich

Cc: Department of Education, Training & Employment
C/- Victor G Ferros Town Planning Consultants
PO Box 1256
CAIRNS QLD 4870

Our reference: 386573
File reference: BNE46652-1

Re: Concurrence Agency Response

1. Application Details

Date application made to EHP: 14 June 2012

Development approval applied for: Development permit

Aspect of development:	*Sustainable Planning Regulation 2009* - Schedule 3, Part 1, Table 2, item 6
Development description:	Reconfiguration of a Lot
Property/Location description:	Badu Island (Lot 7 on TS158).

2. The name and address of each referral agency is as follows.

Nil

3. The Chief Executive of the Department of Environment and Heritage Protection (EHP) decision notice, for the aspect of development involved with the application the subject of this Notice is as follows.

(a) Conditions should attach to any development approval, and those conditions are attached to this Notice.

(b) The application is taken to have been approved under section 287 of the Act.

4. General advice to assessment manager

Pursuant to sections 334 and 363 of the Act, a copy of a decision notice or negotiated decision notice issued by the assessment manager must be forwarded to the EHP as a referral agency for the relevant application at the Contaminated Land Unit and an electronic copy to *eco.access@derm.qld.gov.au*.

The State's Native Title Work Procedures provide that responsibility for assessment of native title issues for an IDAS application rests with the assessment manager. Therefore, the EHP as a referral agency for the relevant application has not provided notification to native title parties.

5. Additional comments or advice about the application

Nil

Delegate
Kelli Ready
Delegate, Chief Executive administering the *Environmental Protection Act 1994*
20 June 2012

Enquiries:
Paul Ritchie
PO Box 2454
BRISBANE QLD 4001
Phone: (07) 3330 5688
Fax: (07) 3330 5754
Email: paul.ritchie@derm.qld.gov.au

Attachments

Permit Project No. SPCL04357712 (ROL)

EHP Permit [1] number:SPCL04357712 (ROL)

Assessment manager reference:	
Date application received:	14 June 2012
Permit type:	Development Permit
Date of decision:	20 June 2012
Decision:	For a **concurrence agency response** conditions that must attach to any development approval
Relevant laws and policies:	*Environmental Protection Act 1994* and any related statutory instruments and subordinate legislation>
Jurisdiction(s):	Reconfiguring a lot - Contaminated land - *Sustainable Planning Regulation 2009* - Schedule 7, table 2, item 22

Development Description(s)

Property/Location		Development
Lot 7 on TS158	Badu Island	The proposal seeks approval for a Reconfiguration of a Lot – subdivision by Lease for a period exceeding 10 years.

Reason(s) for inclusion of conditions

In accordance with section 289 of the *Sustainable Planning Act 2009*, the reason(s) for inclusion of conditions stated in this permit required by the concurrence agency response for the application are as follows.

The Department of Environment and Heritage Protection (EHP) is recognised as a concurrence agency under the *Sustainable Planning Regulation 2009* for the protection of the environment by the management of contaminated land. The EHP's concurrence agency conditions for this proposed development that are contained within this response are required to prevent or mitigate any potential risk to human health or the environment from possible hazardous contaminants present on the site.

[1] Permit includes licences, approvals, permits, authorisations, certificates, sanctions or equivalent/similar as required by legislation administered by the Department.

Delegate
Kelli Ready
Delegate, Chief Executive administering the
Environmental Protection Act 1994

CONDITIONS

Nil conditions.

END OF CONDITIONS

26 June 2012

Mr John Scarce
Chief Executive Officer
Torres Strait Island Regional Council
PO Box 501
THURSDAY ISLAND QLD 4875

Via Email: Chris.McLaughlin@tsirc.qld.gov.au

Dear John

Badu Island Child Care Centre

The board of Mura Badulgal have been requested by the project manager, Mr Sam Persley of Thinc Projects, firstly with a site visit on Wednesday 13th June and secondly, the matter was considered at its monthly board meeting on 22 June 2012 after receiving plans and documentation from Thinc Projects.

The board have agreed to the planned site of the centre as proposed by the site plan drafted by RPS and attached to this letter.

The board have noticed that no allowance has been provided for off street car parking and see child and parent safety as far as traffic movement is concerned at the site. The board would like to see car parking committed to the planning stage.

The board also request what steps have been put in place for a draft ILUA to be presented to it for consideration? Your advice in this regard would be appreciated as we understand the build is ready to proceed.

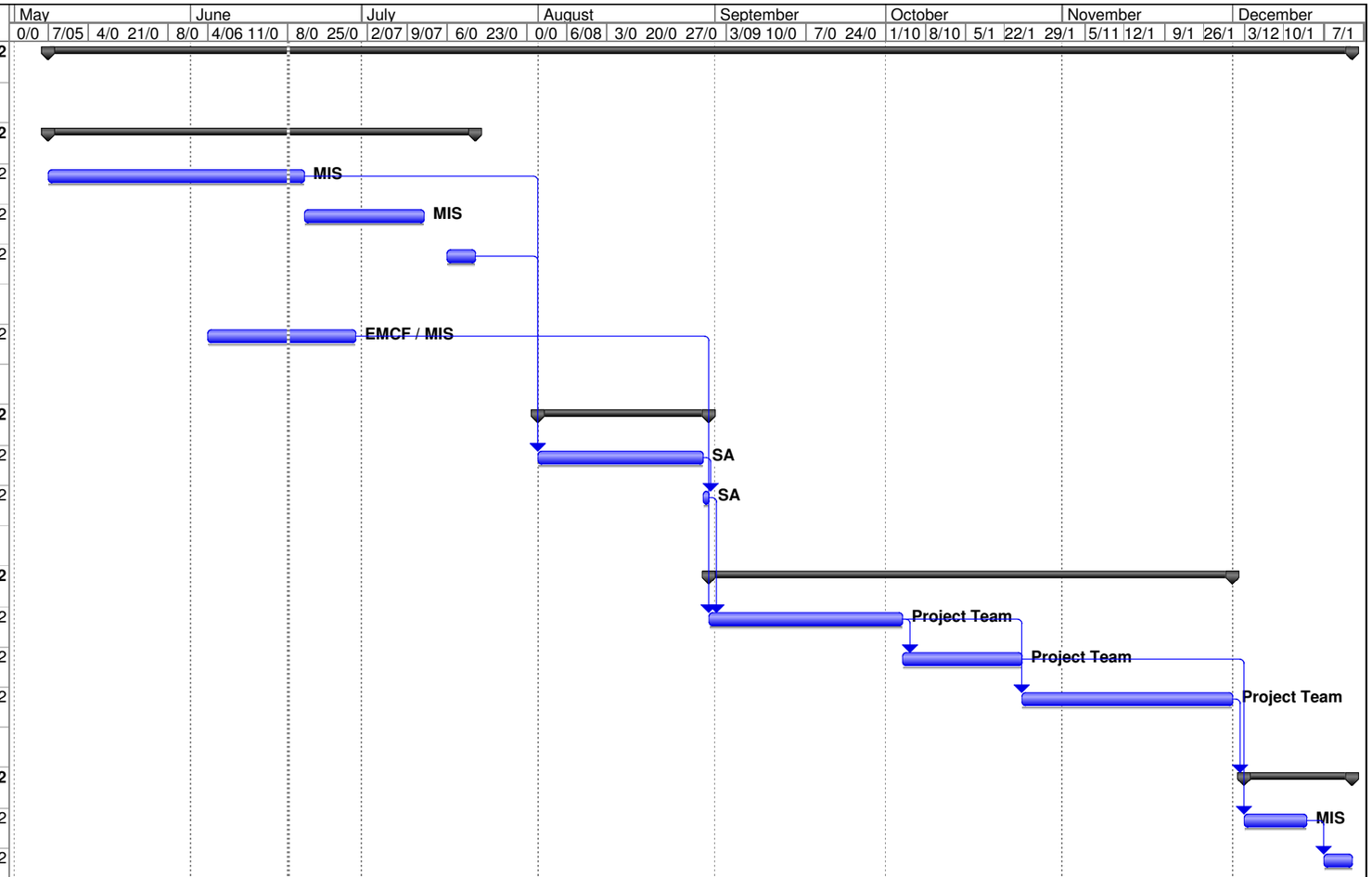
The board is disappointed that to date there has not been formal correspondence between your Council and the PBC with the matter coming to our attention from the project manager.

Yours faithfully

Peo Ahmat
Chairperson

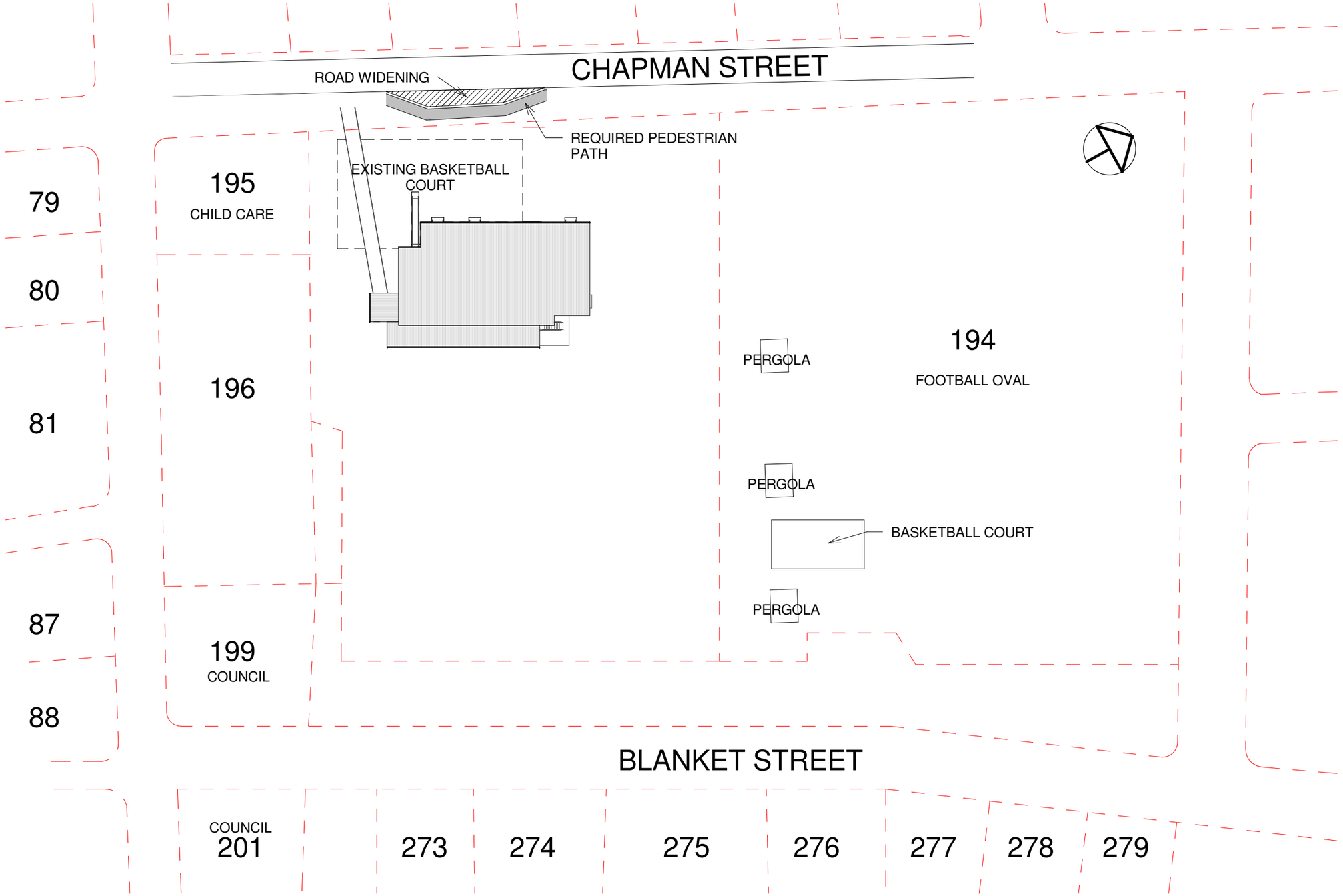
Copy:
Sam Persley, Thinc Projects

ID	Task Name	Duration	Start	Finish
1	**Programme for Evaluation of Local Government Records**	**165 days?**	**Mon 7/05/12**	**Fri 21/12/12**
2				
3	**Tender Documentation**	**55 days?**	**Mon 7/05/12**	**Fri 20/07/12**
4	Development of Tender Documentation	33 days	Mon 7/05/12	Wed 20/06/12
5	Development of Functional Specification	15 days?	Thu 21/06/12	Wed 11/07/12
6	Council Meeting - July - Resolution to Tender	5 days?	Mon 16/07/12	Fri 20/07/12
7				
8	Project Team Selection	20 days?	Mon 4/06/12	Fri 29/06/12
9				
10	**Tender Advertisement**	**22 days?**	**Wed 1/08/12**	**Thu 30/08/12**
11	Provide Tender Documentation to Vendor	21 days	Wed 1/08/12	Wed 29/08/12
12	Tender Close	1 day?	Thu 30/08/12	Thu 30/08/12
13				
14	**Tender Evaluation**	**66 days?**	**Fri 31/08/12**	**Fri 30/11/12**
15	Evaluate Tender Response - Desktop	24 days?	Fri 31/08/12	Wed 3/10/12
16	Evaluate Tender - Vendor Visit to Cairns / TI	15 days?	Thu 4/10/12	Wed 24/10/12
17	Evaluate Tender Response - Site Visit	27 days?	Thu 25/10/12	Fri 30/11/12
18				
19	**Final Selection**	**15 days?**	**Mon 3/12/12**	**Fri 21/12/12**
20	Council Report	9 days?	Mon 3/12/12	Thu 13/12/12
21	Council Meeting - December	5 days?	Mon 17/12/12	Fri 21/12/12



Project: LGRMS Project Plan - Evalua
Date: Mon 18/06/12

Task	Summary	Rolled Up Progress	Project Summary		
Progress	Rolled Up Task	Split	Group By Summary		
Milestone	Rolled Up Milestone	External Tasks	Deadline		



1 A3-EL1 Proposed Site Plan

1 : 750

This drawing is the property of BRB Modular and may not be used or copied with out express permission

General notes

1. All dimensions to be verified on site prior to commencement of works.
2. Use written dimensions only, do not scale drawings.
3. Read in conjunction with other drawings, specifications & consultants documentation.
4. Refer any discrepancies immediately to the designer & await written instruction.

Note:

Based on information provided by Thinc Projects

No.	Description	Date
2	Siting Revision	17.07.2012
1	Siting	17.07.2012

CONSTRUCTION

MODULAR

Architect

Thinc Projects

Project

BADU ISLAND CRECHE

Client

QLD Department of Education

Project Address

Lot 194 Chapman Street, Badu Island

Sheet

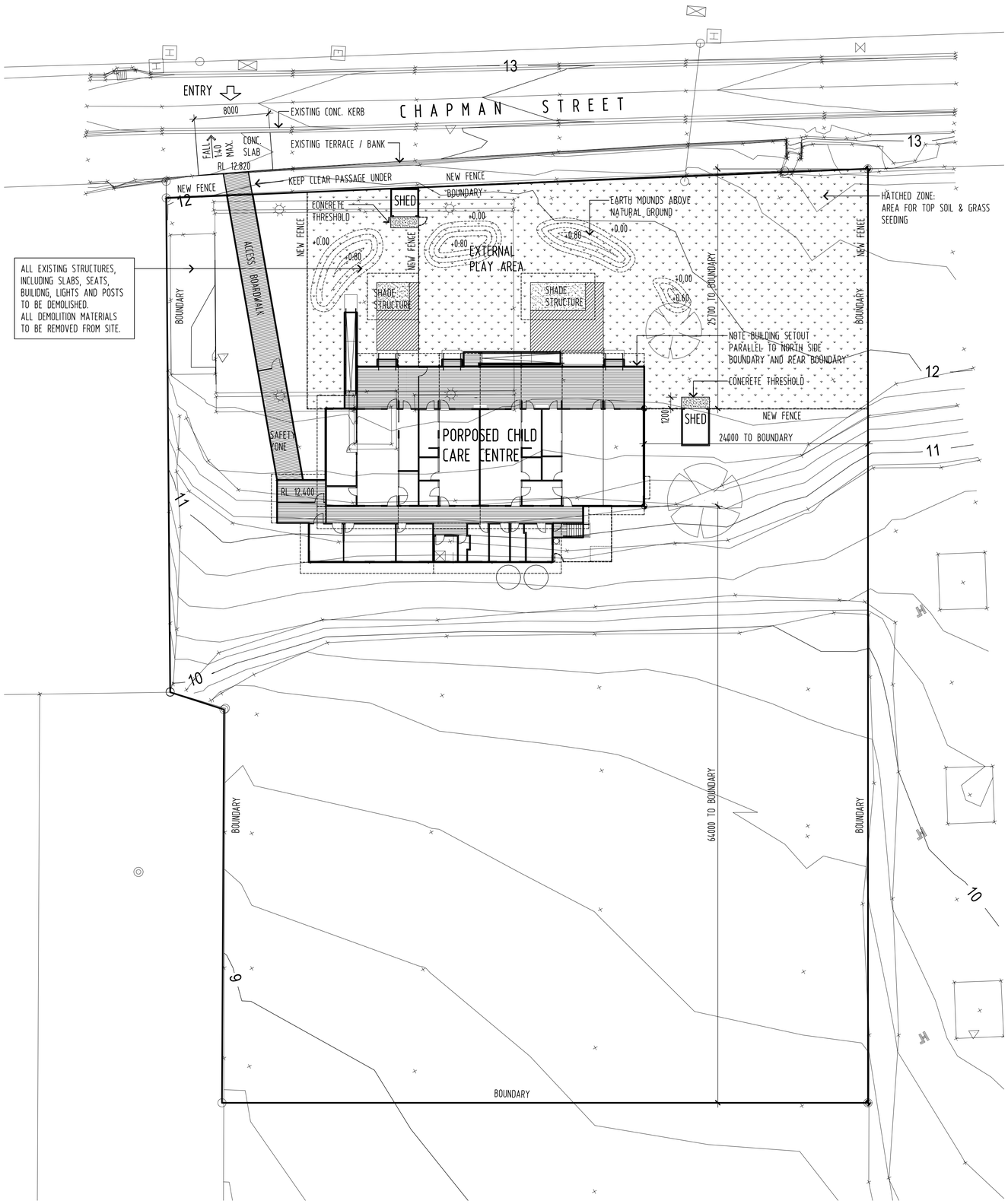
PROPOSED SITE PLAN

Project No			Q01238
Date			21/05/2012
Client App.	Rev No. 2	Drawn by	JD
		Checked by	BP
Scale @ A3			1 : 750

A2-FP4

C:\Users\james.deacon\Desktop\Badu_JD.rvt

17.07.2012



01 LOCATION / SITE PLAN
SCALE 1:250 @ A1, 1:500 @ A3

FIRE HAZARD PROPERTIES:

EARLY FIRE HAZARD PROPERTIES FOR MATERIALS, LININGS & SURFACE FINISHES TO BE IN ACCORDANCE WITH BCA CLAUSE C1.10, SPEC C1.10.

IDENTIFICATION SIGNAGE FOR ACCESS FACILITIES:

PROVIDE SIGNAGE TO FACILITIES REQUIRED FOR PEOPLE WITH DISABILITIES IN ACCORDANCE WITH BCA CLAUSE D3.6, INCLUDING TO CARPARKING & TOILET/SHR FACILITIES. AND IN ACCORDANCE WITH AS 1428.1 2009
PROVIDE BRAIL & TACTILE SIGNAGE TO MALE, FEMALE & UNISEX FACILITIES IN ACCORDANCE WITH BCA CLAUSE C3.6.

ACCESS FOR PEOPLE WITH DISABILITIES:

COMPLY WITH ALL REQUIREMENTS OF THE BCA AND AS1428.1 2009 & AS1428.4 2002, INCLUDING;
DOOR OPENINGS, REFER TO DOOR SCHEDULE.
DOOR LATCHES TO HAVE LEVER ACTION HANDLES, MOUNTED AT 1000 AFL.
UNLESS NOTED OTHERWISE, REFER TO DOOR SCHEDULE.
DOOR CLOSERS OPERATING FORCE WITHIN AS1428 ALLOWANCES.
PROVIDE REQUIRED CIRCULATION SPACE THROUGHOUT THE BUILDING.
TOILETS, SHOWERS, RAMPS & STAIRS TO COMPLY WITH AS 1428.1.
TACTILE GROUND SURFACE INDICATORS TO BE PROVIDED IN ACCORDANCE WITH BCA & AS 1428.4.

FIRE EXITS:

PROVIDE LEVER ACTION HANDLES AND COMPLYING LATCHES TO REQUIRED FIRE EXIT DOORS AND DOORS IN PATH OF TRAVEL, ALL TO COMPLY WITH BCA CLAUSE D2.21.

FIRE EXTINGUISHERS:

PROVIDE FIRE EXTIGUISHERS TO COMPLY WITH BCA CLAUSE E1.6, TABLE E1.6 AND AS 2444.

EMERGENCY LIGHTING:

INSTALLATION OF EMERGENCY LIGHTING AND EXIT LIGHTING TO COMPLY WITH AS/NZS 2293.1
EMERGENCY LIGHTING TO BE INSTALLED IN ALL PATHS OF TRAVEL AND AS REQUIRED BY BCA CLAUSE E4.2. EMERGENCY LIGHTING TO BE PROVIDED IN EVERY ROOM WITH PUBLIC ACCESS. REFER ELECTRICAL ENGINEER'S DOCUMENTS.

MECHANICAL INSTALLATIONS:

INSTALL AIR-CONDITIONING, MECHANICAL VENTILATION & EXHAUST SYSTEMS TO COMPLY WITH AS 1668.2 & AS/NZS 3666.1.

WATERPROOFING WET-AREAS:

WATERPROOF WET-AREAS INCLUDING FLOORS, WALLS, JUNCTIONS & PENETRATIONS TO AS 3740. TYPICALLY ALLOW FOR FLOOR SETDOWN TO ACHIEVE REQUIRED FALLS TO FLOOR WASTES. ALL FLOOR WASTES SHALL BE APPROVED 'PUDDLE-FLANGE' TYPE. (TO SUIT VINYL FLOOR INSTALLATION)

BLDG SUSTAINABILITY & ENERGY EFFICIENCY:

COMPLY WITH BCA PART-J FOR CLASS-2 TO CLASS-9 BLDGS.
COMPLY WITH QLD DEVELOPMENT CODE SECTION MP4.1.
PROVIDE ROOF & WALL INSULATION TO COMPLY WITH THE ABOVE.
PROVIDE WALL & WINDOW SHADING (OVERHANGS, AWNINGS & SCREENS) AS SHOWN ON DWGS.

TERMITE MANAGEMENT SYSTEM:

PROVIDE TERMITE MANAGEMENT SYSTEM (OR SYSTEMS) TO COMPLY WITH BCA REQUIREMENTS. ALL SUPPLIERS AND INSTALLERS WILL BE REQUIRED TO PROVIDE WRITTEN CERTIFICATION FOR COMPLIANCE WITH THE ABOVE REQUIREMENTS.

COMPLIANCE:

BUILDING TO COMPLY WITH BCA AND ALL RELEVANT CODES (INCLUDING DISABLED ACCESS CODE AS 1428.1.)
COMPLY WITH QUEENSLAND DEVELOPMENT CODE, INCLUDING BUT NOT LIMITED TO:
MP 4.3 - ALTERNATIVE WATER SOURCES - COMMERCIAL BUILDINGS
MP 5.1 - WORKPLACES
MP 5.4 - CHILD CARE CENTRES
COMPLY WITH ANY LOCAL COUNCIL REQUIREMENTS AND TRANSPORT REGULATIONS.

DRAWINGS TO BE READ IN CONJUNCTION WITH ARCH. SPECIFICATION AND ROOM DATA SHEETS.

SITE ANALYSIS:

SITE AREA (proposed boundary to follow existing fenceline)	7150.8 sq.m
BUILDING AREA (Incl. decking, ramps, entry walkway & stairs) (Excl. solid shade structures & storage sheds)	805.0 sq.m
SOLID SHADE STRUCTURE AREA	67.5 sq.m
STORAGE SHED AREA (combined)	21.0 sq.m
SITE COVER (area under impervious roof) (Incl. ext'l covered play area's, entry & breezeway, solid shade structures & storage sheds) (Excl. ramps, walkway, stairs & eaves overhang)	10.77 % (770.06 / 7150.8 x 100)
No. OF STOREYS	1
MAX. HEIGHT ABOVE NATURAL GROUND (add nom. 600mm for alternative breezeway roof detail)	5.5 m approx.
No. OF ON-SITE CARPARKING SPACES	0

SITE FROM CHAPMAN STREET LOOKING TO NORTH EAST

SITE FROM BOTTOM OF BANK AT MIDDLE OF NORTHERN BOUNDARY LOOKING TO SOUTH EAST

north

TENDER ISSUE
NOT FOR CONSTRUCTION

Do not scale from this drawing
Use only dimensions provided
Verify all dimensions on site

AMENDMENTS

ISSUE	DESCRIPTION	DATE
A	ISSUED FOR TENDER	22.11.11
B	ISSUED FOR TENDER	25.11.11

LEGEND:

H	IN-GROUND HYDRANT
PP	POWER POLE
MH	SEWER MAN HOLE
TEL	TELSTRA PIT
WM	WATER METER

-10m -5 0 5 10m
SCALE 1:250 @ A1, 1:500 @ A3

CLIENT
THINC PROJECTS

PROJECT
REMOTE CRECHES-
BADU ISLAND

LOCATION
CHAPMAN STREET,
BADU ISLAND

DRAWN	TT
CHECKED	
SCALE	AS SHOWN

KEN TIPPETT & ARTHUR SCHROCK ARCHITECTS PTY.LTD.
A.C.N. 010 750 759

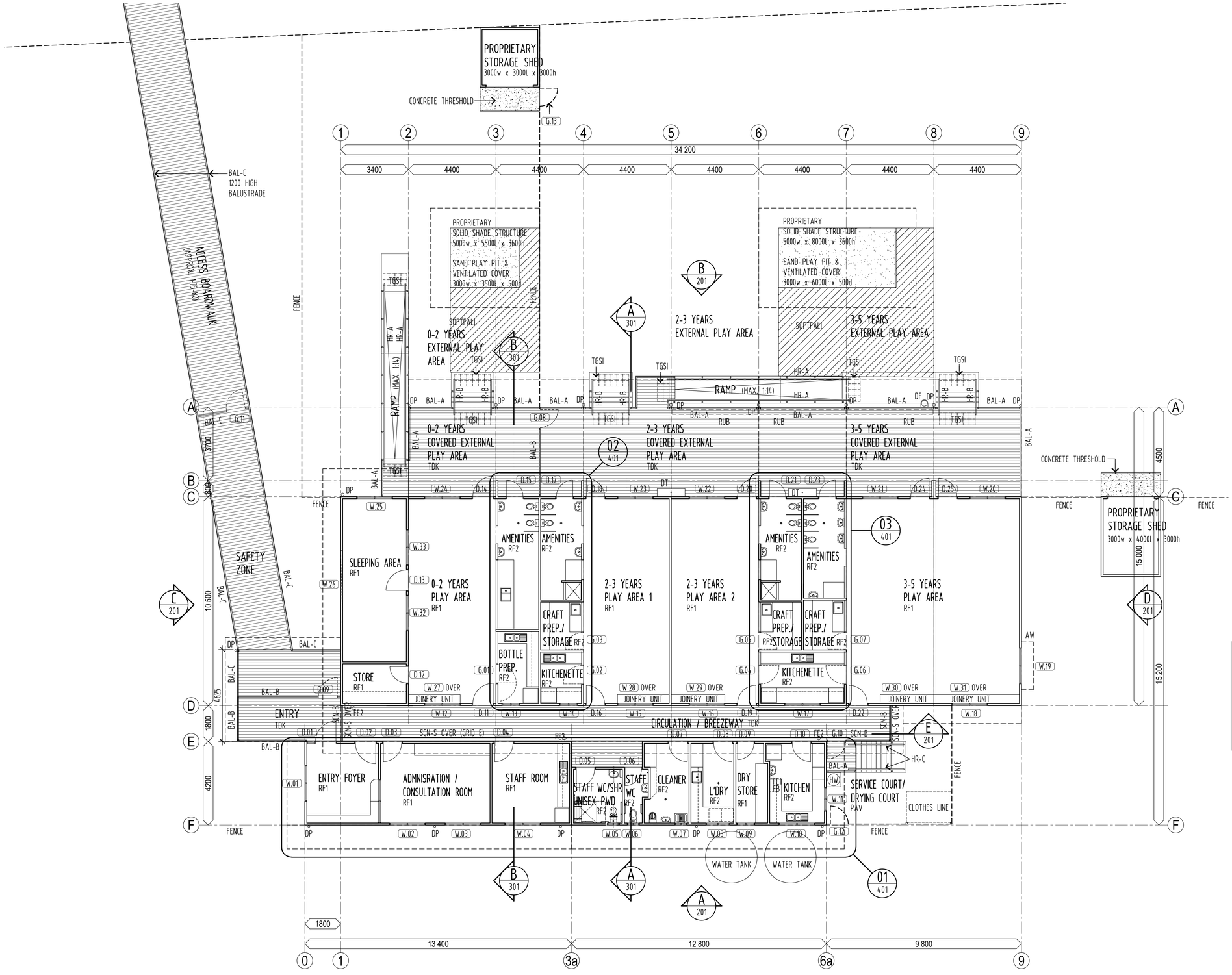
BELROWES PLACE, 49 BUNDOCK ST
BELGIAN GARDENS
P.O. BOX 76, BELGIAN GARDENS
Qld. 4810

TELEPHONE (07) 47 723044
FACSIMILE (07) 47 723538
E-MAIL tsa@TSArch.com.au

tippett schrock architects

SHEET TITLE
LOCATION /
SITE PLAN

DRAWING NO.
THI1101_BAD_WD-001 B



01 FLOOR PLAN
SCALE 1:100 @A1, 1:200 @A3

ALL WALL, FLOOR AND ROOF CONSTRUCTION TO BE CONFIRMED WITH SELECTED MANUFACTURER AND STRUCTURAL ENGINEER.
ALL DIMENSIONS SHOWN ARE NOMINAL ONLY AND MUST BE CONFIRMED PRIOR TO CONSTRUCTION.

NOTE:

BUILDING TO COMPLY WITH BCA AND ALL RELEVANT CODES (INCLUDING DISABLED ACCESS CODE AS 1428.1)
COMPLY ALSO WITH QUEENSLAND DEVELOPMENT CODE AND ANY LOCAL COUNCIL REQUIREMENTS AND TRANSPORT REGULATIONS.

BUILDING FABRIC (WALLS, ROOF & FLOOR) TO COMPLY WITH BCA SECTION J - ENERGY EFFICIENCY REQUIREMENTS.

REFER TO WD-001 FOR TYPICAL NOTES.

north

TENDER ISSUE
NOT FOR CONSTRUCTION

Do not scale from this drawing
Use only dimensions provided
Verify all dimensions on site

AMENDMENTS

ISSUE	DESCRIPTION	DATE
A	ISSUED FOR TENDER	22.11.11
B	ISSUED FOR TENDER	25.11.11

LEGEND - ROOM LAYOUT:

AW	WINDOW AWNING
BAL-A	BALUSTRADE TYPE A - 1000H.
BAL-B	BALUSTRADE TYPE B - 1500H.
BAL-C	BALUSTRADE TYPE C - 1200H.
BSN	BASIN
CPT	CARPET
CT	CERAMIC TILES
DF	DRINKING FOUNTAIN
DT	DRINKING TROUGH
FB	FIRE BLANKET
FE	FIRE EXTINGUISHER (TYPE 1 OR 2)
FW	FLOOR WASTE
HR-A	HANDRAIL TYPE A DOUBLE HANDRAIL (1000+700 H.) WITH TOE RAIL
HR-B	HANDRAIL TYPE B DOUBLE HANDRAIL (1000+700 H.)
HR-C	HANDRAIL TYPE C SINGLE HANDRAIL (1000 H.)
HW	HOT WATER UNIT
RUB	ROLL-UP BLIND, REFER SPEC.
SCN-B	SCREEN - STEEL BATTENED
SCN-S	SCREEN - SECURITY, CRIMSAFE OR EQ.
SHU	SHELVING UNIT
TDK	TIMBER DECKING
TGSI	TACTILE GROUND SURFACE INDICATOR
VS	VINYL SHEET FLOORING

-1m 0 1 2 3 4 5 6m
SCALE 1:100 @ A1, 1:200 @ A3

CLIENT
THINC PROJECTS

PROJECT
REMOTE CRECHES-
BADU ISLAND

LOCATION
CHAPMAN STREET,
BADU ISLAND

DRAWN TT
CHECKED
SCALE AS SHOWN

KEN TIPPETT & ARTHUR SCHROCK ARCHITECTS PTY.LTD.
A.C.N. 010 750 759

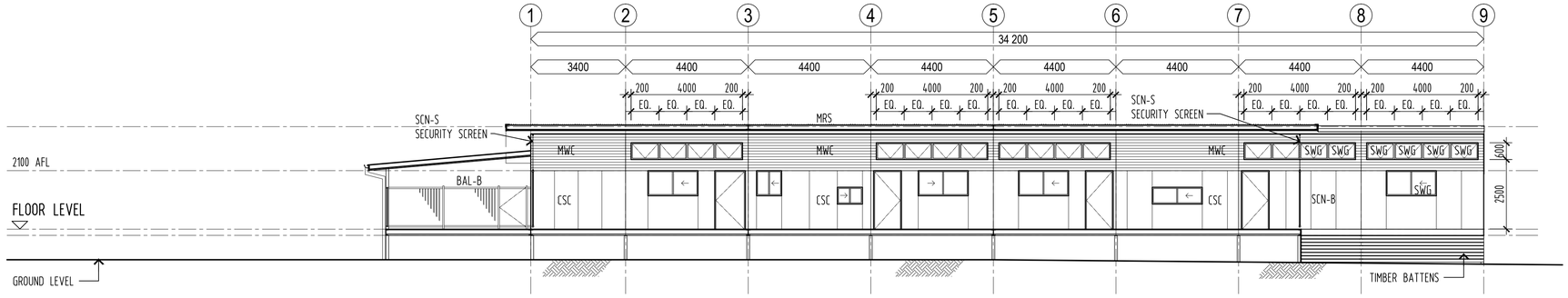
BELROWES PLACE, 49 BUNDOCK ST
BELGIAN GARDENS
P.O. BOX 76, BELGIAN GARDENS
Qld. 4810

TELEPHONE (07) 47 723044
FACSIMILE (07) 47 723538
E-MAIL tsa@TSArch.com.au

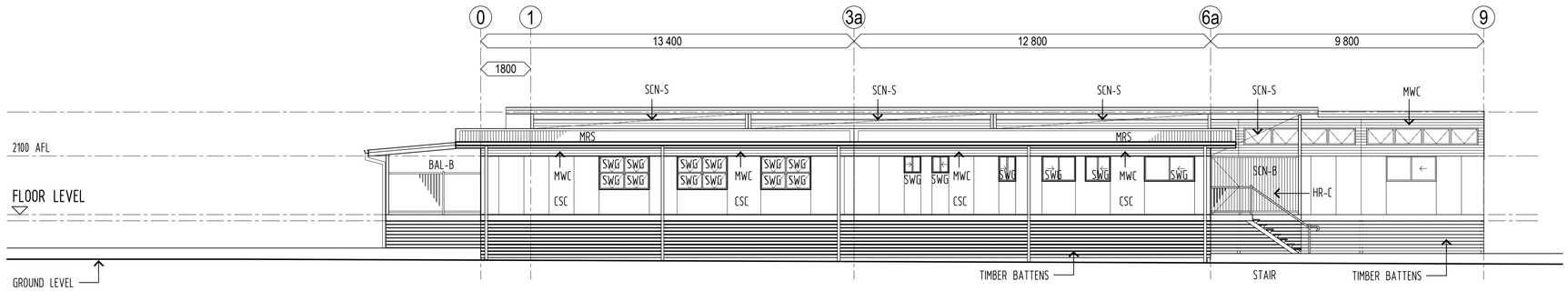
tippett schrock architects

SHEET TITLE
FLOOR PLAN

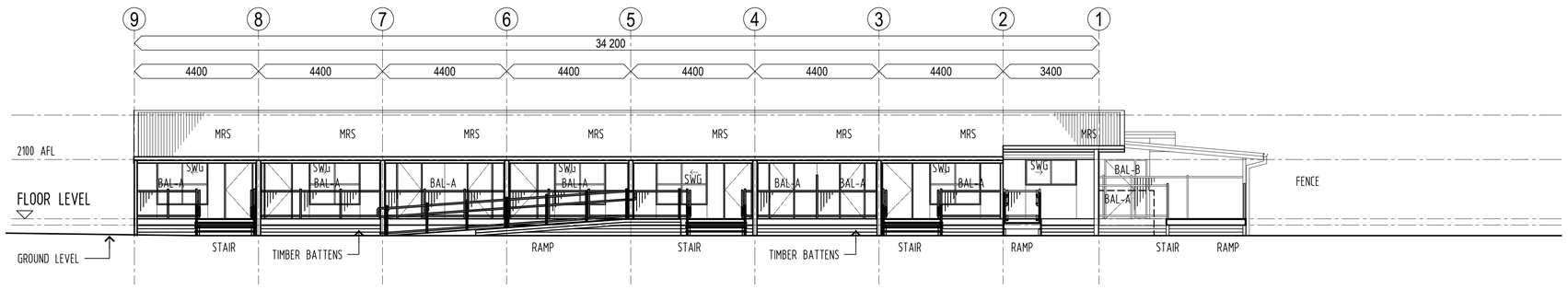
DRAWING NO
THI1101_BAD_WD-101 B



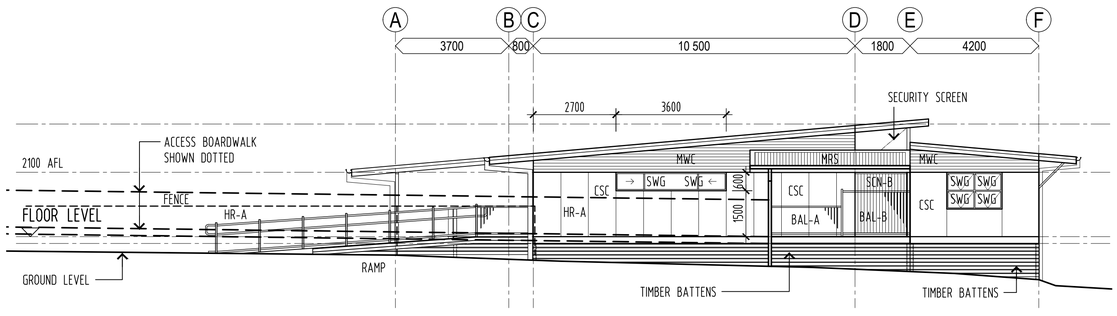
ELEVATION E
SOUTH EAST ELEVATION, THROUGH CORRIDOR
SCALE 1:100 @ A1, 1:200 @ A3



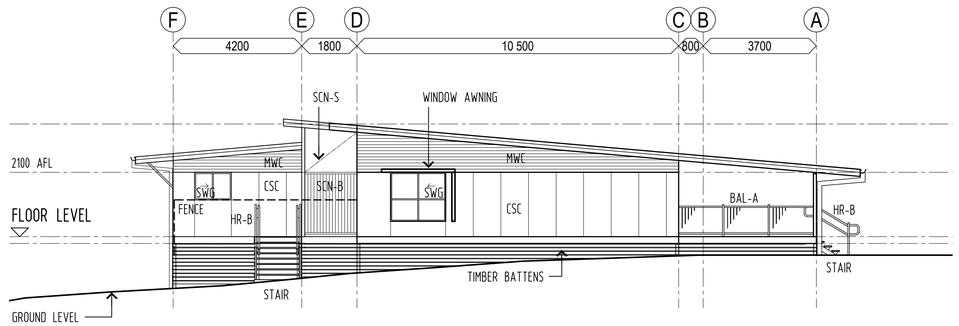
ELEVATION A
SOUTH EAST ELEVATION
SCALE 1:100 @ A1, 1:200 @ A3



ELEVATION B
NORTH WEST ELEVATION
SCALE 1:100 @ A1, 1:200 @ A3



ELEVATION C
SOUTH WEST ELEVATION
SCALE 1:100 @ A1, 1:200 @ A3



ELEVATION D
NORTH EAST ELEVATION
SCALE 1:100 @ A1, 1:200 @ A3

TENDER ISSUE
NOT FOR CONSTRUCTION

Do not scale from this drawing
Use only dimensions provided
Verify all dimensions on site

AMENDMENTS

ISSUE	DESCRIPTION	DATE
A	ISSUED FOR TENDER	22.11.11
B	ISSUED FOR TENDER	25.11.11

LEGEND:

BAL-A	BALUSTRADE TYPE A - 1000H.
BAL-B	BALUSTRADE TYPE B - 1500H.
CSC	COMPRESSED FIBRE CEMENT CLADDING
HR-A	HANDRAIL TYPE A DOUBLE HANDRAIL (1000+700 H.) WITH TOE RAIL
HR-B	HANDRAIL TYPE B DOUBLE HANDRAIL (1000+700 H.)
HR-C	HANDRAIL TYPE C SINGLE HANDRAIL (1000 H.)
MRS	METAL ROOF SHEETING
MWC	METAL WALL CLADDING
SCN-B	SCREEN - STEEL BATTENED
SCN-S	SCREEN - SECURITY, CRIMSAFE OR EQ.
SWG	SECURITY WINDOW GRILLE

-1m 0 1 2 3 4 5 6m
SCALE 1:100 @ A1, 1:200 @ A3

CLIENT
THINC PROJECTS

PROJECT
REMOTE CRECHES-
BADU ISLAND

LOCATION
CHAPMAN STREET,
BADU ISLAND

DRAWN	TT
CHECKED	
SCALE	AS SHOWN

KEN TIPPETT & ARTHUR SCHROCK ARCHITECTS PTY.LTD.
A.C.N. 010 750 759

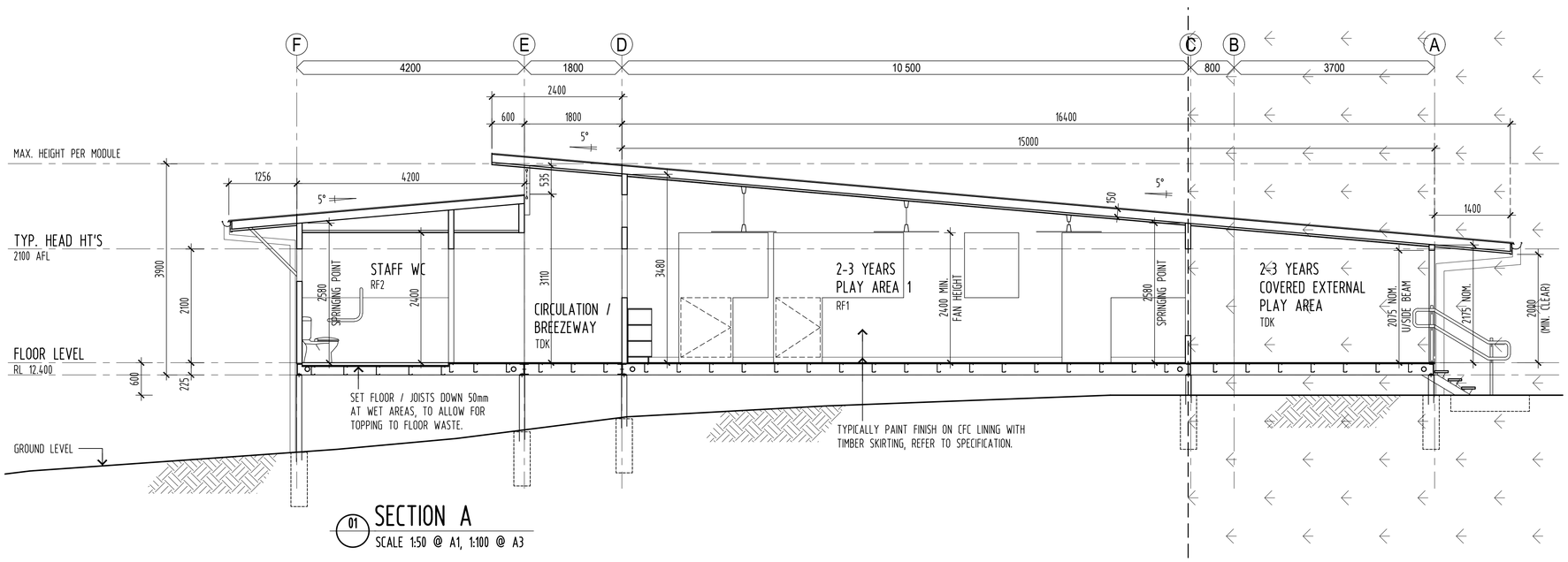
BELROWES PLACE, 49 BUNDOCK ST
BELGIAN GARDENS
P.O. BOX 76, BELGIAN GARDENS
Qld. 4810

TELEPHONE (07) 47 723044
FACSIMILE (07) 47 723538
E-MAIL tsa@TSArch.com.au

tippett schrock architects

SHEET TITLE
ELEVATIONS

DRAWING NO
THI1101_BAD_WD-201 B



01 SECTION A
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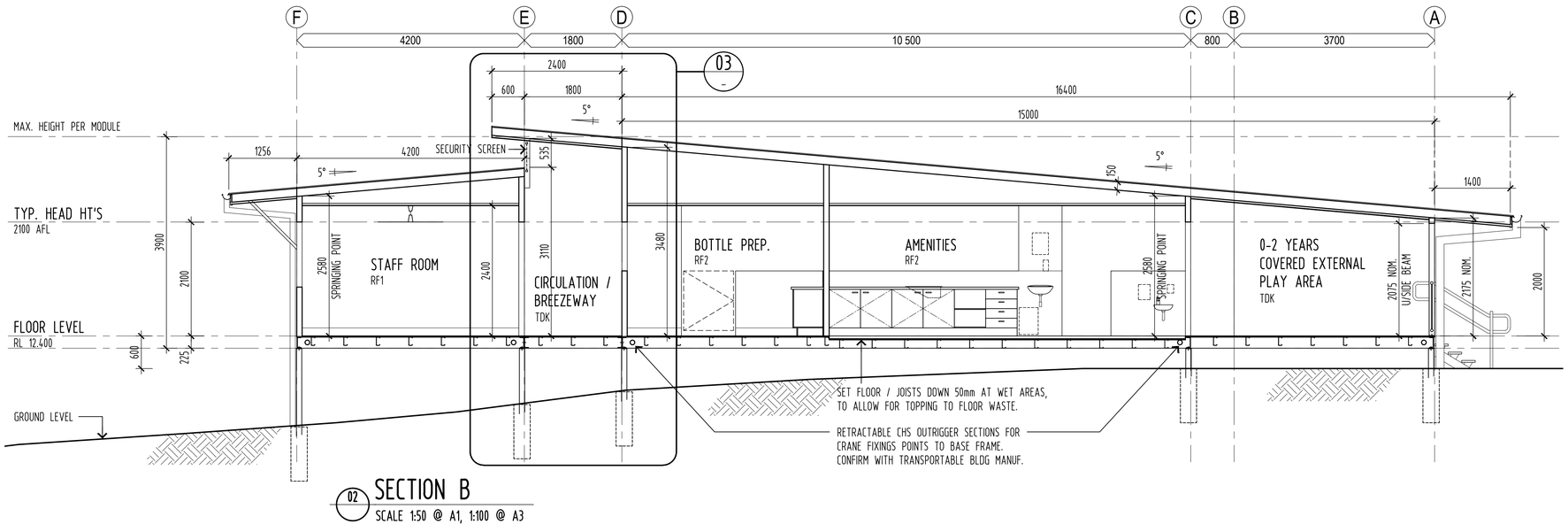

02 SECTION B
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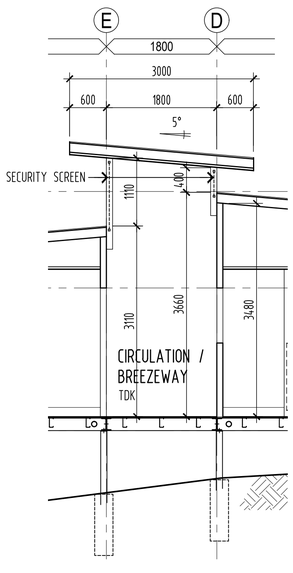

03 SECTION
ALTERNATIVE DETAIL
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TENDER ISSUE
NOT FOR CONSTRUCTION

Do not scale from this drawing
Use only dimensions provided
Verify all dimensions on site

AMENDMENTS

ISSUE	DESCRIPTION	DATE
A	ISSUED FOR TENDER	22.11.11
B	ISSUED FOR TENDER	25.11.11

ALL WALL, FLOOR AND ROOF CONSTRUCTION TO BE CONFIRMED WITH SELECTED MANUFACTURER AND STRUCTURAL ENGINEER.
ALL DIMENSIONS SHOWN ARE NOMINAL ONLY AND MUST BE CONFIRMED PRIOR TO CONSTRUCTION.

NOTE:

BUILDING TO COMPLY WITH BCA AND ALL RELEVANT CODES (INCLUDING DISABLED ACCESS CODE AS 1428.1.)
COMPLY ALSO WITH QUEENSLAND DEVELOPMENT CODE AND ANY LOCAL COUNCIL REQUIREMENTS AND TRANSPORT REGULATIONS.

BUILDING FABRIC (WALLS, ROOF & FLOOR) TO COMPLY WITH BCA SECTION J - ENERGY EFFICIENCY REQUIREMENTS.

REFER TO WD-001 FOR TYPICAL NOTES.

LEGEND:

CT	CERAMIC TILE
RF1	RESILIENT FLOORING TYPE 1
RF2	RESILIENT FLOORING TYPE 2
TDK	TIMBER DECKING

-1m 0 1 2m
SCALE 1:50 @ A1, 1:100 @ A3

CLIENT
THINC PROJECTS

PROJECT
REMOTE CRECHES-
BADU ISLAND

LOCATION
CHAPMAN STREET,
BADU ISLAND

DRAWN	TT
CHECKED	
SCALE	AS SHOWN

KEN TIPPETT & ARTHUR SCHROCK ARCHITECTS PTY.LTD.
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tippett schrock architects

SHEET TITLE
SECTIONS

DRAWING NO
THI1101_BAD_WD-301 B

TORRES STRAIT ISLAND REGIONAL COUNCIL

REPORT/DISCUSSION PAPER

ORDINARY MEETING
DATE: **25 July 2012**
ITEM:
SUBJECT: **Community Grants**
AUTHOR: **Dania Ahwang A/Chief Executive Officer**

RECOMMENDATION

For Council decision

PURPOSE

To seek Council decision on request to access Regional Budget for Community Grants funding.

BACKGROUND

Council budgeted 2012/13 Regional Community Grants funding of $50,000 (subject to approval of budget on 24 July 2012). Requests for access to this regional funding were to be assessed by full Council for decision.

OFFICER COMMENT

A request to grant access to $15,000 from the Regional Community Grants funding has been made by Cr Ron Enosa of Division 3 – Saibai Island.

This request is to cover:

- hire of musical instruments
- charters for invited music artists
- fireworks
- feasting

CONSULTATION

Executive Team

LINKS WITH STRATEGIC PLANS

The development of art and culture

STATUTORY REQUIREMENTS

N/A

FINANCE AND RISK

Capital Cost & Operating Cost
$15,000

Risk Assessment
N/A

SUSTAINABILITY

N/A

OPTIONS

1. Endorse as is
2. Endorse an alternative amount
3. Decline

CONCLUSION

For Council decision

Dania Ahwang

A/Chief Executive Officer

ATTACHMENTS: Letter of request from Cr Enosa received 12 July 2012

TORRES STRAIT ISLAND REGIONAL COUNCIL
Head Office - PO Box 501, Thursday Island Q 4875 Ph. (07) 40486200
Fax: (07) 40691868

Division 3 – Saibai Island
22 Main Road, Saibai Island Q 4875
Ph. (07) 4069 4270 Fax: (07) 4069 4245

Re: Request to grant access to Regional Budget Funds

John,

I request access to the Regional Budget Funds for the amount of $15000,00 for our upcoming Annual August 1 (Annexure) week long Celebrations here on Saibai starting on Wednesday 1st August – 8th August.

I propose to cover the following expenditure with the funds requested:

- Hire of Musical Instruments from Fernandez Music in Cairns + shipping costs
- 2 x charters from Horn to Saibai Return for invited Music artists of the Torres Strait Region
- Fireworks for the closing ceremony. (considering the process to acquire permits etc)
- $1000.00 worth of groceries from IBIS for the Community Dinner following the closing ceremony followed by traditional dance performances by local Dance Team "Moeyngu Koekaperr" & invited Dance Team from Boigu.

As the preparation time is now very narrow, I request that you consider my request urgently and on my part, better preparation timeframe is definitely in order for next years celebrations.

Your urgent attention and reply will be greatly appreciated.

Regards,

Cr Ron Enosa
Div 3- Saibai Island

BRIEF FOR INSURANCE AND RISK MANAGEMENT SERVICES

FOR

TORRES STRAIT ISLAND REGIONAL COUNCIL

TSIRC2012-03

Project Name

The provision of Insurance and Risk Management Services to Torres Strait Island Regional Council (the Council) to cover events associated with:

- Industrial Special Risk
- Motor Vehicle Insurance
- Fidelity Guarantee
- Group Personal Accident including Elected Representatives and Council volunteers.
- Associations Liability
- Marine Hull and Cargo
- Fire & Extraneous Perils
- Personal Accident
- Business Travel
- Inland Transit

Background

Torres Strait Island Regional Council is a Local Government consisting of fifteen (15) Councillors and a Mayor. The local government area consists of the former Island Councils of Badu, Boigu, Dauan, Erub, Hammond, Iama, Kubin, Mabuiag, Mer, Poruma, Saibai, St Pauls, Ugar, Warraber and York.

The amalgamation of the former Island Councils to the Torres Strait Island Regional Council was undertaken to improve service delivery, operations and management. Fundamental to improvement to operations is financial sustainability including undertaking regional planning.

At present, Aon Risk Services is providing brokerage services to the Council. This service extinguishes on 30 June 2012. The Council has extended Aon's contract by one month to 31 July 2012 – at which point the Council will enter into a new brokerage arrangement based upon this Tender.

From the Council's perspective, it is imperative that it receives an insurance and risk model that protects its interests in an effective manner, whilst at the same time providing the Council with value-for-money.

The Council is specifically looking for an innovative, flexible approach to its insurance matters which is tailored to meet its diversified nature and evolving circumstances.

A copy of the current Asset Register is provided for in Appendix A. Claim history is provided for in Appendix B.

Special Environmental Conditions

The Council is predominately grant funded and has to manage budgets within that grant funding. Singular losses from an event such as the loss of a house or other building can be quite catastrophic for the Council as rebuilding accommodation is not covered within grant funding guidelines.

Housing

The Council is looking for an Insurer to recognise the position of the Council as the major provider of accommodation in the region and strike an excess / premium to reflect his fact.

The Councils previous small claim history is also provided to give guidance on the management of this asset. Given the nature of the housing that is provided by the Council (predominately domestic), Council would be expecting an excess rate similar to that provided to domestic investors – having taking into account the number of houses and providing a discount on such.

Other Products

The successful broker may be able to identify other products that would benefit the Council based upon the brokers expert knowledge. Given this, Council would expect to see such products disclosed in a non-conforming bid.

SCOPE OF THE WORKS

The aim of the work is to minimise Council's risk within a value for money framework.

The Council is interested in undertaking a phased approach to the implementation of its relevant insurance policies.

Phase 1

At the outset the Council requires its interests protected and therefore, Phase 1 is about a base level of insurance for the Council.

Specifically, the Insurance Broker is to provide:

Insurance coverage for:

- Industrial Special Risk
- Motor Vehicle Insurance
- Fidelity Guarantee
- Group Personal Accident including Elected Representatives and Council volunteers.
- Associations Liability
- Marine Hull and Cargo
- Fire & Extraneous Perils
- Personal Accident
- Business Travel
- Inland Transit

Phase 2

It is considered that the Council is relying upon the expertise of the Broker in providing insurance services. Accordingly, the Broker can provide the Council with additional value by delivering an insurance model to underwriters which specifically details all relevant risks associated with Council works and comes to a recommendation as to whether the risk can be mitigated / insured within a value for money framework.

Phase 2 of Council's insurance framework requires the Broker to:

1) Provide Council with an indication of value for money through undertaking a risk management exercise which provides certainty to underwriters about Council operations, thereby delivering a lower fee.

An estimate of the cost of undertaking the risk management exercise is required to be provided along with possible / probable reductions in insurance premiums.

The risk management exercise is to be based upon ISO31000:2009 or other relevant standard.

It will be at Council's discretion whether Phase 2 is undertaken – depending on cost and risk.

TIMING

The Insurance identified in Phase 1 should commence on 1 August 2012.

Responses to this Brief are required by Wednesday, 4 July 2012.

Phase 2 is at the discretion of the Council and may or may not commence depending on cost and potential benefit identified.

The term for the brokerage works provided will conclude 30 June 2014, with a further extension for two (2) years at Council discretion.

GENERAL GUIDELINES

The following points should be covered or addressed in the submission:

- Ability to source the insurances required in the scope of works; and
- Ability to deliver value for money services (through lower underwriting fees) by undertaking innovative approaches to mitigating risk.

The successful Broker will be required to:

- Advise Council at the time of annual renewal of the most cost effective policy coverage, ensuring that Council's assets are adequately covered for insurance purposes and also that appropriate insurance policies are in place to protect Council's interests
- Obtain insurance coverage with a financially secure underwriter which delivers best value services to Council – rating required to be provided
- Provide prompt claims service to Council – Customer Service Policy required to be provided including claim management timeframes
- Provide Council with a written declaration at the time of each annual renewal commencing 2012/2013, advising that no commissions were earned from the placement of the relevant insurances.
- Provide Council with flexibility and an ability to amend / change coverage based upon (new) information as it comes to hand – for example significant change in asset value.
- The Broker will need to demonstrate to Council that as a minimum, every second year, the placement of Council's insurance has been based on a thorough assessment of market options. The first market assessment will be prior to placement of the 2012/2013 insurance.
  - The Broker's submission shall therefore demonstrate to Council how this market assessment will be undertaken and reported to Council. The 2012/2013 insurance shall be secured by 30

September 2012. Failure to do so will negate the successful Brokers selection.

- Provide Council with evidence of compliance with all relevant statutory legislation including the Workplace Health and Safety Act 1995, and Workplace, Health and Safety Regulations 1997.
- Have a minimum of $50,000,000.00 professional indemnity and $10,000,000.00 public liability insurance and the Contractor shall produce evidence to Council upon commencement of the Servcies and thereafter annually that such insurances are in place and current.
- Demonstrate that there is an effective certified quality assurance program in place.

REPORTING, COSTING AND BILLING

Reporting

The Executive Manager Corporate and Finance is to be the nominated contact.

In addition, the successful Broker may be required to provide verbal briefings to Councillors and Senior Management on insurance matters and any key issues.

Costing and Billing

An itemised breakdown of costs shall be provided based on the Broker's developed methodology. Any variance in costs presented for this Brief and final costs submitted shall be discussed in detail.

The Broker is required to confirm that sufficient resources are available to ensure the time constraints required by the project can be met. Specific resources to be applied to this project are to be identified.

A written statement that those people nominated in the bid shall actually be involved in the execution of the work is required. This statement shall also be supported by a table clearly identifying the nominated hours for each individual, their rates and associated cost. This is also required to be met for Phase 2 works.

Sub Consultants

A list of the proposed sub consultants (if any) for professional services shall be provided. A summary of relevant experience should accompany the proposal. The nominated personnel of each sub consultant and the type of work to be performed shall be listed.

Travel and Other Incidentals

Travel is not required to be priced for the purposes of the brokerage fee, however, it is required to be submitted to the Council with no mark-up for administration.

Other incidentals shall be paid at a daily rate negotiated between the parties. An estimation of this rate is required for analysis purposes.

Escalation (if any) of brokerage services shall be based upon the Consumer Price Index All Groups (weighted average of capital cities Table 6401.0) payable on first available figures after the June quarter as published by the Australian Bureau of Statistics.

INSURANCE AND RISK MANAGEMENT SERVICES EVALUATION

Submissions will be evaluated on the following basis:

Evaluation Criteria	*Percentage*
Relevant Experience (type of work, size of job)	30%
Technical Skills (people, systems, specific abilities/qualifications, Local Government specific)	25%
Demonstrated Understanding of Terms of Reference	10%
Management Skills (consultancy, methodology, scheduling, organisation, quality system)	10%
Price	25%

The submitted proposal shall provide information relating to the criteria, particularly the people to be involved and their experience in the type of work.

To assist in the evaluation process the Broker is urged to provide information addressing these attributes. Additionally an inability to meet items in the **Scope of Works, General Guidelines and** *Costing and Billing* will deem a return non-conforming and therefore the return will not be assessed.

Non-conforming submissions will only be reviewed if a conforming submission is supplied. Non-conforming submissions should provide Council with a clear alternative to conforming tenders and provide additional benefit to the Council.

The Council may decide not to accept any tender available to it.

PROJECT COORDINATION

Council staff will be made available to aid the Broker.

The project shall be managed by Mr Anthony Bird, Executive Manager Corporate and Finance.

Correspondence should be directed to:

Torres Strait Island Regional Council
Chief Executive Officer
PO Box 501
Thursday Island Q 4875

Telephone enquiries:
Mr Kevin Wheeler – (w) 07 4047 5207
Mr Anthony Bird – (w) 07 4034 5702

Council Asset Register

Asset Class	**Insurance Value**
Plant & Equipment	28,176,800
Buildings (Community)	516,985,000
Buildings (Corporate)	108,706,100
Flood Mitigation Network	5,110,000
Recreation Facilities	11,206,000
Roads/Transport Network	189,778,500
Sewerage Network	115,360,000
Stormwater Drainage Network	10,570,000
Water Supply Network	108,250,000
Wharves/Piers/Jetties/Pontoons	21,929,000
	1,116,071,400

QBE Insurance (Australia) Ltd - Claims Experience Report

Policy Number AQ IND0004 MVA
Insured TORRES STRAIT ISLAND REGIONAL COUNCIL
Expiry Date 30/06/2012

Term Incept	Term Expiry	Occurrence Date	Claim Number	Description	Status	Balance O/S	Paid	Incurred
30/06/2008	*30/07/2008*							
30/07/2008	*30/06/2009*							
30/07/2008	30/06/2009	18/05/2009	02 0109629	I/V DAMAGE WHILST BEING LOADED ONTO BARGE	CLOSED	0	3,922.65	3,922.65
30/06/2009	*30/06/2010*							
30/06/2009	30/06/2010	01/07/2009	02 0113991	COLLISION WITH TP	CLOSED	0	9,081.21	9,081.21
30/06/2009	30/06/2010	01/12/2009	02 0116117	275032 - WATER IN FEUL TANK	CLOSED	0	7,459.33	7,459.33
30/06/2009	30/06/2010	18/01/2010	02 0122623	277HYD - WINDSCREENS SMASHED/VEHICLE DAMAGED	CLOSED	0	5,231.51	5,231.51
30/06/2010	*30/06/2011*							
30/06/2010	30/06/2011	15/10/2010	AQ 0000629	551JDI-WATER/CONTAMINT IN FUEL TANK	CLOSED	0	7,293.87	7,293.87
30/06/2010	30/06/2011	25/01/2011	AQ 0001178	INSD IMPACTED IN SIDE BY REVERSING T/P	ACTIVE	1	6,602.97	6,603.97
30/06/2010	30/06/2011	24/05/2011	AQ 0002795	INSD VEERED INTO BAMBOO THICKETS	CLOSED	0	11,175.44	11,175.44
30/06/2011	*30/06/2012*							
30/06/2011	30/06/2012	16/08/2011	AQ 0003564	262LXE - INS VEH ROLLED WHILE ATTEMPTING	CLOSED	0	0.00	0.00
30/06/2011	30/06/2012	06/05/2012	AQ 0005243	228MXP - SINGLE VEH LOST CONTROL HIT BOU	ACTIVE	10,000	0.00	10,000.00

c:\temp\Q-Pix\Claims Experience\AQ IND0004 MVA.2012.06.13.xls

Page 1 of 1

QBE Insurance (Australia) Ltd - Claims Experience Report

Policy Number AQ IND0002 ISR
Insured TORRES STRAIT ISLAND REGIONAL COUNCIL
Expiry Date 30/06/2012

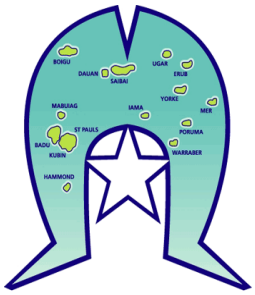
Term Incept	Term Expiry	Occurrence Date	Claim Number	Description	Status	Balance O/S	Paid	Incurred
30/06/2008	*30/07/2008*							
30/06/2008	30/07/2008	18/07/2008	03 0029232	VANDALISM TO AIRPORT PREMISES	CLOSED	0	0.00	0.00
30/07/2008	*30/06/2009*							
30/06/2009	*30/06/2010*							
30/06/2009	30/06/2010	01/03/2010	02 0115769	NHC COMMUNICATION TOWER BLOWN OVER	CLOSED	0	5,622.99	5,622.99
30/06/2009	30/06/2010	03/06/2010	02 0118026	FIRE DAMAGE TO DEMOUNTABLE RESIDENCE	CLOSED	0	66,499.18	66,499.18
30/06/2010	*30/06/2011*							
30/06/2010	30/06/2011	07/01/2011	AQ 0001082	NHC: LIGHTNING DAMAGED COMMUNICATION NETWORK	CLOSED	0	3,030.68	3,030.68
30/06/2011	*30/06/2012*							

c:\temp\Q-Pix\Claims Experience\AQ IND0002 ISR.2012.06.13.xls

Page 1 of 1

AECgroup

Public Benefit Assessment of Reform Options for the Building Services Unit



Torres Strait Island
REGIONAL COUNCIL

Final Report

April 2012

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Document Control

Job ID:	44156
Job Name:	Public Benefit Assessment of Reform Options for the Torres Strait Island Regional Council Building Services Unit
Project Director:	Gavin O'Donovan
Project Manager:	Gavin O'Donovan
Company:	Torres Strait Island Regional Council
Job Contact:	Anthony Bird
Document Name:	TSIRC BSU PBA Final Report 12Apr12.docx
Last Saved:	12/4/2012 4:43 PM

Version	Date	Reviewed PM	Approved PD
Version 1.0	15/06/2010	RMc	GO
Draft Report 1.0	15/08/2010	RMc	GO
Draft Report	16/08/2010	RMc	GO
Final Draft Report	30/09/2010	GO	GO
Final Report	12/04/2012	GO	GO

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Executive Summary

Background

AEC Group was commissioned by Torres Strait Island Regional Council (TSIRC) to undertake a strategic review of structural reform options to its Building Services Unit (BSU) in accordance with National Competition Policy (NCP) principles. The objective of applying such reforms is to enhance management and performance of the business and maximise the benefits of such activities to the Torres Strait Island community.

A Public Benefit Assessment (PBA) was required to review the appropriateness of adopting one of the following business models:

1. The business remains a local government service and applies Full Cost Pricing (FCP) reforms to ensure appropriate cost recovery occurs in setting prices.
2. The business becomes a Commercialised Business Unit (CBU) of TSIRC with a separate General Manager responsible for business operations.
3. The business becomes a Council-Owned Corporatised Entity, which is a separate entity from TSRIC with a Board of Directors governing its activities.

Table E.1: Characteristics of Each Reform Option

Model	Implications
Full Cost Pricing	• Minimum reform level that would be adopted by a significant business activity • Waste activities being provided by a program or section within the local government's organisational structure (as per roads, parks, etc.) • Costing/pricing on comparable basis to private sector (aware of actual cost of service provision) • Commercial return on investment targeted • Some minor compliance costs
Commercialised Business Unit	• A CBU (not a separate legal entity) is created by the local government to manage the business, with a dedicated business unit manager employed • CBU has increased managerial autonomy for day-to-day operations • CBU may have a greater ability to source inputs from outside of the local government, subject to the framework adopted • CBU features its own business and operating plan • CBU has more of a commercial orientation than under the full cost pricing reform option, and is subject to separate performance reporting (financial and non-financial) • Commercial return on investment targeted
Corporate Entity	• A separate corporate and legal entity is created by the local government to manage the business, with the local government acting as sole shareholder • A Board of Directors (with independent commercial skills) is appointed, responsible for policy formulation and governance of the Corporate Entity • The local government retains ownership and ultimate control of the Corporate Entity via its shareholder role, and sets strategic direction and performance expectations of the Board through an annual Statement of Corporate Intent (that includes such targets as an agreed rate of return, dividend levels, tax equivalent payments, non-financial key performance indicators/objectives, etc.) • The Corporate Entity is subject to robust performance monitoring • The Corporate Entity must report publicly on its annual performance • The Corporate Entity features a greater business focus than under the Full Cost Pricing and Commercialised Business Unit reform options • Prices are set in accordance with commercial cost recovery, including a commercial return on assets employed in the Corporate Entity (as per FCP price setting) • Compliance costs will exceed those incurred under the FCP and CBU model • Some functions are not subject to the same regulations that are applicable to Commercialised Business Units (for example, *the Freedom of Information Act*)

Outcomes of the Assessment

Based on financial forecasts for the business, there appears to be strong potential for TSIRC to earn decent commercial returns from BSU should it be able to recoup all direct and indirect costs in addition to a commercial cost margin and current funding arrangements continue. Under current arrangements, funding does not appear to recover all overheads associated with operating the business, nor does it cover an appropriate commercial cost margin.

An overview of the quantum of the financial impacts under each reform option is reported below, with the assessment showing that, relative to the business as usual case, the following net present financial benefits are calculated:

- $56.5 million under the Corporate Entity option;
- $50.6 million under the CBU option; and
- $48.0 million under the FCP option.

Table E.2: Financial Benefits and Costs of Each Reform Option

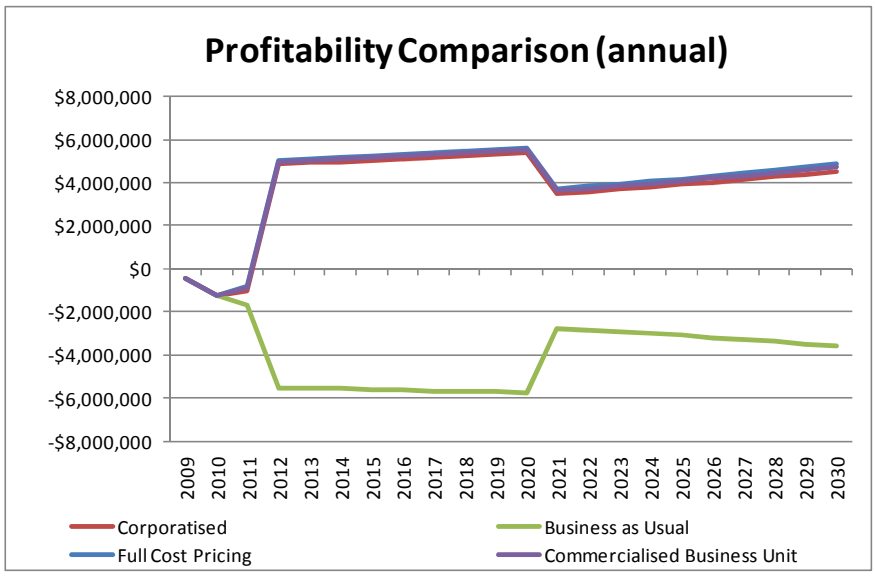
Category	Corporate Entity	CBU	FCP
Benefits			
Cumulative Labour Efficiency Savings	$8,038,947	$1,995,075	$0
Cumulative Materials Efficiency Savings	$4,504,867	$2,247,338	$0
Additional Administration Charges Recouped	$10,400,986	$10,403,001	$10,405,010
Earnings Before Interest, Tax & Depreciation	$35,957,048	$37,094,682	$37,913,132
Total Benefits	*$58,901,849*	*$51,740,096*	*$48,318,142*
Costs			
Establishment Costs	$200,000	$100,000	$50,000
Additional Ongoing Governance & Administration Costs	$2,153,347	$1,076,674	$269,168
Total Costs	*$2,353,347*	*$1,176,674*	*$319,168*
Net Present Value of Benefits/(Costs)	**$56,548,501**	**$50,563,422**	**$47,998,973**

Source: AEC Group

Obviously, given the recognition of all direct and indirect costs in undertaking works, TSIRC's apparent historic subsidisation of BSU will be removed under all reform options. From the above financial impact assessment, even after accounting for entity establishment and anticipated additional ongoing operating costs, moving to a Corporate Entity structure appears to deliver the most significantly improved outcome for BSU, TSIRC and the local community. Productivity improvements are likely to result from the adoption of a more commercial focus by the business, which should result to additional housing and other activity within a given budget constraint.

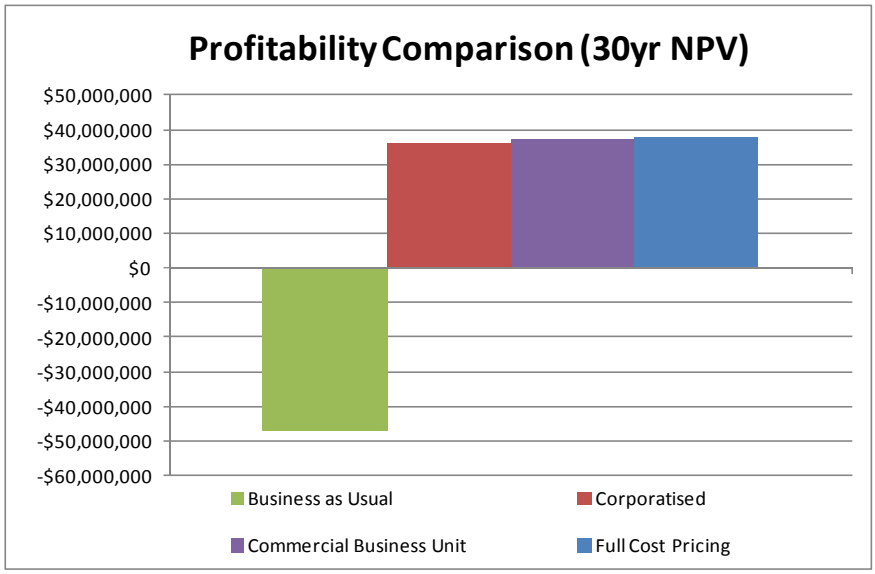
An alternate approach to valuing the relative benefit of a corporate structure would be to assume that the percentage revenue shortfall achieved in 2009/10 (14.1%) was carried forward into future years. The net present loss associated with business as usual under this assumption is $47.0 million. The greater the extent of works undertaken, the greater the loss (or subsidy) incurred by TSIRC. By comparison, the net present profits (before interest and depreciation) earned under the reform options are estimated to be of the order of $36 million to $38 million over the same period.

Figure E.1: Comparison of Annual Profitability



Source: AEC Group

Figure E.2: Comparison of NPV Profitability



Source: AEC Group

While it would appear that the FCP option produces the greatest profitability outcome for BSU, the lack of cost efficiencies means that this will occur at the expense of the number of houses able to be constructed within a given budget. In addition, it does not take into consideration the potential impact on the competitiveness of BSU moving forward if cost efficiencies are not realised.

The number of houses able to be constructed and upgraded in the first 10 years of the model is estimated at:

- 353 and 535, respectively, under the Corporate Entity option;
- 343 and 521, respectively, under the CBU option;
- 334 and 507, respectively, under the FCP option.

A comprehensive qualitative assessment also confirms net benefits are likely under all reform options, with the Corporate Entity model likely to produce the greater net benefits for the local community.

Recommendation

The PBA shows that when comparing the net community benefit of the available reform options, the adoption of the **Council Owned Corporate Entity reform option** appears to provide the greatest net community benefit when compared to the Full Cost Pricing (FCP) and Commercialised Business Unit (CBU) reform options.

It is therefore recommended that Torres Strait Island Regional Council adopt the Council Owned Corporate Entity reform option for the Building Services Unit (BSU) moving forward, subject to further evaluation of the establishment and ongoing operating costs likely to be incurred in addition to the appetite for BSU's customers for such a structure (and associated pricing implications).

Features of BSU that may align with corporatisation include:

- It could be argued that providing a building service, largely for external customers, is not really core business for TSIRC given that it consumes financial, administrative and management resources which could be reallocated to other services;
- BSU already operates on a 'contract' service model delivering new building and maintenance services to a variety of internal TSIRC service delivery managers, QBuild and other clients;
- BSU has only one permanent employee with the majority of staff on contract or CDEP, and therefore transition to a corporatised model would involve minimal human resource issues as staffing is already on a different model to TSIRC's mainstream operations;
- There is little competition for building services in island communities at present and corporatisation, including the necessary step of full cost pricing, will ensure a fair and competitive market environment (but may also increase the risk to the corporatised entity from reduced 'sales'); and
- To the extent that TSIRC's current cost recognition for BSU activities are inadequate, TSIRC may be providing a subsidy on projects and to clients in addition to assuming risk for project over-runs and delivery times, and the creation of a separate entity would remove this risk (although in the face of rising prices, funding allocations for housing and other building works may buy less).

Risks

The biggest risks for TSIRC from adopting the Corporate Entity model include:

- Funding agencies not agreeing to the inclusion of a commercial profit margin on works undertaken by the business unit (although it is possible that the level of the margin could potentially be negotiated with the relevant agencies if necessary);
- Loss of 'first right of refusal' should funding agencies decide to test the competitiveness of the marketplace, given the fact that BSU is almost entirely reliant on external funding sources;
- The potential need to ensure price and service competitiveness for continued access to funding programs;
- The ability to source necessary skilled resources to undertake the required works, and retain existing resources (noting that the business is currently reliant on contractors and one or two key personnel);
- Retention of an appropriately skilled General Manager/CEO and Board of Directors at an affordable cost; and
- Whether grant funds can only be paid to TSIRC rather than the Corporate Entity and, if so, whether there are any issues with a direct pass-through to the Corporate Entity from TSIRC.

It will be important for BSU to have in place flexible recruitment/contracts to cope with potential significant fluctuations in activity from period to period, and to mitigate any risks associated with the potential loss of funding.

Another potential business risk is the need for employees to move to the Federal industrial relations regime under a corporatised structure. Given the number of staff members directly employed by Council (one), this risk is considered minimal but unions may still act against the application of corporatisation reforms.

Timeline for Reform Adoption

If TSIRC wished to proceed with corporatisation, it would be desirable for BSU to commence operations in a corporate form from 1 December 2012 although if this is not possible then the timeframe should be no later than 1 July 2013. TSIRC will need sufficient time to prepare its administrative, financial and governance arrangements to accommodate the reforms, as well as develop an organisational structure for the business and fill any vacant positions (including the Board of Directors).

TSIRC may wish to undertake consultation with key stakeholders regarding the outcomes of this PBA, as well as obtain formal confirmation from funding agencies that the adoption of a corporatised model will not result in a reduction in funding received for works to be undertaken by the business.

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1. Background to the Project

1.1 Background

Torres Strait Island Regional Council (TSIRC) was formed as a result of local government reforms and the amalgamation of the former Island Councils of Badu, Boigu, Dauan, Erub, Hammond, Iama, Kubin, Mabuiag, Mer, Poruma, Saibai, St Pauls, Ugar, Warraber and York. A key goal of local government reform was to improve service delivery, operations and management, with an appropriate and efficient organisational structure fundamental to ensuring good governance and long-term financial sustainability moving forward.

One of the identified significant commercial business activities undertaken by TSIRC is the Building Services Unit (BSU), which undertakes housing construction projects on the Torres Strait Islands (funded by capital grant funds from Aboriginal and Torres Strait Island Housing (ATSIH)), repair and maintenance programs for TSIRC-owned housing (funded by Qbuild), and TSIRC construction programs.

BSU features approximately 80 staff, most of which are employed under the Community Development Employment Projects (CDEP) program, in addition to engaging approximately 20 external trade contractors. Labour is a mix of qualified tradespersons on contract and local qualified and unqualified persons. A contracted Building Manager manages all capital works undertaken.

TSIRC identified that there is currently no objectives statement for BSU detailing its key operational objectives. As such, the objectives and role of the BSU currently appear to be blurred across the functions of asset owner, tenancy manager, CDEP employer and builder (its core function). Further, no key performance indicators were identified by which TSIRC is able to assess BSU's performance.

AEC Group was commissioned by TSIRC to undertake a strategic review of structural reform options for BSU, with the aim of enhancing management and performance of the business.

1.2 Public Benefit Assessment

TSIRC has a number of responsibilities in the investigation and application of competition policy and structural reforms to its identified financially significant business activities. An expenditure threshold exists to determine whether a local government business is 'financially significant' for the purposes of undertaking a Public Benefit Assessment of the net impacts on the community from the adoption of a number of structural reform options.

The expenditure threshold for new 'Type 2' significant business activities (other than water and sewerage activities) was $7.9 million for the 2008/09 financial year and $8.35 million for the 2009/10 financial year. While it is difficult to separate financial information specifically related to the BSU function (i.e. construction and maintenance on a contractor model), it appears that it exceeded this threshold (with estimated expenditure of $9.3 million in 2008/09 and $10.2 million in 2009/10).

Competition reforms intend to make the true costs and performance levels of local governments business activities more transparent and accountable, therefore facilitating better decisions by local government Councillors, Chief Executive Officers and Managers (additional detail on the NCP requirements of local governments is provided in Appendix A).

This assessment is undertaken in accordance with the requirements of the *Local Government Act 2009*.

Under NCP, there is a hierarchy of reform options for significant business activities:

1. The business remains a local government service, but applies Full Cost Pricing (FCP) reforms;
2. The business becomes a Commercialised Business Unit (CBU); and
3. The business becomes a Council-Owned Corporatised Entity.

A brief description of each of the three reform options is reported in the following table.

Table 1.1: Structural Reform Options for Significant Business Activities – Key Differences

Reform Option	Implications
Full Cost Pricing (FCP)	• Minimum reform level that would be adopted by a significant business activity • Waste activities being provided by a program or section within the local government's organisational structure (as per roads, parks, etc.) • Costing/pricing on comparable basis to private sector (aware of actual cost of service provision) • Commercial return on investment targeted • Some minor compliance costs
Commercialised Business Unit (CBU)	• A CBU (not a separate legal entity) is created by the local government to manage the business, with a dedicated business unit manager employed • CBU has increased managerial autonomy for day-to-day operations • CBU may have a greater ability to source inputs from outside of the local government, subject to the framework adopted • CBU features its own business and operating plan • CBU has more of a commercial orientation than under the full cost pricing reform option, and is subject to separate performance reporting (financial and non-financial) • Commercial return on investment targeted
Corporate Entity	• A separate corporate and legal entity is created by the local government to manage the business, with the local government acting as sole shareholder • A Board of Directors (with independent commercial skills) is appointed, responsible for policy formulation and governance of the corporate entity • The local government retains ownership and ultimate control of the corporate entity via its shareholder role, and sets strategic direction and performance expectations of the Board through an annual Statement of Corporate Intent (that includes such targets as an agreed rate of return, dividend levels, tax equivalent payments, non-financial key performance indicators/objectives, etc.) • The corporate entity is subject to robust performance monitoring • The corporate entity must report publicly on its annual performance • The corporate entity features a greater business focus than under the Full Cost Pricing and Commercialised Business Unit reform options • Prices are set in accordance with commercial cost recovery, including a commercial return on assets employed in the corporate entity (as per FCP price setting) • Compliance costs will exceed those incurred under the FCP and CBU model • Some functions are not subject to the same regulations that are applicable to Commercialised Business Units (for example, *the Freedom of Information Act*)

Source: AEC*group*

It is important to note that all reform options involve setting prices to recover the same costs that would be incurred by a private sector entity, incorporating:

- Direct and indirect costs (e.g. wages, superannuation, materials, contractors, consumables);
- Administration and management costs;
- Return of capital/depreciation;
- Return on capital invested by the local government (e.g. resources, infrastructure, land, buildings, plant/equipment);
- Incorporation of tax equivalents such as general rates, land tax, payroll tax, FBT and taxes on business profits; and
- Adjustments for other advantages and disadvantages of public sector ownership.

Under all reform options, non-commercial activities undertaken by the business at the direction of the local government also need to be funded through Community Service Obligation (CSO) payments if a commercial charge is unable to be levied to cover the cost of the activities.

1.3 Scope of the Assessment

This report assesses the appropriateness of implementing structural reforms to BSU, aimed at placing the business on par with corporations in the private sector and establishing a focus on performance and efficiency. This report evaluates the likely costs and benefits to all community stakeholders of moving BSU from its current operating

environment (the base case, as a TSIRC service with no reform) to a situation where it operates under FCP principles, as a CBU, or as a Corporate Entity. Reform options should only be implemented if it can be established that the benefits of implementing the reforms outweigh the costs to the community as a whole.

The PBA process is outlined in more detail in Appendix B.

1.4 Limitations of the Assessment

Given limited detailed financial and other information relating to BSU's operations, the financial analysis undertaken in the report is based on forecasts derived using a variety of assumptions regarding business activity levels, revenues and costs.

The final assessment has been undertaken using 2008/09 and 2009/10 financial information. No update for 2010/11 actual and 2011/12 budget financial information has been undertaken on the assumption that the business is currently operating in the same manner and at the same level as it did when the draft assessment was undertaken.

2. Existing Structure and Operations

2.1 Core Operational Functions

The core functions undertaken by BSU are to:

- Deliver housing construction projects on the Torres Strait Islands;
- Deliver repair and maintenance programs to TSIRC-owned housing; and
- Deliver TSIRC construction projects.

TSIRC receives capital grant funds from ATSIH to construct community houses throughout the Torres Strait, with a mix of subcontractors and CDEP employees used to construct housing in line with grant guidelines. Upon completion, houses are recognised as TSIRC assets and are subsequently rented to community members with TSIRC collecting rental income from tenants. TSIRC carries out repairs and maintenance approved by QBuild and invoices QBuild for the cost of repairs and maintenance.

2.2 Service Area

The area in which BSU has managed housing programs included a population of 5,500 persons across 15 islands in 2008 (when local government amalgamations took place), as outlined in the following table. The communities are all relatively small, ranging from 1,021 persons at Badu to 95 persons at Ugar. The population in all communities is overwhelmingly of Torres Strait Islander ethnicity.

Table 2.1: Estimated Population of TSIRC Communities

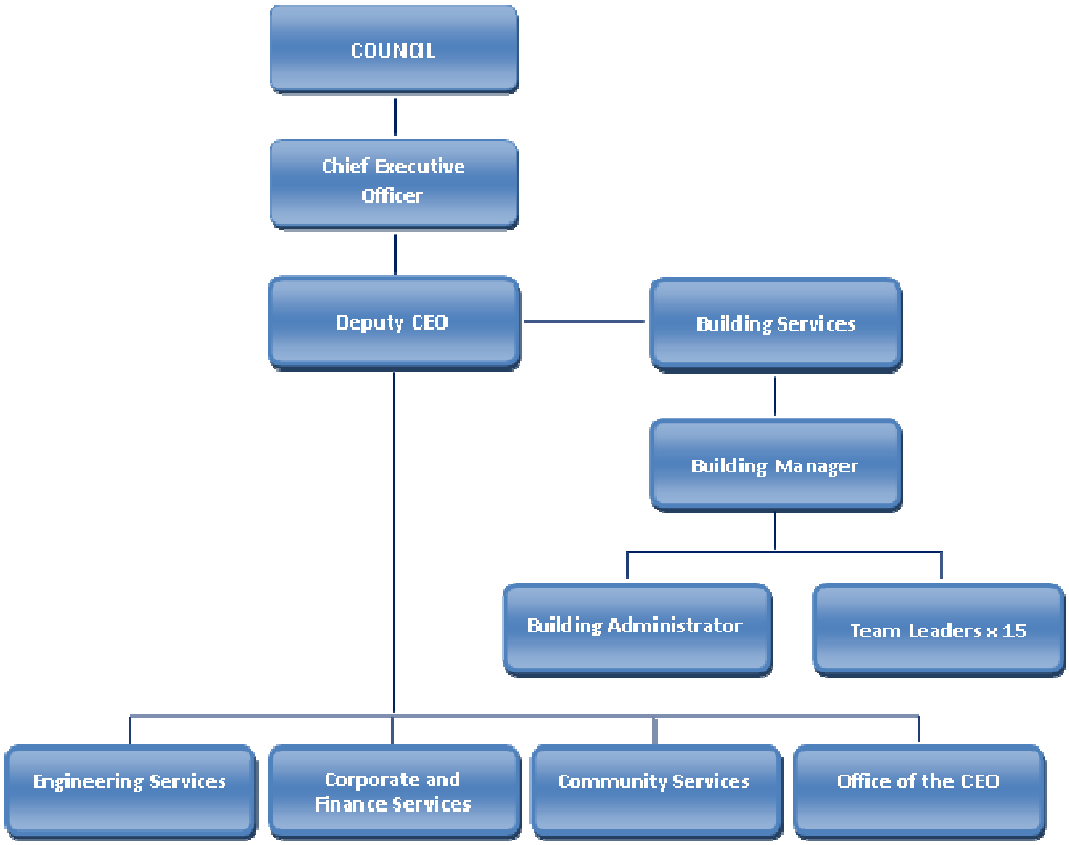
	Estimated Population								
Community	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007r**	**2008p**	**% TSI**
Badu	841	869	892	920	952	991	1,000	1,021	86%
Boigu	325	325	323	319	317	320	308	316	90%
Dauan	135	145	158	163	173	184	179	182	96%
Erub	359	362	372	372	377	382	398	407	89%
Hammond	228	238	242	247	251	257	261	268	91%
Iama	382	378	381	377	373	377	379	387	92%
Kubin	248	244	247	243	242	242	251	260	90%
Mabuiag	269	277	283	286	288	302	308	310	95%
Mer	502	518	539	556	572	587	593	611	96%
Poruma	196	196	200	197	196	200	209	214	n.a.
Saibai	406	401	404	403	408	408	427	428	92%
St Pauls	257	264	271	275	280	289	296	298	91%
Ugar	68	73	76	80	86	91	93	95	n.a.
Warraber	262	266	269	278	284	296	306	315	97%
Yorke/Masig	373	364	359	357	360	360	368	377	89%
Total	**4,853**	**4,921**	**5,016**	**5,071**	**5,161**	**5,286**	**5,379**	**5,490**	

Notes: ABS has historically underestimated resident populations in Indigenous communities. To provide a truer reflection of actual resident population, the above figures are composite estimates by AEC*group* based on ABS residential population and 2002 estimates prepared by the University of Queensland (Taylor, 2002). n.a. = not available, p = preliminary, r = revised.
Source: ABS 3218.0, Taylor (2002), AEC*group*

2.3 Organisational Structure and Governance

Figure 2.1 presents the current structure of BSU and its relationship within the TSIRC organisational structure.

Figure 2.1: Building Services Unit – Governance Structure



Source: AEC*group*

BSU was previously part of the Housing and Ports Division of TSIRC. Following the departure of the Housing and Ports Division's Executive Manager, the Division's functions were allocated across other TSIRC Divisions, with the Deputy Chief Executive Officer being allocated responsibility for BSU.

On a project-by-project basis, BSU's Building Manager currently reports on building activities to the Deputy Chief Executive Officer. Within the business, there are up to 15 Team Leaders (one per island) that assist the Building Manager with day-to-day business operations. Financial delegation is provided to the Building Administrator in accordance with provisions contained in TSIRC's procurement policy and the *Local Government Act*.

BSU uses a number of support services provided by TSIRC, including:

- Corporate governance support;
- Corporate business systems (accounting, IT);
- Plant, equipment and fleet; and
- Other miscellaneous support services (payroll, etc).

It has been indicated that TSIRC applies a 20% surcharge on all BSU costs, representing an implicit fee for the provision of these services. It is unclear whether this is sufficient to meet actual costs, or whether this charge is consistently applied across all works undertaken by BSU. Such an arrangement needs to be formalised under any formal implementation of structural reforms under competition policy.

TSIRC identified that there is currently no objectives statement for BSU detailing its key operational objectives. As such, the objectives and role of the BSU appear to be blurred across the functions of asset owner, tenancy manager, CDEP employer and builder (its core function). Further, no key performance indicators were identified by which TSIRC is able to effectively assess BSU's performance.

2.4 Business Personnel

2.4.1 Breakdown of Personnel

Currently, of the 84 persons estimated to be working for BSU, the Building Administrator is the only staff member that is employed by TSIRC. All other labour consists of a mix of contractors and CDEP labour. In terms of the employment structure, the Building Manager and all team leaders are contractors and all Indigenous labour is engaged under the CDEP program. In addition, there is a pool of contract labour 'floaters', with up to eight persons being employed at any one time. All contractors are tradespersons.

Labour resources engaged by BSU are detailed in Table 2.2.

Table 2.2: Full-Time Equivalent (FTE) Labour, 2010

Type	Labour (FTE)	Proportion (%)
TSIRC Staff	**1**	**1.2%**
Contractors (total)	**26**	**31.0%**
Building Manager	*1*	*1.2%*
Team Leaders	*10*	*11.9%*
Other	*15*	*17.9%*
CDEP Employees (total)	**57**	**67.9%**
Tradespersons	*32*	*38.1%*
Apprentices	*21*	*25.0%*
Trainees	*4*	*4.8%*
Total BSU	**84**	**100.0%**

Source: BSU

2.4.2 TSIRC Staff

The TSIRC staff member is employed subject to TSIRC's current Enterprise Bargaining Agreement and the following parent awards:

- *Queensland Local Government Officers Award 1998*; and
- *Local Government Employees (excluding Brisbane City Council) Award State 2003*.

2.4.3 Contractors

Contractors make up 31% of BSU's workforce. Other than the Building Manager, who is employed on long-term contract, contractors are engaged on short-term contracts. There is a core group of contractors engaged on three-month rolling contracts that focus on construction activity (but also undertake repair and maintenance activities depending on workload and flow). Other contractors are engaged to undertake project-specific construction and/or repair and maintenance activities.

2.4.4 CDEP Employees

CDEP employees comprise 68% of BSU's workforce. Regular hours for CDEP employees are 76 hours per fortnight, of which 32 hours are paid for by the CDEP program, with TSIRC providing 'top up' funding for the remaining 44 hours per fortnight. If there is insufficient BSU-related work for CDEP employees, it is understood that they are used for other, non-BSU TSIRC projects.

2.5 Business Assets

TSIRC identified that BSU does not have any material assets, with plant and equipment used by BSU being owned by Fleet. There is no formal hire rate/lease arrangement regarding use of plant and fleet by BSU, outside of the 20% oncost charged to recover all support services provided to the business by TSIRC.

2.6 Regulatory Responsibilities

BSU does not have any direct regulatory responsibilities. Building certification in the Torres Strait Island region, including for BSU's building works, is undertaken by private certifiers typically sourced from Cairns.

2.7 Sources of Income and Expenditure

2.7.1 Income

2.7.1.1 Residential and Non-Residential Building Projects

BSU bids for a range of contract work tendered by the Aboriginal and Torres Strait Island Housing (ATSIH) program and also undertakes building works directly for TSIRC. In terms of bidding on tenders, the Building Manager prepares and submits lump sum proposals on behalf of TSIRC based on specifications provided by ATSIH. In developing lump sum quotes, prices are generally set to deliver sufficient revenue to cover direct TSIRC building-related costs. CDEP labour costs not borne by TSIRC are not factored in when developing tender prices.

It is possible that BSU is not competing with potential competitors in a neutral manner, given that no formal assessment of full cost recovery is undertaken and a flat surcharge on costs exists to recover TSIRC overhead and support services costs (rather than a true cost-reflective and user-based allocation). It is highly possible that TSIRC is subsidising BSU's operations.

In the absence of a private sector construction market in the Torres Strait, BSU is typically seen as a preferred supplier of building services given its significant experience operating in the region and the fact that there is limited competition for ATSIH projects.

2.7.1.2 Repair and Maintenance Programs

Residential repairs and maintenance work is undertaken on behalf of QBuild. There is a formal process for the logging of jobs with QBuild, and the creation of work orders for works to be undertaken. BSU subsequently creates 'job sheets' which detail works that have been undertaken, and should (theoretically) align with the QBuild work order. Completed job sheets are used to create QBuild invoices.

Repair and maintenance work is undertaken on a 'do and charge' basis, meaning TSIRC is reimbursed for all costs incurred in undertaking repair and maintenance work for QBuild. It was noted during discussions with TSIRC that there is a tendency for completed job sheets to be misplaced, and that this can result in significant delays in invoicing, meaning there can be significant lags between the work being done and TSIRC being reimbursed.

2.7.1.3 Consolidated Revenue

All of BSU's operating income is sourced through TSIRC, which in turn funds the projects via ATSIH, QBuild grants/reimbursements and general appropriation processes. Since the allocation of Housing and Ports Division's responsibilities to other Divisions, TSIRC has continued to undertake financial reporting on the old divisional structure. As such, AEC*group* has not been able to source a consolidated financial statement relating specifically to BSU that identifies all revenues and expenditures.

BSU's estimated revenues in 2008/09 and 2009/10 are reported in the table below.

Table 2.3: Building Services Unit – Estimated Revenue

Revenue Items	2008/09	2009/10
Subsidies & Grants – Capital	$7,134,402	$6,615,385
QBuild Housing Maintenance	$1,723,344	$2,337,654
Total Revenues	**$8,857,746**	**$8,953,039**

Source: TSIRC, AEC Group

The data are sourced from a TSIRC Revenue and Expenditure report for 'Manager Housing'. In developing the revenue estimate it was necessary to identify and separate

asset management revenue and asset construction revenue. It appears that revenue for non-residential building works undertaken for TSIRC is not identified in the Revenue and Expenditure report (for example, the TSIRC Poruma administration building).

2.7.2 Expenditure

TSIRC provided a spreadsheet detailing BSU's expenditure activity, excluding BSU's CDEP labour costs (which were budgeted at $2.05 million in 2009-10). Insurance and rates were excluded from this spreadsheet, with the expenditure outcomes for 2008/09 and 2009/10 (excluding CDEP labour costs) as per the following table.

Table 2.4: Building Services Unit – Operating Expenditure

Expenditure Items	2008/09	2009/10
Total Expenditure	$9,301,673	$10,217,223

Source: TSIRC, AEC Group

2.8 Financial Performance

Based on the financial information provided, it would appear that TSIRC is making a loss on BSU activities, i.e. TSIRC is essentially subsidising Australian and Queensland Government construction and maintenance programs.

Table 2.5: Building Services Unit – Financial Performance

Revenue Items	2008/09	2009/10
Profit/(Loss) Achieved	$443,926	$1,264,185
% Revenue Surplus/(Shortfall)	-5.0%	-14.1%

Source: AEC Group

2.9 Non-Financial Performance

BSU is not required to develop non-financial performance targets, and no available information was identified for inclusion in this review.

3. Consultation Process

3.1 Formal PBA Consultation Process

The formal PBA process includes a stakeholder consultation process to ensure that outcomes are determined in a transparent and accountable manner reflecting the views of all stakeholders that may be affected. Specifically, the consultation process attached to a formal PBA would normally:

- Identify the costs and benefits that may accrue to different stakeholders within and outside of the region;
- Identify the relative importance and specific sensitivities placed on a range of issues which may arise from the implementation of reforms by stakeholders; and
- Provide a forum for stakeholders (including the community) to express concerns in relation to any aspect of the reform process, and to provide input into the business unit's future strategy.

3.2 Consultation Process

The consultation process undertaken as part of this PBA included:

- Public advertisement of the draft business unit assessment in the "Torres News" Newspaper on Saturday 26th February 2011, requesting comment on the Report and its outcomes (see Appendix C);
- Making the draft assessment report available in hard copy for review at TSRIC's administration building;
- Engagements with funding agencies; and
- Engagement with internal stakeholders.

3.3 Consultation Outcomes

No responses to the draft business unit assessment report were received by TSIRC.

3.4 Likely Consultation Issues

The following issues were identified as part of the draft business unit assessment report to prompt potential responses from stakeholders:

3.4.1 Business Structure

- The FCP and CBU options would result in limited business structure changes, although a more defined operating structure and Council to business interactions would need to occur under the CBU option.
- A Corporate Entity would enable BSU to operate under clear commercial drivers and allow it to more effectively take advantage of business opportunities, e.g. commercial decisions on pricing and other business strategies and decisions made via the skills-based Board of Directors, when compared with the FCP and CBU options
- Efficiencies are expected to be realised by reporting to the skills-based Board of Directors under the Corporate Entity model, but any additional governance and other costs over the FCP and CBU options would have to be taken into account in setting charges for ATSIH and QBuild and in assessing net financial benefits of any change in structure from the status quo.

3.4.2 Knowledge Management

- Under the FCP and CBU options, minimal change would be expected outside of appropriate cost recognition.

- A Corporate Entity would provide an opportunity to exploit the skills and knowledge of BSU staff and management to the commercial advantage of the business and, ultimately, TSIRC if deemed to be financially feasible.

3.4.3 Reporting

- Increased reporting requirements in relation to costing and pricing would be necessary under the FCP option.
- Additional reporting requirements would be necessary under the CBU option, including the Annual Performance Plan, establishment of key performance indicators and service level agreements, etc.
- Reporting requirements and compliance costs under the Corporate Entity option are expected to considerably increase, due to the need to prepare and report on the Statement of Corporate Intent, the need to prepare a separate Annual Report and other aspects of compliance associated with the formation and maintenance of a separate company.

3.4.4 Internal Service Provision

- Under the FCP option, internal service provision by TSIRC's corporate functions to BSU would be largely unchanged.
- Under the CBU option, there may be greater scope for BSU to establish its own corporate functions.
- Unless specified in the Statement of Corporate Intent, a Corporate Entity may not be committed to sourcing administrative, financial and other services from TSIRC, and would have discretion to source alternative providers. If TSIRC was to bid to provide services to the corporatised entity, prices would be negotiated on commercial terms (to the corporatised entity, although not necessarily by TSIRC) and clear contractual arrangements and performance measures would need to be established.
- If TSIRC was to mandate use of its administrative (to avoid additional costs associated with duplication) and prices for these services were found to be not commercially competitive, TSIRC may need to fund the entity with a CSO or competitive neutrality adjustment payment for any additional costs that it would incur.

3.4.5 Human Resources

- No change would be expected under the FCP and CBU options, with employees remaining subject to TSIRC's Enterprise Agreement (or under contract with TSIRC).
- A corporatised structure would allow BSU scope for negotiating its own individual contracts or Enterprise Agreement.

3.5 Likely Key Stakeholders and Issues

The table on the following page summarises the likely key issues raised by selected stakeholders during a broad consultative process.

Table 3.1: Issues Likely to Be Raised by Stakeholders

Issue	Features and Issues
Councillors/TSIRC Executive	
Business Viability	* BSU will need to be financially sustainable and not negatively impact on TSIRC's consolidated financial position or sustainability * The extent of potential competition is uncertain, although BSU will need to be able to compete on the broad range of factors that make businesses competitive, including price, experience, service levels and quality, etc. * If prices/charges are set to reflect a private sector operating environment, there is a risk that BSU's access to funding may become increasingly competitive (impacting the viability of the business)
Assets and Responsibilities	* Preference is expected to be for clear separation of asset ownership and service delivery roles and responsibilities * Desirable for BSU to operate within a contractor model, where it would have no asset ownership or ongoing asset management of any of its construction projects (that is, it is purely a construction entity) * Asset ownership and ongoing management functions would rest with TSIRC * BSU would, however, be responsible for managing assets utilised in the process of construction (as opposed to the assets it has constructed)
Internal Service Provision	* Internal services currently provided by TSIRC could continue in a more formal form (involving contracts and service level agreements), although a corporatised entity may not be held to using TSIRC support services and may source more commercially attractive services and prices external to TSIRC * Any decision to source support services from outside TSIRC has the potential to impact on employment in administrative and financial services roles within TSIRC * Competitive neutrality adjustments and/or Community Service Obligation payments would be required if BSU was a CBU or Corporate Entity undertook activities on non-commercial terms from TSIRC on a mandatory basis
BSU Management	
Clear Roles	* BSU would need to have clear roles, responsibilities and lines of accountability, with any non-commercial functions remaining with TSIRC or funded through direct payments or Community Service Obligation payments from TSIRC
Flexibility	* BSU management would not wish to be burdened with charges for support services that do not reflect private sector outcomes and as such may wish to have sufficient flexibility to reduce support services costs where applicable, or alternatively source services from outside TSIRC * Flexibility desired over management and business operations to meet specified targets and maximise profitability
Charging Structures	* Charging structures should be based on user pays principles with more remote, difficult or complex projects that incur higher costs being charged higher prices (although TSIRC may argue that such a system may disadvantage development in more remote communities)
BSU Employees	
Employment Conditions and Job Security	* There would be some concern under the CBU option and particularly under the Corporate Entity option that current employment conditions may change, resulting in an actual or perceived loss of job security * Given BSU's reliance on contract employment, it is not expected that concerns would be too great, although moving from a contract with TSIRC to a contract with a corporatised entity is likely to at least result in a perceived reduction in job security * There would also be some concern that the move to a corporatised structure would result in increased outsourcing to contractors for capital and other works (reducing the fixed labour base and replacing with an on-demand labour base), resulting in a downsizing of the existing CDEP employee workforce
Staff Transfers and Relocations	* There may be concerns that corporatisation may result in transfers and relocations of staff
Unions	
Protection of State Industrial Agreements/ Awards	* Unions may act against any move that results in workers changing from State awards to the Federal industrial relations regime (as would occur under corporatisation) and will express concern over possible reductions in superannuation entitlements * However, the workforce mainly consists of contractors and CDEP workers and so any impacts would be limited to the TSIRC-employed workforce (which is presently one person)
Loss of TSIRC Control	* A corporatised structure would result in a loss of TSIRC control over the entity's day-to-day operations and decision making, which the unions may have concerns about particularly regarding any flow-on effects for TSIRC-employed workers in other areas of TSIRC's operations (e.g. support services functions)

Issue	Features and Issues
External Funding Providers/Customers	
Recovery of Increased Administration Costs	* External funding providers may be concerned that a greater proportion of the funds they provide may be used to recoup the cost of governance and administrative structures under the CBU and Corporate Entity options * Compared to the status quo, the creation of a Corporate Entity involves significant upfront and ongoing governance and compliance costs associated with forming and running a Board of Directors, engaging a Chief Executive Officer and additional compliance and reporting costs, and these additional costs would need to be recouped through appropriate pricing/charging practices * Further, corporatisation may lead to higher salaries being paid (albeit performance-based in most instances), although consideration should also be given to any increased efficiencies able to be achieved as a result of an increased commercial focus
Incorporation of Profits	* External funding providers may also be concerned that the adoption of competition reforms to the business will place further upwards pressure on costs to be recouped given that a commercial profit margin will need to be earned on all works undertaken (with profits paid to TSIRC from BSU to be reflective of dividend payments made to shareholder/s in the private sector) * Concerns that the largely monopoly position enjoyed by BSU to date in the delivery of built assets in the Torres Strait region could be exploited in terms of profit generation in the short term before other entrants are (potentially) attracted to the market
Risk Management	* External funding providers would need to ensure that appropriate risk management strategies are in place for BSU if it were to become a separate entity from TSIRC under the CBU and Corporate Entity options
Product/Service Suppliers	
Supplier Agreements	* If BSU has existing supplier agreements (for example, with the St Pauls brickworks), these may need more formal competitive supply arrangements
Broader Community	
Community Expectations	* BSU appears to be operating on a different basis to the rest of TSIRC as evidenced by its predominant use of contractors, separation in the organisational structure and project related workflow * Nevertheless, even if a corporatised entity is created it is likely that TSIRC will still be seen as responsible for housing construction and maintenance in the community and there may be some concerns regarding possible impacts associated with the potential corporatisation of BSU * The most important objective would be to ensure the most efficient delivery of works programs 'on-the-ground' with no decline in service delivery performance

Source: AEC*group*

4. Implications of Each Reform Option

4.1 Minimum Level of Reform – FCP (BSU operates as an integrated TSIRC function)

FCP involves setting prices on a commercial basis, but without creating a new business unit or corporate entity for the business activity. FCP is founded on the principle that, as in the private sector, the price charged for a good or service should recover sufficient revenue to cover the costs of production, funds to replace assets as they are consumed and achieve a reasonable return on capital invested. Adopting FCP enables local government activities to set prices for products and services that both ensure ongoing viability and do not unfairly impede existing or potential competition.

Table 4.1 summarises the main features and issues associated with FCP (that is, what FCP means for local government business activities).

Table 4.1: Main Features and Issues Associated with FCP

What it Means	Features and Issues
• The business operates as a TSIRC program / department with reduced autonomy compared to a commercialised business unit or Corporate Entity structure • Ensuring prices reflect the full economic cost of service provision including a commercial return on assets employed in the business	• All relevant competitive neutrality adjustments are made to ensure prices are set to reflect comparable private sector costs of providing goods and services • The activity is allocated a proportionate share of TSIRC overhead expenses • The prices charged are set to recover all direct and indirect costs, fully fund depreciation and earn a commercial return that meets industry targets • Any Community Service Obligations undertaken are funded from the general rate and are evaluated to ensure they meet the desired objectives of the local government • Cross subsidies between customers are removed where practicable

Source: AEC*group*

Key requirements of FCP include:

- Identify all direct costs;
- Identify all relevant indirect costs and adopt a rational procedure for allocating those costs to particular activities;
- Identify all relevant capital costs including required return on capital rates, interest payments, debt guarantee fees and depreciation;
- Identify and adjust for tax equivalent effects where relevant;
- Identify and adjust for any other factors to establish competitive neutrality;
- Prepare a cost budget and statement of assets;
- Develop an appropriate pricing strategy;
- Identify and explicitly recognise Community Service Obligations (CSOs);
- Prepare revenue forecasts to demonstrate revenue levels are meeting full cost pricing obligations over a reasonable time frame; and
- Prepare the relevant governance reports.

4.2 Medium Level of Reform – CBU Model

The intention of adopting the CBU model would be to create a more commercial operating environment for the business unit. Essentially, the day-to-day operations of the unit would be controlled by the commercial business manager and the strategic direction of the business would be in accordance with established performance plans approved by TSIRC. Instead of being directly controlled by TSIRC on a day-to-day basis, the business unit would report its financial and non-financial performance against established targets to TSIRC on a regular basis.

The following table summarises the additional compliance/governance activities that a CBU model would require. Under the CBU model, the business would need to prepare an Annual Performance Plan (including business and operating plans), and TSIRC would need to comply with additional reporting requirements in its Corporate Plan and Operational Plan, as well as prepare an Annual Statement of Operations for inclusion in its Annual Report.

Table 4.2: Implications of Adopting the CBU Model

Requirement	Features and Issues
Business Management	• Day-to-day managerial control is fully devolved to the general manager • Clearly defined objectives/targets for the business unit would need to be established by TSIRC and agreed by the business unit • Regulatory and policy functions would need to be separated from the business unit to avoid conflict between commercial and regulatory demands
Financial	• The business unit would be required to more formally pay notional tax and dividend equivalents to TSIRC in accordance with FCP principles • An appropriate commercial capital structure could be established with a commercial debt to equity ratio should the TSIRC wish to do so
Corporate Plan	• TSIRC's Corporate Plan would need to include the business unit's objectives, and the nature and extent of business undertaken
Operational Plan	• TSIRC's annual Operational Plan must include the business unit's Annual Performance Plan
Annual Performance Plan	• An Annual Performance Plan must set out: o the business unit's objectives o the nature and extent of the significant business the business unit is to conduct o the business unit's financial and non-financial performance targets o the nature and extent of, and funding for, the community service obligations the business unit must perform o the business unit's notional capital structure, and treatment of surpluses o the business unit's proposed major investments and outstanding/proposed borrowings o the business unit's policy on the level and quality of service which customers can expect o the delegations necessary to allow the business unit to exercise autonomy in its commercial activities o the type of information that the business unit's reports to the local government must contain
Annual Operations Report	• An Annual Operations Report would need to be included in TSIRC's Annual Report that compares actual business unit performance with targeted performance contained within the Annual Performance Plan

Source: AEC Group

4.3 High Level of Reform – Corporate Entity Model

The principles of a Corporate Entity structure aim to create a more commercial and competitive business operating environment with the following key features:

- Corporate Entity is structured similar to a private sector company with a separate legal identity, independent commercial skills-based Board of Directors, and TSIRC as sole shareholder;
- Commercial and non commercial objectives and performance targets of the Corporate Entity are negotiated with TSIRC annually and set out in a Statement of Corporate Intent (that includes such targets as an agreed rate of return, dividend levels, tax equivalent payments, non-financial key performance indicators/objectives, etc);
- Corporate Entity is subject to robust performance monitoring;
- Some functions are not subject to the same regulations that are applicable to CBUs (for example, *the Freedom of Information Act*); and
- Corporate Entity must report publicly on its annual performance.

The Corporate Entity structure (Section 44 of the *Local Government Act 2009) "involves creating a new corporate entity, that is not part of the local government but is directly or indirectly owned by the local government, to conduct the significant business activity on a commercial basis"*

The *Local Government Act 1993* details the following key principles of corporatisation and their elements applicable to a Corporate Entity:

Table 4.3: Principles and Elements of Corporatisation for a Corporate Entity

What it Means	Features and Issues
Clarity of Objectives	• Each Corporate Entity will have clear, non-conflicting objectives • Each Corporate Entity will be set specific financial and non-financial performance targets for its commercial activities • Any activities of a local governmental policy formulation or regulatory nature will, wherever possible, be kept separate from the Corporate Entity • Any CSOs of the Corporate Entity will be clearly identified in the Statement of Corporate Intent and be separately costed • The Corporate Entity will be appropriately compensated for its CSOs and any funding will be made apparent • The Corporate Entity will be set performance targets for its CSOs
Management Autonomy and Authority	• Each Corporate Entity will have a Board of Directors appointed on merit • The Board will be required to use its best endeavours to ensure that the Corporate Entity meets its performance targets • The Board will be given the autonomy and authority to make commercial decisions within areas of responsibility defined by the corporatisation framework • The local government's former power to make decisions on the operation of a significant business activity will be replaced with procedures for strategic monitoring of Corporate Entities • The role of the shareholder in relation to the Corporate Entity will be clearly defined • Local government reserve powers will be required to be exercised in an open way
Strict Accountability for Performance	• The Board of the Corporate Entity will be accountable to the shareholder for the corporation's performance • The Corporate Entity's Statement of Corporate Intent will form the basis for accountability • Performance will be monitored by the shareholder against performance targets stated in the Statement of Corporate Intent • Shareholder monitoring of the Corporate Entity is intended to compensate for the absence of the wide range of monitoring to which listed corporations are subject by, for example, the share market and Commonwealth regulatory agencies
Competitive Neutrality	• The efficiency of overall resource use is promoted by ensuring markets are not unnecessarily distorted • To ensure, wherever possible, the removal of advantages and disadvantages accruing to the Corporate Entity as a result of local government ownership • If a Corporate Entity has monopoly or near monopoly power— o if a local government decides it is appropriate to increase competition, there may be reform of the business activity; and o special monitoring may be necessary to prevent abuse of this power

Source: *Local Government (Beneficial Enterprises and Business Activities) Regulation 2010*

Table 4.4 outlines a range of implications for TSIRC in adopting a Corporate Entity structure for BSU, taking into account the principles and elements of corporatisation outlined above. A corporatised BSU would involve forming a Board of Directors with high-level industry and business skill sets. The Board would be responsible for decision making and driving maximum value out of the business whilst still meeting the performance targets established in the Statement of Corporate Intent as determined by TSIRC.

Table 4.4: Implications of Implementing a Corporate Entity Structure

Area	Benefits	Risks
Business Performance	• TSIRC is mandated to set and monitor the strategic direction of the business through the annual Statement of Corporate Intent • Performance objectives of the business are clear with resources available to meet key performance targets • Autonomy within the business to make timely commercial decisions in response to changes in its operating environment • Business efficiencies can be explored and negotiated via commercial performance incentives with staff and formal service level agreements with TSIRC • Degree of flexibility within the business structure to pursue new business opportunities as and when they occur	• Whilst operating within the corporatisation framework, business decisions may conflict with TSIRC's agenda (although influence on strategic direction is retained through the Statement of Corporate Intent) • TSIRC is unable to influence the day to day operations of the business (and is only responsible for setting the strategic direction of the business and performance expectations through the Statement of Corporate Intent)

Area	Benefits	Risks
Governance	• Appropriately qualified Board members can be appointed to make strategic decisions for the benefit of the business • Formal governance arrangements are mandated rather than being an optional requirement for the business	• Additional governance costs associated with the need for a Board of Directors are unavoidable, but there is an offsetting time/productivity saving from less frequent reporting to TSIRC management and Councilors • TSIRC no longer has the ability to influence operational issues associated with the business (budgeting, employees, policy) but retains control over strategic direction via the Statement of Corporate Intent
Human Resources	• Employment agreements can be aligned with the business' strategic direction and objectives • More flexible recruitment practices and remuneration packages can be adopted by the business to attract/retain key staff	• Potential creation of inequities between similar positions in TSIRC and the business due to differing enterprise agreements and negotiated pay scales
Pricing	• Pricing levels should be set to achieve required rates of return for the business and the business can set appropriate pricing and debt recovery policies to achieve set strategic objectives (although this exists to a large extent under a CBU as well) • Distributions from the business to TSIRC can be formalised via arms length transaction	• TSIRC loses some control over the price-setting process of the business, but has final say on what prices are actually implemented • TSIRC price intervention requires subsidy via community service obligation (CSO) payments

Source: AEC Group

5. Financial Assessment of Reform Options

5.1 Evaluation Methodology

A 20-year cashflow assessment has been prepared under each reform option and includes an estimate of the terminal value of the business in the final year. A Net Present Value (NPV) of total net cash flows (after tax equivalent payments) for BSU is derived for each option using a discount rate of 11%. The modelling results are provided in Appendix D.

The financial model was developed using information provided by the Construction Manager, industry benchmarks and AEC*group* estimates from prior experience. The following assumptions are applied in undertaking the evaluation:

- The cost and revenue streams are based on an assumed level of activity for house construction, house upgrades, repairs and maintenance works, and other works, with an administration overhead oncost applied to direct costs and a margin then applied on total direct and indirect costs to derive revenue;
- BSU will continue to be offered first right of refusal for works funded by other levels of government, even if the cost per build increases as a result of the inclusion of administration costs and an appropriate commercial margin;
- The level of activity and level of funding will be as per the inputs and assumptions in the financial model, with these assumptions obviously subject to considerable change as a result of external forces, notably policy and funding decisions of other levels of government;
- The forecast level of work is achievable and not impeded by a lack of available skilled labour (at a reasonable cost) or working restrictions on the islands (given accommodation issues, etc.);
- Management/administration overheads and commercial margins have been applied to ensure consistency with industry benchmarks;
- All plant and equipment is cash-funded, but the business does require an overdraft to finance its working capital requirements (estimated at 10% of revenue); and
- Cost savings are achievable under the CBU and Corporate Entity models as a result of an increased commercial focus and arms-length (CBU) and separate (Corporate Entity) management from TSIRC.

Such a 'bottom-up' financial evaluation makes it difficult to compare each reform option with the status quo, although it has been suggested that historically the business unit has not sufficiently recovered TSIRC administration costs and CDEP labour costs, let alone providing a commercial return/margin back to TSIRC (and the Torres Strait Island community) from undertaking the works.

Given the number of assumptions required to be made in the development of the financial model, there is a risk that the actual cash flows in the model may not accurately reflect BSU's current and future operating profitability but it does provide some insight into the potential value of works undertaken and potential commercial viability of the business unit into the future under each of the reform options under assessment.

5.2 Reform Option Evaluation Assumptions

The following table outlines the assumptions underlying the financial evaluation of available reform options.

Table 5.1: Assumptions Underlying the Financial Evaluation of Reform Options

Issue	Corporate Entity Option	CBU Option	FCP Option
Establishment Costs	• $200,000 to establish the corporate entity and associated documentation and processes	• $100,000 to establish the business unit and associated documentation and processes	• $50,000 to establish the necessary tools to ensure compliance with FCP principles
Governance & Administration Costs	• $200,000 per annum in additional governance, administration and compliance costs	• $100,000 per annum in additional management, administration and compliance costs	• $25,000 per annum in additional administration and compliance costs
Appropriate Indirect Cost Recognition and Recovery	• Additional revenue associated with full recovery of administration charges (only 67% of administration costs are currently recouped) • Corporate Entity would have its own corporate functions for the most part, with the exception of TSIRC's stores, purchasing and warehouse function which would continue to service the business • Should this function be proved to not provide the same level of service as the market, a competitive neutrality adjustment may be necessary • TSIRC and/or the Corporate Entity may ultimately wish to consider additional service arrangements should it be considered more efficient to do so (to avoid overhead duplication in certain areas)	• Additional revenue associated with full recovery of administration charges (only 67% of administration costs are currently recouped) • CBU would continue to utilise many of TSIRC's corporate functions • CBU manager may opt to either directly resource or outsource certain functions where commercially prudent • Should TSIRC functions be proved to not provide the same level of service as the market, a competitive neutrality adjustment may be necessary	• Additional revenue associated with full recovery of administration charges (only 67% of administration costs are currently recouped) • BSU will continue to utilise TSIRC's corporate functions
Inclusion of a Commercial Profit Margin	• Additional earnings associated with full cost recovery and the ability to charge a profit margin on all works undertaken	• Additional earnings associated with full cost recovery and the ability to charge a profit margin on all works undertaken	• Additional earnings associated with full cost recovery and the ability to charge a profit margin on all works undertaken
Efficiencies and Cost Savings	• 1.0% per annum efficiency gain in works expenditure labour costs achieved each year for the first 10 years • 0.5% per annum efficiency gain in works expenditure materials and services costs achieved each year for the first 10 years	• 0.25% per annum efficiency gain in works expenditure labour costs achieved each year for the first 10 years • 0.25% per annum efficiency gain in works expenditure materials and services costs achieved each year for the first 10 years	• No efficiency gain in works expenditure

Source: AEC Group

5.3 Valuation of Net Impacts Relative to Business as Usual

An overview of the quantum of the financial impacts is reported in Table 5.2, with the assessment showing that, relative to the business as usual case, the following net present benefits are calculated:

- $56.5 million under the Corporate Entity option;
- $50.6 million under the CBU option; and
- $48.0 million under the FCP option.

Table 5.2: Overview of Benefits and Costs of Each Reform Option

Category	Corporate Entity	CBU	FCP
Benefits			
Cumulative Labour Efficiency Savings	$8,038,947	$1,995,075	$0
Cumulative Materials Efficiency Savings	$4,504,867	$2,247,338	$0
Additional Administration Charges Recouped	$10,400,986	$10,403,001	$10,405,010
Earnings Before Interest, Tax & Depreciation	$35,957,048	$37,094,682	$37,913,132
Total Benefits	*$58,901,849*	*$51,740,096*	*$48,318,142*
Costs			
Establishment Costs	$200,000	$100,000	$50,000
Additional Ongoing Governance & Administration Costs	$2,153,347	$1,076,674	$269,168
Total Costs	*$2,353,347*	*$1,176,674*	*$319,168*
Net Present Value of Benefits/(Costs)	**$56,548,501**	**$50,563,422**	**$47,998,973**

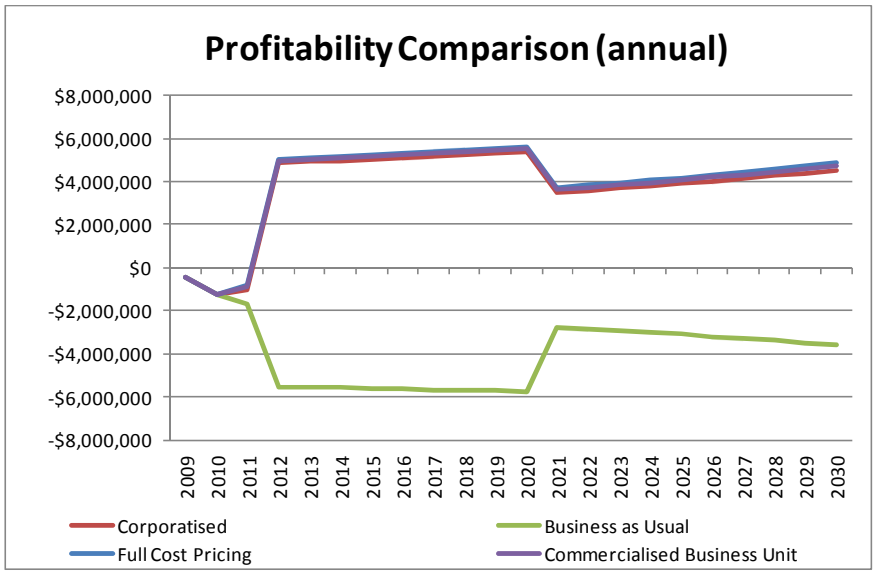
Source: AEC Group

Obviously, given the recognition of all direct and indirect costs in undertaking works, TSIRC's historic subsidisation of BSU will be removed under all reform options. From the above financial impact assessment, even after accounting for entity establishment and anticipated additional ongoing operating costs, moving to a corporatised structure appears to deliver the most significantly improved outcome for BSU, TSIRC and the local community.

5.4 Profitability Implications for BSU

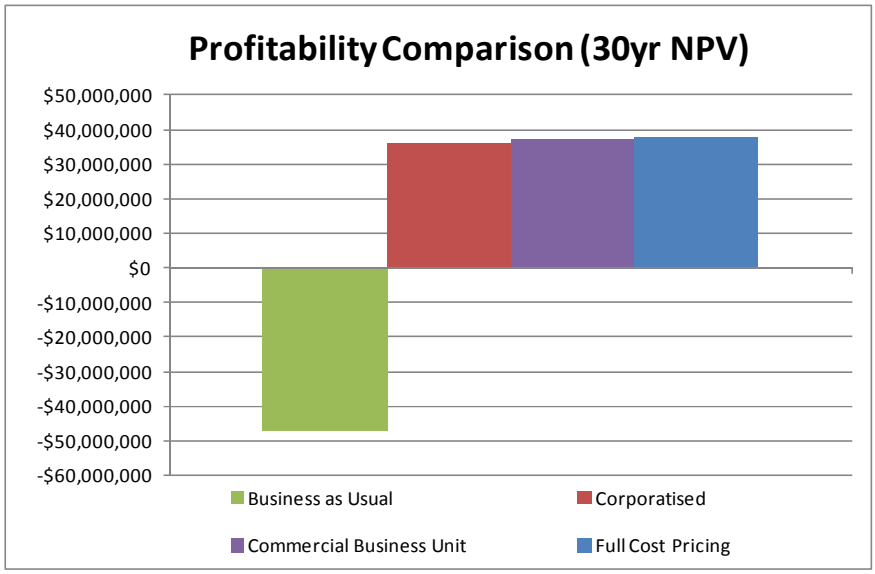
An alternate approach to valuing the relative benefit of a corporate structure would be to assume that the percentage revenue shortfall achieved in 2009/10 (14.1%) was carried forward into future years. The net present loss associated with business as usual under this assumption is $47.0 million. The greater the extent of works undertaken, the greater the loss (or subsidy) incurred by TSIRC. By comparison, the net present profits (before interest and depreciation) earned under the reform options are estimated to be of the order of $36 million to $38 million over the same period.

Figure 5.1: Comparison of Annual Profitability



Source: AEC Group

Figure 5.2: Comparison of NPV Profitability



Source: AEC Group

While it would appear that the FCP option produces the greatest profitability outcome for BSU, the lack of cost efficiencies means that this will occur at the expense of the number of houses able to be constructed within a given budget. In addition, it does not take into consideration the potential impact on the competitiveness of BSU moving forward if cost efficiencies are not realised.

5.5 Impact of Cost Efficiencies on Extent of Works Able to be Undertaken Within a Limited Budget

The number of houses able to be constructed and upgraded in the first 10 years of the model is estimated at:

- 353 and 535, respectively, under the Corporate Entity option;
- 343 and 521, respectively, under the CBU option;
- 334 and 507, respectively, under the FCP option.

The price for a newly constructed house (including overheads and a profit margin) in the Torres Strait Islands under a corporatised structure – deemed to be the most cost efficient structure – was estimated at around $580,000, consistent with the range suggested by Rawlinsons ($540,000-$600,000). This suggests that the model is accurately reflecting not only regional construction costs, but also administration overheads and building margins.

6. Qualitative Assessment of Reform Options

6.1 Summary Outcomes

Table 6.1: Summary Outcomes – Qualitative Considerations

Issue	Corporate Entity Option	CBU Option	FCP Option
Direct Business Impacts	• Overcoming historical inefficiencies due to a lack of structure within BSU • Ensuring all direct and indirect costs are recognised and recovered from funding agencies and other customers (i.e. BSU will be 'quarantined' out of TSIRC with all costs very easily identified) • Promoting maximum cost efficiencies and ensuring effective work practices • Ability to leverage BSU to maximise benefits from the considerable works anticipated in the near term (e.g. National Housing Partnership)	• Overcoming historical inefficiencies due to a lack of structure within BSU • Ensuring all direct and indirect costs are recognised and recovered from funding agencies and other customers (i.e. BSU will be somewhat 'quarantined' out of TSIRC with the majority of costs able to be easily identified) • Increased ability to achieve some degree of cost efficiencies • Ensuring appropriate cost recovery and commercial benefit from the considerable works anticipated in the near term (e.g. National Housing Partnership)	• No improvement in management and operating structure • Ensuring all direct and indirect costs associated with works undertaken by the business unit are recognised and recovered from funding agencies and other customers, although some aspects may remain difficult to identify and quantify • Ensuring appropriate cost recovery and commercial benefit from the considerable works anticipated in the near term (e.g. National Housing Partnership)
Indirect Community Impacts	• Greater capacity for BSU to source and apply funding for community projects • Reduced resource wastage and cost savings associated with increased operational efficiencies will result in an increase in the works undertaken within the constrained funding budgets • Ensuring appropriate commercial cost recovery could result in a transfer of wealth into the local community rather than the current subsidisation of works by the local community	• Cost savings associated with a slight improvement in operational efficiencies, although not as significant as anticipated under the Corporate Entity option • An increase in the extent of works able to be undertaken within the constrained funding budgets, although not as significant as anticipated under the Corporate Entity option • Ensuring appropriate commercial cost recovery could result in a transfer of wealth into the local community rather than the current subsidisation of works by the local community	• Ensuring appropriate commercial cost recovery could result in a transfer of wealth into the local community rather than the current subsidisation of works by the local community

Issue	Corporate Entity Option	CBU Option	FCP Option
Business Risks	• Whether grant funds can only be paid to TSIRC rather than the Corporate Entity and, if so, whether there are issues with a direct pass-through to the Corporate Entity from TSIRC • Funding agencies may not agree to the inclusion of a commercial margin on works undertaken by BSU (although the level of the margin could be negotiated with the relevant agencies if necessary) • Loss of 'first right of refusal' should funding agencies decide to test the competitiveness of the marketplace, given the fact that BSU is almost entirely reliant on external funding sources • The potential need to ensure price and service competitiveness for continued access to funding programs • Ability to source the necessary skilled resources to undertake the required works • Attraction and retention of an appropriately skilled CEO and Board of Directors at an affordable cost • Need for employees to move to the Federal industrial relations regime under a corporatised structure, although impacts are considered to be minimal given there is only one staff member directly employed by Council within BSU • Unions may still act against the application of corporatisation reforms, even though BSU's activities fall outside of normal local government works activities in most instances • BSU will need to have in place flexible recruitment practices and contracts to cope with fluctuations in activity from period to period, and to mitigate any risks associated with the potential loss of funding • A base governance, management and administration structure will still need to be funded in the absence of significant works	• Funding agencies may not agree to the inclusion of a commercial margin on works undertaken by BSU (although the level of the margin could be negotiated with the relevant agencies if necessary) • Loss of 'first right of refusal' should funding agencies decide to test the competitiveness of the marketplace, given the fact that BSU is almost entirely reliant on external funding sources • The potential need to ensure price and service competitiveness for continued access to funding programs • Ability to source the necessary skilled resources to undertake the required works • Attraction and retention of an appropriately skilled General Manager at an affordable cost • BSU will need to have in place flexible recruitment practices and contracts to cope with fluctuations in activity from period to period, and to mitigate any risks associated with the potential loss of funding • A base management and administration structure will still need to be funded in the absence of significant works	• Funding agencies may not agree to the inclusion of a commercial margin on works undertaken by BSU (although the level of the margin could be negotiated with the relevant agencies if necessary) • Loss of 'first right of refusal' should funding agencies decide to test the competitiveness of the marketplace, given the fact that BSU is almost entirely reliant on external funding sources • The potential need to ensure price and service competitiveness for continued access to funding programs • Ability to source the necessary skilled resources to undertake the required works • Potential lack of expertise from existing resource base to effectively manage and administer the business in an ongoing basis • BSU will need to have in place flexible recruitment practices and contracts to cope with fluctuations in activity from period to period, and to mitigate any risks associated with the potential loss of funding

Source: AEC Group

6.2 Detailed Impact Assessment

Table 6.2: Assessment of Community Benefits and Costs from the Application of Reform Options to BSU

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
IMPLICATIONS ON THE FINANCIAL POSITION OF BSU			
Pricing and Revenues	• Current accounting treatment of BSU makes it difficult to judge financial performance due to its apparent combination of roles and functions with respect to financial reporting • It is likely that TSIRC (and the Torres Strait Island community) is losing money on the works currently being undertaken by the business on behalf of funding agencies • Corporate Entity option requires improved and more regular and focused reporting of financial data to monitor performance against budget and key performance indicators • Improved financial reporting would assist in making cost-reflective pricing decisions and informed business decision-making • Given that current BSU pricing is likely not cost-reflective, price increases are anticipated • The extent of any price increases will influence the response from external funding providers and potential competitors • The introduction of cost efficiencies and a review of all input costs, including administrative and financial services and supplier arrangements has the potential to ultimately reduce costs and, subsequently, pricing impacts • In an environment where the level of activity is largely determined by government funding, the potential for revenue growth will be linked to government policy changes **VERY HIGH BENEFIT** *(maximum commercial focus in price setting and increased efficiencies)*	• CBU option would likely require improved and more regular and focused reporting of financial data to monitor performance against budget and key performance indicators • Improved financial reporting would assist in making cost-effective pricing decisions and informed business decision-making • Prices will rise under the CBU model as costs are appropriately recognised • The extent of any price increases will influence the response from potential competitors • The introduction of some cost efficiencies has the potential to ultimately reduce costs and, subsequently, pricing impacts • However, cost efficiencies may be limited given that all major decisions are still made by TSIRC • In an environment where the level of activity is largely determined by government funding, the potential for revenue growth will be linked to government policy changes **HIGH-VERY HIGH BENEFIT** *(greater commercial focus in price setting and slight improvement in efficiencies)*	• The adoption of FCP would ensure the price of construction works is reflective of the full economic cost of service provision included a targeted commercial return on assets employed, ensuring ongoing financial stability • Prices will rise under the FCP model as costs are appropriately recognised • The extent of any price increases will influence the response from potential competitors • No cost efficiencies are envisaged • In an environment where the level of activity is largely determined by government funding, the potential for revenue growth will be linked to government policy changes **HIGH BENEFIT** *(improved level of cost recovery)*

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
Non-Commercial Activities	• All ad-hoc services will be better managed and only provided under commercial arrangements (i.e. fee for service) • Where services are directed to be undertaken on a non-commercial basis, BSU will require a CSO payment **MODERATE BENEFIT** *(better recognition and management of non-commercial activities)*	• Any ad-hoc services will be better managed and in most instances provided under commercial arrangements (i.e. fee for service) • Where services are directed to be undertaken on a non-commercial basis, BSU will require a CSO payment **LOW-MODERATE BENEFIT** *(better recognition and management of non-commercial activities)*	• Where services are directed to be undertaken on a non-commercial basis, BSU will require a CSO payment **LOW BENEFIT** *(better recognition of the cost of non-commercial activities)*
Governance and Administration	• Corporate Entity would require significant upfront and ongoing costs associated with the establishment of the separate legal entity and independent Board of Directors, selection of the Chief Executive Officer and upfront implementation and training costs • Additional administration and compliance resources for the separate legal entity • Development and ongoing maintenance of a consolidated financial model • Financial management systems will also need to be developed in such a manner to identify the attribution of relevant costs to each service being performed • It is essential to keep any additional costs to a bare minimum given that they are fixed costs that will not vary based on the level of works being undertaken on an annual basis • Ongoing Board costs could be minimised by having a small Board and including some local representation • Upfront costs to structure the legal entity and form a Board could be $200,000, with ongoing governance and compliance costs of $200,000 per annum **MODERATE COST** *(cost associated with additional governance, administration and compliance requirements)*	• Requires formal management and reporting structures, with the establishment of an advisory board to oversee the business optional • Requires the development and ongoing use of a full cost pricing model for the business, to ensure legislative requirements regarding full cost recovery are met • The business would be required to undertake additional statutory reporting functions associated with a commercial business unit structure (e.g. Annual Performance Plan, annual reporting and tax equivalent returns) • It is essential to keep any additional costs to a bare minimum given that they are fixed costs that will not vary based on the level of works being undertaken on an annual basis • Upfront costs to establish the CBU could be $100,000, with ongoing governance and compliance costs of $100,000 per annum **LOW-MODERATE COST** *(cost associated with additional management, administration and compliance requirements)*	• There would be a reduced commercial focus for the business, with reporting processes and performance monitoring limited to TSIRC's internal processes • Requires the development and ongoing use of a full cost pricing model for the business, to ensure legislative requirements regarding full cost recovery are met • The business is not required to undertake any significant statutory reporting functions • Upfront costs to establish the FCP model could be $50,000, with ongoing governance and compliance costs of $25,000 per annum **VERY LOW-LOW COST** *(minor cost associated with additional administration and compliance requirements)*

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
Operational Efficiency	• Greater degree of autonomy for BSU to pursue commercial objectives via more efficient management and Board decision making (and more timely responses to business and customer issues) • Greater scope for BSU to negotiate and implement service level agreements for internal services or undertake such services either in-house or via external providers to ensure value for money and a more accurate understanding of input costs for pricing determination • There is potential for increased competition, and it is essential for cost savings to be achieved to ensure that additional governance, administration and compliance costs do not negatively impact the competitiveness of BSU **MODERATE BENEFIT** *(cost savings and efficiency gains relating to greater autonomy and commercial focus)*	• Greater degree of management autonomy (via delegated authority from TSIRC's Chief Executive Officer) may allow for (but will not guarantee) more efficient decision making and timely responses to business and customer issues • Greater scope for the business to implement formal service level agreements for internal services provided by TSIRC to ensure value for money and more accurate cost inputs for pricing determination **LOW-MODERATE BENEFIT** *(some efficiency gains relating to greater autonomy in day-to-day business operations)*	• No change in operations anticipated **NIL IMPACT** *(no change from business as usual)*
Business Definition	• Statement of Corporate Intent will clearly define BSU's functions, roles and responsibilities in addition to expectations regarding financial performance • There appears to be a good sense of customer focus in carrying out work which is consistent with an easy transition to a Corporate Entity 'contractor' model • Greater freedom to focus on core responsibilities and functions, and provide a more identifiable brand in the market **HIGH BENEFIT** *(enhanced definition of the business, including assignment of assets and responsibilities)*	• Clearer understanding of functions and responsibilities and would ensure that its strategic targets and objectives are clearly defined • There appears to be a good sense of customer focus in carrying out work and creating a CBU should ensure that continues **MODERATE BENEFIT** *(some improvement in definition of the business, including assignment of assets and responsibilities)*	• Some degree of ambiguity in business structure, functions, assets and responsibilities relating to BSU at present **NIL IMPACT** *(no change from business as usual)*
Summary Comment ***Corporate Entity would appear to be the preferred reform option when considering implications on the financial position of BSU. This is because it is expected to improve financial reporting and performance by providing a clearer understanding of costs and subsequent derivation of prices to ensure revenues appropriately recover all direct and indirect costs (including a commercial profit margin). Additional benefits are achievable through improved efficiencies. Offsetting these benefits are the additional governance, administration and compliance costs associated with managing a separate legal entity.***			

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
IMPLICATIONS FOR THE TSRIC BUDGET			
Financial Sustainability	• Corporate Entity would assist TSIRC's financial sustainability by recovering all direct and indirect costs from funding agencies, as well as the provision of taxation equivalent and dividend payments (assuming it retains access to external funding) • TSIRC would be at arm's length from price-setting practices, with financial sustainability being the responsibility of the BSU Board • Work undertaken for TSIRC may be undertaken in a more efficient manner • Risk associated with the financial failure of BSU if the market becomes more competitive • The net consolidated financial position of TSIRC (including BSU) may be degraded if internal services previously provided by TSIRC are duplicated **HIGH BENEFIT** *(improved cost recovery and business sustainability)*	• CBU would assist TSIRC's financial sustainability by recovering all direct and indirect costs from funding agencies, as well as the provision of taxation equivalent and dividend payments (assuming it retains access to external funding) • Service levels and performance standards may be documented in service level agreements between TSIRC and the business which may assist TSIRC in driving productivity improvements for internal services, but may also result in reduced payments for internal support services provided to the business which would then need to be funded through other areas of TSIRC's operation **MODERATE-HIGH BENEFIT** *(improved cost recovery and business sustainability)*	• CBU would assist TSIRC's financial sustainability by recovering all direct and indirect costs from funding agencies, as well as the provision of taxation equivalent and dividend payments (assuming it retains access to external funding) **MODERATE-HIGH BENEFIT** *(improved cost recovery and business sustainability)*
Compliance	• The Board of Directors appointed by TSIRC will need to understand the implications of their role in terms of compliance under relevant legislation • TSIRC will need to allocate resources to manage and interact with a corporatised BSU through the development of the Statement of Corporate Intent and compliance/reporting processes **LOW COST** (*cost in meeting additional resources necessary to facilitate the establishment and ongoing operation of the corporate entity)*	• TSIRC will need to allocate resources to ensure compliance with additional reporting requirements to support the CBU, including service level agreement negotiation and documentation, corporate plan reporting requirements, reporting the business within the annual budget, etc. **LOW COST** (*cost in meeting additional resources necessary to facilitate the establishment and ongoing operation of the business unit)*	• Considerably reduced administrative and reporting compliance versus the Corporate Entity and CBU models **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
Ratepayer/ Community Impact	• TSIRC is largely a conduit for funding that has been secured for BSU construction and maintenance work (from Australian and Queensland Government sources) • Enhanced cost recovery mechanisms will ensure that TSIRC resources can be utilised for other purposes • Incorporating a profit margin on works undertaken would assist TSIRC in funding infrastructure and services in the region • Ratepayers may benefit from improved cost efficiencies and increased commercial opportunities through increased profitability (and dividend payments to TSIRC) • The finances of TSIRC (and therefore the community) could be affected by any 'failure' of the corporatised BSU (i.e. if any failure was underwritten by TSIRC) • TSIRC would lose control over works scheduling and prioritising, outside of desired outcomes outlined in the Statement of Corporate Intent • BSU will focus on undertaking works as efficiently and competitively as possible rather than on social outcomes (albeit recognising that its ultimate customer base is the broader community) • Any existing non-commercial activities would be funded via a CSO payment from TSIRC to ensure they are continued without community impact **MODERATE-HIGH BENEFIT** *(high degree of autonomy provided to Corporate Entity, but considerable benefits able to be achieved from enhanced cost recovery and commercial focus)*	• TSIRC is largely a conduit for funding that has been secured for BSU construction and maintenance work (from Australian and Queensland Government sources) • Enhanced cost recovery mechanisms will ensure that TSIRC resources can be utilised for other purposes • Incorporating a profit margin on works undertaken would assist TSIRC in funding infrastructure and services in the region • Continuation of the existing structure and process for the most part in relation to the construction and maintenance housing in the region • TSIRC may lose some control over building works scheduling and prioritising, but would retain direct control over the strategic direction and decision-making for the business • Any existing non-commercial activities would be funded via a CSO payment from TSIRC to ensure they are continued without community impact **MODERATE-HIGH BENEFIT** *(some autonomy provided to CBU, but considerable benefits able to be achieved from enhanced cost recovery and commercial focus)*	• TSIRC is largely a conduit for funding that has been secured for BSU construction and maintenance work (from Australian and Queensland Government sources) • Enhanced cost recovery mechanisms will ensure that TSIRC resources can be utilised for other purposes • Incorporating a profit margin on works undertaken would assist TSIRC in funding infrastructure and services in the region • Continuation of the existing structure and process in relation to the construction and maintenance housing in the region • Any existing non-commercial activities would be funded via a CSO payment from TSIRC to ensure they are continued without community impact **MODERATE-HIGH BENEFIT** *(minimal change from business as usual, but considerable benefits able to be achieved from enhanced cost recovery)*

Summary Comment
TSIRC should be considerably better off financially from adoption of all of the reform options under assessment, subject to there being no change to funding arrangements for BSU works, with the additional revenues received by the business to fund indirect costs and a commercial profit margin used to provide TSIRC with an income stream consisting of income tax equivalent and dividend payments. Increased cost efficiencies may also enhance the extent of works undertaken under the Corporate Entity option. However, appropriate consideration needs to be given to any risks associated with potential failure of the entity (which is heavily reliant on external funding sources) and the additional compliance costs will be incurred in managing the performance of the Corporate Entity.

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
MARKET IMPLICATIONS			
Market Pricing and Competitive Neutrality	• The application of full cost recovery pricing will ensure less distortion and more consistency in the market for building and construction services • While there is currently limited competition, the creation of a level playing field in terms of price-setting may encourage the development of new businesses and more entrants into the market **LOW-MODERATE BENEFIT** *(more appropriate pricing of service provision)*	• The application of full cost recovery pricing will ensure less distortion and more consistency in the market for building and construction services • While there is currently limited competition, the creation of a level playing field in terms of price-setting may encourage the development of new businesses and more entrants into the market **LOW-MODERATE BENEFIT** *(more appropriate pricing of service provision)*	• The application of full cost recovery pricing will ensure less distortion and more consistency in the market for building and construction services • While there is currently limited competition, the creation of a level playing field in terms of price-setting may encourage the development of new businesses and more entrants into the market **LOW-MODERATE BENEFIT** *(more appropriate pricing of service provision)*
Summary Comment ***There are potential market benefits associated with the adoption of all reform options, with prices being more reflective of actual costs incurred in service delivery and private sector outcomes.***			

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
STAFF IMPLICATIONS			
Staff Morale	• There could be concerns regarding job security and preservation of current employment conditions for direct and indirect employees of BSU • Given the existing 'contractor' model of operation of the unit and the likelihood of greater management autonomy and flexibility, the impact on morale within BSU would be expected to be minimal • Consultation with relevant employees would be important to engender staff support for the change • Benefits associated with a corporatised structure should be highlighted such as opportunities for specialisation, advancement, skills enhancement, autonomy and flexibility • An increased commercial focus and greater independence from TSIRC should improve the working environment • There may be broader union action against the adoption of a Corporate Entity, although BSU's activities fall outside of normal local government works activities in most instances **LOW BENEFIT** *(increased commercial focus and independence)*	• Given the existing 'contractor' model of operation of the unit and the likelihood of greater management autonomy and flexibility, the impact on morale within BSU would be expected to be minimal • An increased commercial focus and greater independence from TSIRC should improve the working environment • Potential frustration from not having direct control over the business' destiny **LOW BENEFIT** *(increased commercial focus and independence)*	• No impact on staff morale anticipated **NIL IMPACT** *(no change from business as usual)*

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
Resourcing	• BSU is predominantly comprised of contractors and CDEP labour, not TSIRC permanent employees • Transitioning permanent employees to a Corporate Entity would be relatively uncomplicated with minimal costs • CDEP could operate as effectively through a Corporate Entity as through TSIRC • The dismantling of CDEP in favour of permanent positions and skills development leading to permanent employment will proceed regardless of whether services are delivered via TSIRC or a corporatised BSU • It is likely that specialised employment firms will become more involved in the delivery of replacement programs and seek placements in businesses (such as BSU) that can deliver training and employment opportunities • As such, it is expected that BSU and any other businesses in the region will have access to CDEP employment and funding into the future • At least in the short term, BSU would be expected to have an advantage over its competitors by virtue that it has a good understanding the local market and CDEP networks, although it would be expected that over time competitors may become more adept at accessing CDEP labour • BSU as a Corporate Entity may be a more attractive employment proposition for certain positions and appropriately qualified persons due to different recruitment processes and different pay scales **LOW BENEFIT** *(ability to attract and retain skills and local competitive advantage)*	• BSU is predominantly comprised of contractors and CDEP labour, not TSIRC permanent employees • As such, existing employees and contractors would be largely unaffected by the change in the business unit structure but may be subject to a greater commercial focus in operations **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*	• Existing employees and contractors would be unaffected by the change in the pricing structure **NIL IMPACT** *(no change from business as usual)*
Summary Comment ***The move to a Corporate Entity model is likely to have a minimal impact on the BSU staff member directly employed by TSIRC, but there may be broader organisational and union resistance from such a model. Management of the change from a human resources perspective should be carefully planned to ensure staff understand what is involved in the change and the positives associated with the change. Long-term benefits should be accessible as a result of an increased commercial focus and greater independence from Council from adoption of the Corporate Entity model and to a lesser extent the CBU model.***			

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
IMPLICATIONS FOR BSU CUSTOMERS			
Pricing	• Appropriate price signals are sent to customers (i.e. primarily external funding providers) regarding the true cost of building services, thus allowing informed decisions regarding investment and asset maintenance decisions • TSIRC will need to resist customer demands for intervention on pricing as proper commercial pricing is introduced • There is the risk that external funding providers will not allow increased recovery of administration costs and the earning of commercial profits (to be distributed to TSIRC), which may see funding become more widely available for existing and potential competitors of BSU • However, increased cost efficiencies will be achievable under this option **FULL COST RECOVERY PRICING ADOPTED** *(prices set to recover commercial costs)*	• Same impacts as under Corporate Entity, with reduced cost efficiencies being achieved **FULL COST RECOVERY PRICING ADOPTED** *(prices set to recover commercial costs)*	• Same impacts as under Corporate Entity, without the ability to access cost efficiencies **FULL COST RECOVERY PRICING ADOPTED** *(prices set to recover commercial costs)*
Customer Service	• BSU is already seen as a service provider by its customers as part of the 'contractor' model currently in place, although adoption of a Corporate Entity will remove any remaining confusion for customers as to where the responsibility for service delivery lies (that is, with BSU, not TSIRC) • TSIRC may specify customer service expectations in the Statement of Corporate Intent, but excessive customer service level specification (beyond normal commercial terms) may require a CSO payment for the corporate entity to operate commercially • While BSU currently has a fairly fixed institutional client base, adopting the Corporate Entity model may provide it with the opportunity to expand its market and scope of operations **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*	• BSU is already seen as a service provider by its customers as part of the 'contractor' model currently in place • TSIRC may specify customer service expectations as part of BSU's Annual Performance Plan, but excessive customer service level specification (beyond normal commercial terms) may require a CSO payment for the business unit to operate commercially **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*	• BSU is already seen as a service provider by its customers as part of the 'contractor' model currently in place **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
Summary Comment ***BSU customers will face higher prices under all reform options, although the ability to achieve cost efficiencies will mean that the Corporate Entity model will provide greatest value for money. There is some degree of risk of external funding providers not allowing commercial cost recovery (and distribution of profits to TSIRC) on grant funds. Customer service should not change significantly although there may be opportunities for BSU as a Corporate Entityto explore new forms of service to existing and new customers.***			
IMPLICATIONS FOR REGIONAL DEVELOPMENT AND ECONOMIC STABILITY			
Essential Service Provision	• Investment in infrastructure and sustainable service provision will not be impacted, with any reduced housing construction and upgrades offset by an increased ability for TSIRC to fund other infrastructure and essential services (given its current subsidisation of BSU's activities) • Cost reflective pricing will also make the market fairer and more accessible to new entrants from and to the region • Cost efficiencies should enhance the works able to be undertaken within a limited budget **NEGLIGIBLE IMPACT** *(potential for a shift in infrastructure and service provision, although the net effect should be minimal)*	• Same impacts as under Corporate Entity, with reduced cost efficiencies being achieved **NEGLIGIBLE IMPACT** *(potential for a shift in infrastructure and service provision, although the net effect should be minimal)*	• Same impacts as under Corporate Entity, without the ability to access cost efficiencies **NEGLIGIBLE IMPACT** *(potential for a shift in infrastructure and service provision, although the net effect should be minimal)*
Sustainable Investment	• Demand for the majority of BSU services is driven at the national and state government levels • It is expected that regardless of business structure, future decisions regarding building investment will be required to meet government policy objectives **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*	• Same impacts as under Corporate Entity **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*	• Same impacts as under Corporate Entity **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*
Summary Comment ***There would be negligible impact on regional development and economic stability as a result of the adoption of any of the reform options under assessment, although the Corporate Entity model would appear to be able to deliver a greater volume of work within a limited budget due to the ability to access cost efficiencies.***			

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
SOCIAL WELFARE AND EQUITY IMPLICATIONS			
Equity Between Customers	• Cost reflective pricing and removal of cross subsidies will enhance equity between customers **LOW BENEFIT** *(same cost recovery principles applied to all customers)*	• Same impacts as under Corporate Entity **LOW BENEFIT** *(same cost recovery principles applied to all customers)*	• Same impacts as under Corporate Entity **LOW BENEFIT** *(same cost recovery principles applied to all customers)*
Ratepayer/ Community Equity and Inter-generational Equity	• The adoption of cost reflective pricing will remove any reliance on TSIRC funds to undertaken works that should be funded by other levels of government • Transparent decision making and funding to BSU from TSIRC for the provision of non-commercial and community-focused activities should occur **HIGH BENEFIT** *(improved equity as current subsidy on works by TSIRC is removed)*	• Same impacts as under Corporate Entity **HIGH BENEFIT** *(improved equity as current subsidy on works by TSIRC is removed)*	• Same impacts as under Corporate Entity **HIGH BENEFIT** *(improved equity as current subsidy on works by TSIRC is removed)*
Community Affordability	• To the extent that cost-reflective pricing results in higher construction and maintenance costs, and assuming that government funding for these activities is capped by an annual budget which may result in reduced construction and maintenance activities • However, appropriate price-setting practices allows TSIRC to manage and minimise the financial impacts on ratepayers and the local community through removing implicit subsidies and will free up or reduce strain on resources for other uses • Corporate Entity will drive cost efficiencies and ensure maximum works are delivered within a defined budget **MODERATE-HIGH BENEFIT** *(Enhanced community affordability outcomes in the local area as a result of reduced subsidisation of works)*	• Same impacts as under Corporate Entity, with reduced cost efficiencies being achieved **MODERATE BENEFIT** *(Enhanced community affordability outcomes in the local area as a result of reduced subsidisation of works)*	• Same impacts as under Corporate Entity, with reduced cost efficiencies being achieved **MODERATE BENEFIT** *(Enhanced community affordability outcomes in the local area as a result of reduced subsidisation of works)*

ASSESSMENT CRITERIA	7. ADOPTION OF CORPORATE ENTITY	ADOPTION OF CBU	ADOPTION OF FCP
Summary Comment ***While higher prices may constrain the level of housing activity, it is not appropriate that TSIRC (and the local community) subsidise such works as this is the responsibility of other levels of government. Over time, efficiencies should see prices move to optimum levels and if increased activity is necessary then other levels of government will need to alter funding allocations. To the extent that the Corporate Entity model maximises operational efficiencies, it appears to produce the greatest benefit to the local community.***			
ENVIRONMENTAL IMPLICATIONS			
Method of Operation	• Corporate Entity will be required to develop and implement a range of policies to ensure compliance with environmental and other legislation • Some best practice operating guidelines can be adapted from TSIRC processes and procedures, but ultimately the corporate entity will need to develop its own policies that reflect its own culture, risk profile, specialised field of operations and work environment • It is possible that with a higher level of 'hands-on' governance that the method of operation may actually be enhanced • The pristine environment enjoyed by Torres Strait island communities is of particular relevance in this regard **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*	• No change expected, although an increased commercial focus may alter certain operating practices that will still need to be compliant with relevant requirements **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*	• No change expected **NIL IMPACT** *(no change from business as usual)*
Obligations	• Board of Directors will be liable for breaches of relevant environmental provisions, with this threat likely to provide a heightened awareness of environmental good practice and compliance compared to operation behind the shield of TSIRC **LOW BENEFIT** *(due to higher obligations and responsibility)*	• TSIRC will be liable for breaches of relevant environmental provisions **NEGLIGIBLE IMPACT** *(minimal change from business as usual)*	• TSIRC will be liable for breaches of relevant environmental provisions **NIL IMPACT** *(no change from business as usual)*
Summary Comment ***There would be negligible impact on the environment as a result of the adoption of each of the reform options (versus the status quo).***			

Source: AEC*group*

Recommendation:

Adoption of the Corporate Entity model would appear to be a viable option that could deliver significantly improved financial outcomes for BSU (and TSIRC), as well as the broader Torres Strait Island community.

Based on financial forecasts, there appears to be strong potential for TSIRC to earn decent commercial returns from BSU should it be effectively managed and current and anticipated funding arrangements continue. A corporate structure may best achieve this outcome, and would also ensure that all direct and indirect costs are appropriately identified and recovered by the business. Productivity improvements are also likely to result from the adoption of a more commercial focus by the business, which should result to additional housing and other activity with a given budget constraint without an unnecessary and unfair imposition on ratepayers and the local community.

A financial assessment reports that, relative to the business as usual case, the net present benefit associated with the Corporate Entity model is $56.5 million.

7.1 Reforms Applied to Other Identified Local Government Significant Business Activities

The FCP and CBU reform options have generally been the favoured reform options adopted by Queensland local governments, although it is important to note here that the majority of identified significant business activities have been either water and sewerage businesses or waste management businesses which are non-commercial in nature and largely considered to be essential service provision.

Wide Bay Water Corporation is the only corporatised business to have been established, and features around $50 million in annual income. Gladstone Regional Council has recently completed a PBA of its Airport business activity and resolved to adopt the corporate entity structure as from 1 July 2012.

The key feature of corporatisation compared to other NCP reform options is the setting up of a legally separate entity at arm's length from the local government, with the local government as sole shareholder. The local government retains a significant role in strategic direction of the entity through the Statement of Corporate Intent, but does not have any influence on day-to-day activities, management and decision making. The corporation has its own skills-based Board of Directors appointed by the local government but acting in the best interests of the corporation and in meeting the objectives and targets contained within the Statement of Corporate Intent.

Despite the reluctance of local government to embrace corporatisation as a reform option, there is no impediment to proceeding down this path assuming that clear community benefits exist. What is important should corporatisation be adopted is for governance and administration costs to be kept to a bare minimum so that they do not offset any efficiency gains that may be achievable under such a structure.

Table 6.3: Current Significant Business Activity Reforms Applied in QLD

Business Size	Council	Current Reform Level Applied
Waste Management		
Significant – Type 1	Gold Coast	Commercialised Business Unit
	Brisbane Moreton Bay Sunshine Coast	Full Cost Pricing
Significant – Type 2	Cairns Ipswich Logan Mackay Townsville	Commercialised Business Unit
	Bundaberg Redland Rockhampton Toowoomba	Full Cost Pricing
	Fraser Coast	Under Review – New SBA
Water Supply and Sewerage		
Significant – Type 1	Cairns Mackay Townsville	Commercialised Business Unit

Business Size	Council	Current Reform Level Applied
Significant – Type 2	Fraser Coast	Corporatisation
	Logan Rockhampton	Commercialised Business Unit
	Toowoomba	Full Cost Pricing
	Central Highlands	Under Review – New SBA
Airport		
Significant - Type 2	Gladstone	Corporatisation (in progress)
Quarry		
Significant - Type 2	Central Highlands	Under Review – New SBA
Tourist / Caravan Parks		
Significant - Type 2	Gold Coast	Full Cost Pricing

Source: AEC Group

8. Outcomes

8.1 Recognition as a Significant Business Activity

The turnover of BSU would appear to meet threshold requirements as a Type 2 Other activity requiring NCP PBA assessment and reform under the *Local Government Act*. As such, it is necessary for TSIRC to consider the appropriate structural reforms to apply to the business (i.e. Full Cost Pricing, Commercial Business Unit, Corporate Entity) to meet competition policy objectives.

8.2 Recommdendations of the Assessment

The PBA shows that when comparing the net community benefit of the available reform options, the adoption of the **Council Owned Corporate Entity reform option** appears to provide the greatest net community benefit when compared to the Full Cost Pricing (FCP) and Commercialised Business Unit (CBU) reform options.

It is therefore recommended that Torres Strait Island Regional Council adopt the Council Owned Corporate Entity reform option for the Building Services Unit (BSU) moving forward, subject to further evaluation of the establishment and ongoing operating costs likely to be incurred in addition to the appetite for BSU's customers for such a structure (and associated pricing implications).

Application of the Corporate Entity reform option to BSU should only be implemented if it can be reasonably expected that identified community benefits outweigh identified community costs. The analysis suggests there are identifiable financial and community benefits associated with moving BSU to a Corporate Entity structure, primarily relating to the appropriate recognition and recovery of all direct and indirect costs as well as the achievement of a commercial profit margin.

Features of the BSU that may align with the Corporate Entity model include:

- It could be argued that providing a building service, largely for external customers, is not really core business for TSIRC given that it consumes financial, administrative and management resources which could be reallocated to other services;
- BSU already operates on a 'contract' service model delivering new building and maintenance services to a variety of internal TSIRC service delivery managers, QBuild and other clients;
- BSU has only one permanent employee with the majority of staff on contract or CDEP, and therefore transition to a corporatised model would involve minimal human resource issues as staffing is already on a different model to TSIRC's mainstream operations;
- There is little competition for building services in island communities at present and corporatisation, including the necessary step of full cost pricing, will ensure a fair and competitive market environment (but may also increase the risk to the corporatised entity from reduced 'sales'); and
- To the extent that TSIRC's current cost recognition for BSU activities are inadequate, TSIRC may be providing a subsidy on projects and to clients in addition to assuming risk for project over-runs and delivery times, and the creation of a separate entity would remove this risk (although in the face of rising prices, funding allocations for housing and other building works may buy less).

8.3 Identified Risks

The biggest risks for TSIRC from adopting the Corporate Entity model include:

- Funding agencies not agreeing to the inclusion of a commercial profit margin on works undertaken by the business unit (although it is possible that the level of the margin could potentially be negotiated with the relevant agencies if necessary);

- Loss of 'first right of refusal' should funding agencies decide to test the competitiveness of the marketplace, given the fact that BSU is almost entirely reliant on external funding sources;
- The potential need to ensure price and service competitiveness for continued access to funding programs;
- The ability to source necessary skilled resources to undertake the required works, and retain existing resources (noting that the business is currently reliant on contractors and one or two key personnel);
- Retention of an appropriately skilled General Manager/CEO and Board of Directors at an affordable cost; and
- Whether grant funds can only be paid to TSIRC rather than the Corporate Entity and, if so, whether there are any issues with a direct pass-through to the Corporate Entity from TSIRC.

It will be important for BSU to have in place flexible recruitment/contracts to cope with potential significant fluctuations in activity from period to period, and to mitigate any risks associated with the potential loss of funding.

Another potential business risk is the need for employees to move to the Federal industrial relations regime under a corporatised structure. Given the number of staff members directly employed by Council (one), this risk is considered minimal but unions may still act against the application of corporatisation reforms.

8.4 Timeline for Reform Adoption

If TSIRC wished to proceed with corporatisation, it would be desirable for BSU to commence operations in a corporate form from 1 December 2012 although if this is not possible then the timeframe should be no later than 1 July 2013. TSIRC will need sufficient time to prepare its administrative, financial and governance arrangements to accommodate the reforms, as well as develop an organisational structure for the business and fill any vacant positions (including the Board of Directors).

TSIRC may wish to undertake consultation with key stakeholders regarding the outcomes of this PBA, as well as obtain formal confirmation from funding agencies that the adoption of a corporatised model will not result in a reduction in funding received for works to be undertaken by the business.

8.5 Other Strategic Issues and Limitations

8.5.1 Future Operating Environment

There is a chance that competition in the provision of building services from new and existing firms will increase, particularly as prices offered by BSU increase to reflect full cost pricing. Competitive tendering to win work may become more important, especially if BSU loses its 'first right of refusal' status with funding providers. A corporatised BSU will need to have a competitive cost structure and operating procedures to be successful in a competitive market. It is not clear that such an entrepreneurial culture exists currently.

In this regard, there are already a range of engineering construction contractors operating to deliver roads, water and sewerage infrastructure in island communities. Contractors for building construction are likely to enter the market if competition for work is extended by open tendering, particularly for monies expended by external funding providers. This is consistent with what has occurred in the undertaking of (competitive) Main Roads works contracts by Queensland Councils.

8.5.2 Additional Corporatisation Costs

Corporatisation establishes a new entity which has a range of administrative, governance and compliance obligations to meet, which will considerably exceed those required under the adoption of a simple full cost pricing structure. Costs may also be added for premises, branding and promotion for the new entity.

It should also be recognised that costs will be both one off set up costs and then ongoing. AEC Group estimates that costs associated with a corporatised entity could be $200,000 for establishing the entity and $200,000 per annum for ongoing governance, administration and compliance costs. Council will need to ensure that such costs are kept to a minimum so as to maximise any benefits from greater cost efficiencies.

8.5.3 Removal of Non-Commercial Objectives

A corporatised entity can be expected to confine its activities to paid work, seek best market prices, minimise costs and seek to maximise profits. Non-paid work, inefficient work practices, purchasing to support local industry regardless of price, local employment objectives and so on may not continue without a competitive neutrality adjustment or CSO payments from TSIRC.

8.5.4 TSIRC Isolation from Financial Impact

Four areas of concern arise as to TSIRC's capacity to isolate itself from the financial impact of a separate, corporatised BSU.

- Will TSIRC's economies of scale in relation to its own cost structure be affected? For example if the new entity chooses to source support services elsewhere, will TSIRC lose the critical mass for those services in its own operations and find them more costly?
- Will TSIRC be able to resist community pressure to subsidise BSU activities?
- Will TSIRC be prepared to fully shift financial risk to the separate entity? If BSU failed financially, would TSIRC assume responsibility for debts and work outstanding? Would TSIRC feel obliged to provide funding assistance in times of poor trading?
- The entity's financial performance will still need to be consolidated into TSIRC's end of year financial accounts.

8.5.5 Future of CDEP

BSU has a large CDEP workforce. Future arrangements after the phasing out of CDEP are unclear. It is also unclear whether a Corporate Entity (or new entrants to the market) will see the use of CDEP, training programs and so on as the best workforce approach. If subsidised CDEP labour is withdrawn, it is highly likely prices for building services will need to increase. From what is known of the post-CDEP environment, it is likely that subsidised local employment through training and apprenticeship programs will be available but will not generate the subsidies for workers currently provided under CDEP at present. This will lead to lower community employment.

8.5.6 Entrepreneurial Culture

A corporatised BSU would need to operate with a high level of entrepreneurial skill, particularly as competition increased in the marketplace. It is not clear that corporatised entity would have these skills initially, and it would be crucial to have an appropriately skilled Board and senior management team to meet these challenges. Location could be a potential issue in resourcing the corporation, although the proximity of Cairns should assist in this regard.

Appendix A: Competition Policy Reforms and Local Government

Background to Competition Policy

National Competition Policy (NCP) was adopted by the Council of Australian Governments in 1995 based on the recommendations of the Hilmer Commission to improve the competitiveness of Australian industry. The Queensland Government reviewed and amended the *Local Government Act* and other key legislation to include provisions for facilitating the implementation of NCP to local government business activities.

NCP seeks to ensure fair competition and a level playing field between government business activities and the private sector, with the objective to improve services and value for money and encourage better use of the nation's scarce resources. Basically, NCP is designed to make government business activities more transparent, accountable and efficient. Particular emphasis is placed on larger activities given their potential influence on regional economies.

Implications of Competition Policy for Local Government

The major elements of NCP impacting on local government business activities and corporatisation as a reform option are:

- **Competitive neutrality** which removes of the advantages and disadvantages that prevent local government business activities from operating on a comparable basis to the private sector;
- **Full Cost Pricing (FCP)** or Cost-Reflective Pricing (CRP) – ensuring that all significant business activity user charges reflect the full cost of delivering the goods and/or services, including operating costs, return of capital/depreciation, and achieving a commercial rate of return on capital employed;
- **COAG urban water reforms** incorporating the adoption of user pays pricing and FCP via the implementation of two-part tariffs (a connection fee and a consumption fee), consumption-based pricing, making cross subsidies transparent, as well as the recovery of all costs of supply (including a rate of return on assets);
- **Extension of the Trade Practices Act (Part IV)** to limit anti-competitive behaviour such as price fixing, market sharing and exclusive dealings;
- **Legislative review** and, where necessary, reform of local laws that restrict competition such as imposing unnecessary costs, penalties, restrictions or barriers to business; and,
- **Prices oversight** to prevent the misuse of monopoly powers, structural reform including the removal of industry regulation powers from public monopoly businesses, and potential third party access provisions.

Advantages and Disadvantages of Local Government-Run Business Activities

Typical **advantages** for public sector business activities include:

- Exemption from the payment of certain taxes;
- No requirement to pay dividends to their owners;
- Access to cheaper loan funds; and
- Exemption from compliance with some business regulations.

Typical **disadvantages** for public sector business activities include:

- Public sector employment conditions and higher public superannuation contributions;
- Cost of greater accountability given reporting and regulatory arrangements;

- Community service obligations imposed by government without funding assistance;
- Lower degree of managerial autonomy;
- Cost of compliance with *Freedom of Information Act* and Judicial Review requirements and the reporting requirements of other government agencies;
- Additional costs of compliance with restrictive purchasing policies and probity requirements (for example, tendering and delegations of authority); and
- Difficulty accessing taxation benefits of investment allowances and deductions.

Competitive neutrality and FCP intend to make the true costs and performance levels of local government business activities more transparent and accountable, and therefore facilitate better decisions by local government Councillors, Chief Executive Officers and Managers.

Structural and Pricing Reform Options

Under NCP, there is a hierarchy of reform options for significant business activities:

1. The business remains a local government service, but applies Full Cost Pricing (FCP) reforms;
2. The business becomes a Commercialised Business Unit (CBU); and
3. The business becomes a Council-Owned Corporatised Entity.

A brief description of each of the three reform options is reported in the following table.

Table A.1: NCP Reform Option Key Differences

Reform Option	Implications
Full Cost Pricing	• Minimum reform level that would be adopted by a significant business activity • Waste activities being provided by a program or section within the local government's organisational structure (as per roads, parks, etc.) • Costing/pricing on comparable basis to private sector (aware of actual cost of service provision) • Commercial return on investment targeted • Some minor compliance costs
Commercialised Business Unit	• A commercialised business unit (not a separate legal entity) is created by the local government to manage the business, with a dedicated business unit manager employed • Business unit has increased managerial autonomy for day-to-day operations • Business may have a greater ability to source inputs from outside of the local government, subject to the framework adopted • Business features its own business and operating plan • Business has more of a commercial orientation than under the full cost pricing reform option, and is subject to separate performance reporting (financial and non-financial) • Commercial return on investment targeted
Corporate Entity	• A separate corporate entity is created by the local government to manage the business, with the local government acting as sole shareholder • A Board of Directors is appointed, which is responsible for policy formulation and governance of the business • The local government retains ownership and ultimate control of business via its shareholder role, and sets strategic direction for the business and performance expectations of the Board through a Statement of Corporate Intent • Corporation features a greater business focus than under the full cost pricing and commercialised business unit reform options • Commercial return on investment targeted

Source: AEC*group*

It is important to note that all reform options involve setting prices to recover the same costs that would be incurred by a private sector entity, incorporating:

- Direct and indirect costs (e.g. wages, superannuation, materials, contractors, consumables);
- Administration and management costs;
- Return of capital/depreciation;

- Return on capital invested by the local government (e.g. resources, infrastructure, land, buildings, plant/equipment);
- Incorporation of tax equivalents such as general rates, land tax, payroll tax, FBT and taxes on business profits; and
- Adjustments for other advantages and disadvantages of public sector ownership.

Under all reform options, non-commercial activities undertaken by the business at the direction of the local government also need to be funded through Community Service Obligation (CSO) payments if a commercial charge is unable to be levied to cover the cost of the activities.

Key Review Components for Local Governments

The key components of NCP for local governments include:

1. The annual identification of business activities (including significant business activities) via a review of expenditure against the relevant thresholds released by the Minister for Local Government.
2. Undertaking Public Benefit Assessments for newly identified 'financially significant' business activities (that is, **type 1 and type 2 businesses)** and the application of appropriate competitive neutrality and structural reforms. Type 1 and 2 businesses do not include road construction and maintenance and library services, but may include water and sewerage services, cleansing services, off-street parking, and cultural, sporting and recreational facilities. The only difference between type 1 and type 2 assessments is that local government-owned corporation reforms must be considered for type 1 business activities, whereas consideration of corporatisation as a structural reform is optional for type 2 business activities;
3. The voluntary recognition of business activities deemed to be in competition with, or potentially in competition with, the private sector, categorised as **type 3 (competitive) businesses**, and the resulting application of a code of competitive conduct to those identified business activities. Such activities may be identified if they feature more than $270,000 in annual expenditure (including operating costs, administration/overhead costs, cost of resources and depreciation charges). Type 3 activities do not include library services.
4. The application of competitive neutrality principles (including cost-reflective pricing) to significant business activities, non-type 3 and type 3 businesses.
5. Minimum statutory reporting guidelines for business activities.
6. The implementation of a competitive neutrality complaints process for all identified business activities.
7. The adoption of two-part water tariffs where cost effective, and the disclosure of community service obligations and cross subsidies in service provision.

Identification of Financially Significant Business Activities

Section 45 of the *Local Government Act 2009* (the Act) states that a local government must identify new and existing business activities, which are significant business activities, in its annual report for each financial year. Type 1 or Type 2 significant business activities are identified by comparing the current expenditure of those activities in the preceding financial year against the relevant 'threshold amounts' set by the Department of Infrastructure and Planning through the Local Government and Planning Group.

The threshold levels in 2011/12 are as follows:

(a) For new type 1 activities:

i. For water and sewerage combined activities - $41,620,000

ii. For other activities - $24,950,000

(b) For new type 2 activities:

i. For water and sewerage combined activities - $12,465,000

ii. For other activities - $8,350,000

Relevant Legislation

The Queensland *Local Government Act 2009* and the *Local Government (Beneficial Enterprises and Business Activities) Regulation 2010* include the elements associated with national competition reforms and significant business activities for Queensland local governments. The new Act continues the commitment to the principles of NCP, and still requires local governments to follow the principles and processes that underpin NCP.

Appendix B: Public Benefit Assessment Process

Though the corporatisation assessment for the Building Services unit is being undertaken on a voluntary basis for the local government's internal purposes, it is useful to document the formal legislative processes for a formal PBA.

Chapter 8 of the *Local Government Act 1993* sets out the requirements of the PBA process. It is designed to determine whether reform to the activity in question would be in the public interest (that is, whether the benefits of the structural and pricing reforms outweigh the costs to the community). Where the benefits outweigh the costs, the reform option with the greatest net benefit is recommended.

There are four key stages in the assessment process:

Stage 1 – Definition of the existing structure and operation of the business unit, including management and reporting structures, annual income and expenditure and other financial arrangements;

Stage 2 – Identification of, and consultation with, stakeholders in the community who might be affected by the outcome of the PBA including customers, employees, contractors and others, as well as consideration of how the reform options will affect each group;

Stage 3 – Assessment of the potential impact of the reform options under consideration on the business activity and identified stakeholders; and,

Stage 4 – Based on stages 1 to 3, the provision of recommendations to the local government about which of the reform options is most appropriate, and the associated costs and benefits.

The statutory requirements to be included in the final PBA report are:

1. A statement on whether or not and, if so, to what extent, the benefits that would be realised from implementation of any of the structural reform options would outweigh the costs.
2. Details of the costs and benefits from each of the structural reform options.
3. A recommendation on whether any of the structural reform options should be implemented for the significant business activity.
4. If structural reform is recommended:
    a. A statement of which structural reform option should be implemented; and
    b. A timetable for implementation of structural reform.

Along with satisfying the legislative obligations of undertaking a PBA, the final PBA report may also include consideration of strategic issues identified during the consultation program and assessment process.

Appendix C: External Stakeholder PBA Assessment Notice

Torres Strait Island Regional Council

Council at its Special Meeting on Friday, 1 October 2010 considered a report on the Public Benefit of reforming its Building Services Unit into a Local Government Owned Corporation.

A summary of the recommendations from the Public Benefit Assessment are:

- Corporatisation would appear to be a viable option that could deliver significantly improved financial outcomes for the business (and Council), as well as the broader Torres Strait Island community.
- Based on financial forecasts for the business, there appears to be strong potential for Council to earn decent commercial returns from the business should it be effectively managed and current funding arrangements continue. A corporate structure may best achieve this outcome, and would also ensure that all direct and indirect costs are appropriately identified and recovered by the business.
- Productivity improvements are also likely to result from the adoption of a more commercial focus by the business, which should result to additional housing and other activity with a given budget constraint.
- A financial assessment undertaken reports that, relative to the business as usual case, using a discount rate of 11% there is a positive net present benefit associated with corporatisation.

Council is requesting broad input from stakeholders and members of the public by way of this consultation process. The public are invited to provide comments on the Report and its associated outcomes.

Council's 'decision' day for the report is 31 March 2011.

The report is available at all Council Divisional Offices including its Thursday Island Office for inspection or purchase. An electronic copy of the report is available free of charge by calling Council's reception on 07 4048 6200.

Appendix D: Summary Financial Modelling Outcomes for BSU

Corporate Entity Reform Option

INPUTS & ASSUMPTIONS	Amount
Base Year (year ended 30 June…)	2011
Discount Rate	11.0%
General Cost Inflation	3.0%
Company Income Tax Rate	30.0%
Working Capital Required (% of Revenue)	10.0%
Interest on Overdraft	8.0%

Year Ending 30 June…	% of Total (2011)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Revenue																							
House Construction	*30.8%*			$3,600,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$5,460,023	$5,622,204	$5,789,203	$5,961,161	$6,138,228	$6,320,554	$6,508,296	$6,701,615	$6,900,675	$7,105,649
House Upgrades	*32.5%*			$3,800,000	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$5,460,023	$5,622,204	$5,789,203	$5,961,161	$6,138,228	$6,320,554	$6,508,296	$6,701,615	$6,900,675	$7,105,649
Repairs & Maintenance	*36.8%*			$4,300,000	$6,470,612	$6,665,207	$6,865,664	$7,072,161	$7,284,881	$7,504,011	$7,729,745	$7,962,283	$8,201,830	$8,484,992	$8,739,554	$9,001,753	$9,271,819	$9,549,987	$9,836,500	$10,131,609	$10,435,572	$10,748,654	$11,071,130
Other Activities	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue	*100.0%*	$ 8,857,746	$ 8,953,039	**$11,700,000**	**$38,981,723**	**$39,176,318**	**$39,376,775**	**$39,583,272**	**$39,795,992**	**$40,015,122**	**$40,240,856**	**$40,473,394**	**$40,712,941**	**$19,405,038**	**$19,983,962**	**$20,580,158**	**$21,194,142**	**$21,826,443**	**$22,477,609**	**$23,148,202**	**$23,838,801**	**$24,550,005**	**$25,282,427**
***Less* Operating Expenditure**	**% of Total (2011)**																						
Labour Costs																							
House Construction	*12.6%*			$1,603,800	$8,473,355	$8,471,566	$8,469,732	$8,467,850	$8,465,919	$8,463,938	$8,461,907	$8,459,825	$8,457,689	$1,893,847	$1,950,089	$2,008,001	$2,067,633	$2,129,035	$2,192,261	$2,257,365	$2,324,402	$2,393,430	$2,464,508
House Upgrades	*13.3%*			$1,692,900	$3,004,903	$3,004,268	$3,003,618	$3,002,950	$3,002,266	$3,001,563	$3,000,843	$3,000,104	$2,999,347	$1,893,847	$1,950,089	$2,008,001	$2,067,633	$2,129,035	$2,192,261	$2,257,365	$2,324,402	$2,393,430	$2,464,508
Repairs & Maintenance	*17.5%*			$2,229,001	$2,295,871	$2,364,747	$2,435,690	$2,508,761	$2,584,023	$2,661,544	$2,741,390	$2,823,632	$2,908,341	$2,995,591	$3,085,459	$3,178,023	$3,273,363	$3,371,564	$3,472,711	$3,576,893	$3,684,199	$3,794,725	$3,908,567
Other	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Materials/Other Costs																							
House Construction	*15.4%*			$1,960,200	$10,356,322	$10,354,137	$10,351,894	$10,349,594	$10,347,234	$10,344,814	$10,342,331	$10,339,786	$10,337,175	$2,314,702	$2,383,442	$2,454,223	$2,527,107	$2,602,154	$2,679,430	$2,759,002	$2,840,936	$2,925,303	$3,012,176
House Upgrades	*16.3%*			$2,069,100	$3,672,659	$3,671,884	$3,671,088	$3,670,273	$3,669,436	$3,668,577	$3,667,697	$3,666,794	$3,665,869	$2,314,702	$2,383,442	$2,454,223	$2,527,107	$2,602,154	$2,679,430	$2,759,002	$2,840,936	$2,925,303	$3,012,176
Repairs & Maintenance	*12.9%*			$1,640,000	$1,689,200	$1,739,876	$1,792,072	$1,845,834	$1,901,209	$1,958,246	$2,016,993	$2,077,503	$2,139,828	$2,204,023	$2,270,144	$2,338,248	$2,408,395	$2,480,647	$2,555,067	$2,631,719	$2,710,670	$2,791,990	$2,875,750
Other	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Governance & Administration Costs																							
Company Establishment	*1.6%*			$200,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ongoing Board/Governance Costs	*1.6%*			$200,000	$206,000	$212,180	$218,545	$225,102	$231,855	$238,810	$245,975	$253,354	$260,955	$268,783	$276,847	$285,152	$293,707	$302,518	$311,593	$320,941	$330,570	$340,487	$350,701
General Management/Administration Costs	*8.8%*			$1,119,500	$4,423,846	$4,440,972	$4,458,614	$4,476,789	$4,495,513	$4,514,802	$4,534,674	$4,555,147	$4,576,237	$2,042,507	$2,103,400	$2,166,108	$2,230,686	$2,297,189	$2,365,674	$2,436,202	$2,508,832	$2,583,627	$2,660,653
Total Operating Expenditure	*100.0%*	$ 9,301,673	$10,217,223	**$12,714,501**	**$34,122,156**	**$34,259,630**	**$34,401,254**	**$34,547,152**	**$34,697,455**	**$34,852,296**	**$35,011,812**	**$35,176,145**	**$35,345,441**	**$15,928,003**	**$16,402,911**	**$16,891,979**	**$17,395,629**	**$17,914,297**	**$18,448,429**	**$18,998,487**	**$19,564,947**	**$20,148,296**	**$20,749,039**
***Less* Depreciation**	**% of Total (2011)**																						
Depreciation - Equipment				$40,000	$41,200	$42,436	$43,709	$45,020	$46,371	$47,762	$49,195	$50,671	$52,191	$53,757	$55,369	$57,030	$58,741	$60,504	$62,319	$64,188	$66,114	$68,097	$70,140
Depreciation - Vehicles				$48,000	$49,440	$50,923	$52,451	$54,024	$55,645	$57,315	$59,034	$60,805	$62,629	$64,508	$66,443	$68,437	$70,490	$72,604	$74,782	$77,026	$79,337	$81,717	$84,168
Depreciation - Machinery (backhoes)				$48,000	$49,440	$50,923	$52,451	$54,024	$55,645	$57,315	$59,034	$60,805	$62,629	$64,508	$66,443	$68,437	$70,490	$72,604	$74,782	$77,026	$79,337	$81,717	$84,168
Depreciation - Machinery (small trucks)				$20,000	$20,600	$21,218	$21,855	$22,510	$23,185	$23,881	$24,597	$25,335	$26,095	$26,878	$27,685	$28,515	$29,371	$30,252	$31,159	$32,094	$33,057	$34,049	$35,070
Total Depreciation				**$156,000**	**$160,680**	**$165,500**	**$170,465**	**$175,579**	**$180,847**	**$186,272**	**$191,860**	**$197,616**	**$203,545**	**$209,651**	**$215,940**	**$222,419**	**$229,091**	**$235,964**	**$243,043**	**$250,334**	**$257,844**	**$265,580**	**$273,547**
PROFITABILITY ASSESSMENT																							
Earnings Before Interest, Tax, Depreciation & Amortisation		**-$443,926**	**-$1,264,185**	**-$1,014,501**	**$4,859,567**	**$4,916,687**	**$4,975,521**	**$5,036,120**	**$5,098,537**	**$5,162,826**	**$5,229,045**	**$5,297,249**	**$5,367,500**	**$3,477,034**	**$3,581,051**	**$3,688,179**	**$3,798,512**	**$3,912,146**	**$4,029,180**	**$4,149,714**	**$4,273,854**	**$4,401,709**	**$4,533,388**
Less Depreciation				$156,000	$160,680	$165,500	$170,465	$175,579	$180,847	$186,272	$191,860	$197,616	$203,545	$209,651	$215,940	$222,419	$229,091	$235,964	$243,043	$250,334	$257,844	$265,580	$273,547
Earnings Before Interest & Tax		**-$443,926**	**-$1,264,185**	**-$1,170,501**	**$4,698,887**	**$4,751,187**	**$4,805,056**	**$4,860,541**	**$4,917,690**	**$4,976,554**	**$5,037,184**	**$5,099,633**	**$5,163,955**	**$3,267,383**	**$3,365,110**	**$3,465,760**	**$3,569,421**	**$3,676,182**	**$3,786,137**	**$3,899,380**	**$4,016,010**	**$4,136,129**	**$4,259,841**
Less Interest Expense				$93,600	$311,854	$313,411	$315,014	$316,666	$318,368	$320,121	$321,927	$323,787	$325,704	$155,240	$159,872	$164,641	$169,553	$174,612	$179,821	$185,186	$190,710	$196,400	$202,259
Net Profit Before Tax		**-$443,926**	**-$1,264,185**	**-$1,264,101**	**$4,387,033**	**$4,437,776**	**$4,490,041**	**$4,543,875**	**$4,599,322**	**$4,656,433**	**$4,715,257**	**$4,775,846**	**$4,838,252**	**$3,112,143**	**$3,205,239**	**$3,301,119**	**$3,399,868**	**$3,501,571**	**$3,606,316**	**$3,714,194**	**$3,825,300**	**$3,939,729**	**$4,057,581**
Less Company Tax Equivalent				$0	$1,316,110	$1,331,333	$1,347,012	$1,363,162	$1,379,797	$1,396,930	$1,414,577	$1,432,754	$1,451,476	$933,643	$961,572	$990,336	$1,019,960	$1,050,471	$1,081,895	$1,114,258	$1,147,590	$1,181,919	$1,217,274
Net Profit After Tax		**-$443,926**	**-$1,264,185**	**-$1,264,101**	**$3,070,923**	**$3,106,443**	**$3,143,029**	**$3,180,712**	**$3,219,526**	**$3,259,503**	**$3,300,680**	**$3,343,092**	**$3,386,776**	**$2,178,500**	**$2,243,667**	**$2,310,783**	**$2,379,908**	**$2,451,099**	**$2,524,421**	**$2,599,936**	**$2,677,710**	**$2,757,810**	**$2,840,307**
CASH FLOW ASSESSMENT (inc. interest on working capital)																							
Net Profit Before Tax		**-$443,926**	**-$1,264,185**	**-$1,264,101**	**$4,387,033**	**$4,437,776**	**$4,490,041**	**$4,543,875**	**$4,599,322**	**$4,656,433**	**$4,715,257**	**$4,775,846**	**$4,838,252**	**$3,112,143**	**$3,205,239**	**$3,301,119**	**$3,399,868**	**$3,501,571**	**$3,606,316**	**$3,714,194**	**$3,825,300**	**$3,939,729**	**$4,057,581**
Plus Depreciation				$156,000	$160,680	$165,500	$170,465	$175,579	$180,847	$186,272	$191,860	$197,616	$203,545	$209,651	$215,940	$222,419	$229,091	$235,964	$243,043	$250,334	$257,844	$265,580	$273,547
Less Capital Expenditure				$700,000	$0	$0	$131,127	$0	$672,379	$143,286	$0	$0	$156,573	$779,472	$0	$171,091	$0	$0	$1,090,577	$0	$0	$204,292	$0
Net Cash Flows		**-$443,926**	**-$1,264,185**	**-$1,808,101**	**$4,547,713**	**$4,603,277**	**$4,529,380**	**$4,719,454**	**$4,107,790**	**$4,699,419**	**$4,907,118**	**$4,973,462**	**$4,885,224**	**$2,542,322**	**$3,421,179**	**$3,352,447**	**$3,628,959**	**$3,737,535**	**$2,758,781**	**$3,964,528**	**$4,083,144**	**$4,001,017**	**$4,331,128**
Terminal Value of Business																							$54,139,105
Total Net Cash Flows		**-$443,926**	**-$1,264,185**	**-$1,808,101**	**$4,547,713**	**$4,603,277**	**$4,529,380**	**$4,719,454**	**$4,107,790**	**$4,699,419**	**$4,907,118**	**$4,973,462**	**$4,885,224**	**$2,542,322**	**$3,421,179**	**$3,352,447**	**$3,628,959**	**$3,737,535**	**$2,758,781**	**$3,964,528**	**$4,083,144**	**$4,001,017**	**$58,470,234**
NPV OF NET CASH FLOWS (including terminal value)				**$39,245,377**																			

Source: AEC*group*

CBU Reform Option

INPUTS & ASSUMPTIONS	Amount
Base Year (year ended 30 June…)	2011
Discount Rate	11.0%
General Cost Inflation	3.0%
Company Income Tax Rate	30.0%
Working Capital Required (% of Revenue)	10.0%
Interest on Overdraft	8.0%

Year Ending 30 June…		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Revenue	**% of Total (2011)**																						
House Construction	*30.8%*			$3,600,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$5,460,813	$5,623,832	$5,791,717	$5,964,613	$6,142,671	$6,326,045	$6,514,893	$6,709,378	$6,909,669	$7,115,939
House Upgrades	*32.5%*			$3,800,000	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$5,460,813	$5,623,832	$5,791,717	$5,964,613	$6,142,671	$6,326,045	$6,514,893	$6,709,378	$6,909,669	$7,115,939
Repairs & Maintenance	*36.8%*			$4,299,855	$6,470,612	$6,665,207	$6,865,664	$7,072,161	$7,284,881	$7,504,011	$7,729,745	$7,962,283	$8,201,830	$8,484,986	$8,739,541	$9,001,734	$9,271,792	$9,549,953	$9,836,458	$10,131,559	$10,435,513	$10,748,586	$11,071,052
Other Activities	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue	*100.0%*	**$ 8,857,746**	**$ 8,953,039**	**$11,699,855**	**$38,981,723**	**$39,176,318**	**$39,376,775**	**$39,583,272**	**$39,795,992**	**$40,015,122**	**$40,240,856**	**$40,473,394**	**$40,712,941**	**$19,406,612**	**$19,987,205**	**$20,585,167**	**$21,201,019**	**$21,835,296**	**$22,488,548**	**$23,161,345**	**$23,854,269**	**$24,567,924**	**$25,302,930**
***Less* Operating Expenditure**	**% of Total (2011)**																						
Labour Costs																							
House Construction	*12.8%*			$1,611,900	$8,473,355	$8,471,566	$8,469,732	$8,467,850	$8,465,919	$8,463,938	$8,461,908	$8,459,825	$8,457,689	$1,894,127	$1,950,666	$2,008,891	$2,068,855	$2,130,609	$2,194,206	$2,259,702	$2,327,152	$2,396,616	$2,468,153
House Upgrades	*13.6%*			$1,701,450	$3,004,903	$3,004,268	$3,003,618	$3,002,950	$3,002,266	$3,001,563	$3,000,843	$3,000,104	$2,999,347	$1,894,127	$1,950,666	$2,008,891	$2,068,855	$2,130,609	$2,194,206	$2,259,702	$2,327,152	$2,396,616	$2,468,153
Repairs & Maintenance	*17.8%*			$2,229,001	$2,295,871	$2,364,747	$2,435,690	$2,508,761	$2,584,023	$2,661,544	$2,741,390	$2,823,632	$2,908,341	$2,995,591	$3,085,459	$3,178,023	$3,273,363	$3,371,564	$3,472,711	$3,576,893	$3,684,199	$3,794,725	$3,908,567
Other	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Materials/Other Costs																							
House Construction	*15.7%*			$1,970,100	$10,356,322	$10,354,137	$10,351,894	$10,349,594	$10,347,234	$10,344,814	$10,342,331	$10,339,786	$10,337,175	$2,315,044	$2,384,147	$2,455,312	$2,528,601	$2,604,078	$2,681,808	$2,761,858	$2,844,297	$2,929,197	$3,016,632
House Upgrades	*16.6%*			$2,079,550	$3,672,659	$3,671,884	$3,671,088	$3,670,273	$3,669,436	$3,668,577	$3,667,697	$3,666,794	$3,665,869	$2,315,044	$2,384,147	$2,455,312	$2,528,601	$2,604,078	$2,681,808	$2,761,858	$2,844,297	$2,929,197	$3,016,632
Repairs & Maintenance	*13.1%*			$1,640,000	$1,689,200	$1,739,876	$1,792,072	$1,845,834	$1,901,209	$1,958,246	$2,016,993	$2,077,503	$2,139,828	$2,204,023	$2,270,144	$2,338,248	$2,408,395	$2,480,647	$2,555,067	$2,631,719	$2,710,670	$2,791,990	$2,875,750
Other	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Governance & Administration Costs																							
Company Establishment	*0.8%*			$100,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ongoing Board/Governance Costs	*0.8%*			$100,000	$103,000	$106,090	$109,273	$112,551	$115,927	$119,405	$122,987	$126,677	$130,477	$134,392	$138,423	$142,576	$146,853	$151,259	$155,797	$160,471	$165,285	$170,243	$175,351
General Management/Administration Costs	*8.9%*			$1,123,200	$4,423,846	$4,440,972	$4,458,614	$4,476,789	$4,495,513	$4,514,802	$4,534,674	$4,555,147	$4,576,237	$2,042,694	$2,103,784	$2,166,702	$2,231,501	$2,298,238	$2,366,971	$2,437,760	$2,510,665	$2,585,751	$2,663,083
Total Operating Expenditure	*100.0%*	**$ 9,301,673**	**$10,217,223**	**$12,555,201**	**$34,019,156**	**$34,153,540**	**$34,291,981**	**$34,434,601**	**$34,581,528**	**$34,732,890**	**$34,888,824**	**$35,049,468**	**$35,214,964**	**$15,795,043**	**$16,267,435**	**$16,753,955**	**$17,255,026**	**$17,771,083**	**$18,302,574**	**$18,849,961**	**$19,413,718**	**$19,994,337**	**$20,592,321**
***Less* Depreciation**	**% of Total (2011)**																						
Depreciation - Equipment				$40,000	$41,200	$42,436	$43,709	$45,020	$46,371	$47,762	$49,195	$50,671	$52,191	$53,757	$55,369	$57,030	$58,741	$60,504	$62,319	$64,188	$66,114	$68,097	$70,140
Depreciation - Vehicles				$48,000	$49,440	$50,923	$52,451	$54,024	$55,645	$57,315	$59,034	$60,805	$62,629	$64,508	$66,443	$68,437	$70,490	$72,604	$74,782	$77,026	$79,337	$81,717	$84,168
Depreciation - Machinery (backhoes)				$48,000	$49,440	$50,923	$52,451	$54,024	$55,645	$57,315	$59,034	$60,805	$62,629	$64,508	$66,443	$68,437	$70,490	$72,604	$74,782	$77,026	$79,337	$81,717	$84,168
Depreciation - Machinery (small trucks)				$20,000	$20,600	$21,218	$21,855	$22,510	$23,185	$23,881	$24,597	$25,335	$26,095	$26,878	$27,685	$28,515	$29,371	$30,252	$31,159	$32,094	$33,057	$34,049	$35,070
Total Depreciation				**$156,000**	**$160,680**	**$165,500**	**$170,465**	**$175,579**	**$180,847**	**$186,272**	**$191,860**	**$197,616**	**$203,545**	**$209,651**	**$215,940**	**$222,419**	**$229,091**	**$235,964**	**$243,043**	**$250,334**	**$257,844**	**$265,580**	**$273,547**

PROFITABILITY ASSESSMENT																							
Earnings Before Interest, Tax, Depreciation & Amortisation		**-$443,926**	**-$1,264,185**	**-$855,347**	**$4,962,567**	**$5,022,777**	**$5,084,794**	**$5,148,671**	**$5,214,464**	**$5,282,232**	**$5,352,032**	**$5,423,926**	**$5,497,977**	**$3,611,570**	**$3,719,770**	**$3,831,212**	**$3,945,993**	**$4,064,213**	**$4,185,975**	**$4,311,384**	**$4,440,551**	**$4,573,587**	**$4,710,609**
Less Depreciation				$156,000	$160,680	$165,500	$170,465	$175,579	$180,847	$186,272	$191,860	$197,616	$203,545	$209,651	$215,940	$222,419	$229,091	$235,964	$243,043	$250,334	$257,844	$265,580	$273,547
Earnings Before Interest & Tax		**-$443,926**	**-$1,264,185**	**-$1,011,347**	**$4,801,887**	**$4,857,277**	**$4,914,328**	**$4,973,092**	**$5,033,618**	**$5,095,960**	**$5,160,172**	**$5,226,310**	**$5,294,433**	**$3,401,919**	**$3,503,830**	**$3,608,794**	**$3,716,902**	**$3,828,249**	**$3,942,932**	**$4,061,050**	**$4,182,707**	**$4,308,008**	**$4,437,063**
Less Interest Expense				$93,599	$311,854	$313,411	$315,014	$316,666	$318,368	$320,121	$321,927	$323,787	$325,704	$155,253	$159,898	$164,681	$169,608	$174,682	$179,908	$185,291	$190,834	$196,543	$202,423
Net Profit Before Tax		**-$443,926**	**-$1,264,185**	**-$1,104,945**	**$4,490,033**	**$4,543,866**	**$4,599,314**	**$4,656,425**	**$4,715,250**	**$4,775,839**	**$4,838,245**	**$4,902,523**	**$4,968,729**	**$3,246,666**	**$3,343,932**	**$3,444,112**	**$3,547,294**	**$3,653,567**	**$3,763,023**	**$3,875,759**	**$3,991,872**	**$4,111,464**	**$4,234,639**
Less Company Tax Equivalent				$0	$1,347,010	$1,363,160	$1,379,794	$1,396,928	$1,414,575	$1,432,752	$1,451,473	$1,470,757	$1,490,619	$974,000	$1,003,180	$1,033,234	$1,064,188	$1,096,070	$1,128,907	$1,162,728	$1,197,562	$1,233,439	$1,270,392
Net Profit After Tax		**-$443,926**	**-$1,264,185**	**-$1,104,945**	**$3,143,023**	**$3,180,706**	**$3,219,520**	**$3,259,498**	**$3,300,675**	**$3,343,087**	**$3,386,771**	**$3,431,766**	**$3,478,110**	**$2,272,666**	**$2,340,752**	**$2,410,879**	**$2,483,106**	**$2,557,497**	**$2,634,116**	**$2,713,031**	**$2,794,311**	**$2,878,025**	**$2,964,247**

CASH FLOW ASSESSMENT (inc. interest on working capital)																							
Net Profit Before Tax		**-$443,926**	**-$1,264,185**	**-$1,104,945**	**$4,490,033**	**$4,543,866**	**$4,599,314**	**$4,656,425**	**$4,715,250**	**$4,775,839**	**$4,838,245**	**$4,902,523**	**$4,968,729**	**$3,246,666**	**$3,343,932**	**$3,444,112**	**$3,547,294**	**$3,653,567**	**$3,763,023**	**$3,875,759**	**$3,991,872**	**$4,111,464**	**$4,234,639**
Plus Depreciation				$156,000	$160,680	$165,500	$170,465	$175,579	$180,847	$186,272	$191,860	$197,616	$203,545	$209,651	$215,940	$222,419	$229,091	$235,964	$243,043	$250,334	$257,844	$265,580	$273,547
Less Capital Expenditure				$700,000	$0	$0	$131,127	$0	$672,379	$143,286	$0	$0	$156,573	$779,472	$0	$171,091	$0	$0	$1,090,577	$0	$0	$204,292	$0
Net Cash Flows		**-$443,926**	**-$1,264,185**	**-$1,648,945**	**$4,650,713**	**$4,709,367**	**$4,638,652**	**$4,832,005**	**$4,223,718**	**$4,818,824**	**$5,030,105**	**$5,100,139**	**$5,015,701**	**$2,676,845**	**$3,559,872**	**$3,495,440**	**$3,776,385**	**$3,889,531**	**$2,915,489**	**$4,126,093**	**$4,249,717**	**$4,172,752**	**$4,508,186**
Terminal Value of Business																							$56,352,325
Total Net Cash Flows		**-$443,926**	**-$1,264,185**	**-$1,648,945**	**$4,650,713**	**$4,709,367**	**$4,638,652**	**$4,832,005**	**$4,223,718**	**$4,818,824**	**$5,030,105**	**$5,100,139**	**$5,015,701**	**$2,676,845**	**$3,559,872**	**$3,495,440**	**$3,776,385**	**$3,889,531**	**$2,915,489**	**$4,126,093**	**$4,249,717**	**$4,172,752**	**$60,860,512**
NPV OF NET CASH FLOWS (including terminal value)				**$40,687,565**																			

Source: AEC*group*

FCP Reform Option

INPUTS & ASSUMPTIONS	Amount
Base Year (year ended 30 June...)	2011
Discount Rate	11.0%
General Cost Inflation	3.0%
Company Income Tax Rate	30.0%
Working Capital Required (% of Revenue)	10.0%
Interest on Overdraft	8.0%

Year Ending 30 June...		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Revenue	**% of Total (2011)**																						
House Construction	*30.8%*			$3,600,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$24,000,000	$5,461,596	$5,625,444	$5,794,207	$5,968,033	$6,147,074	$6,331,486	$6,521,431	$6,717,074	$6,918,586	$7,126,144
House Upgrades	*32.5%*			$3,800,000	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$8,511,111	$5,461,596	$5,625,444	$5,794,207	$5,968,033	$6,147,074	$6,331,486	$6,521,431	$6,717,074	$6,918,586	$7,126,144
Repairs & Maintenance	*36.8%*			$4,299,710	$6,470,612	$6,665,207	$6,865,664	$7,072,161	$7,284,881	$7,504,011	$7,729,745	$7,962,283	$8,201,830	$8,484,980	$8,739,529	$9,001,715	$9,271,767	$9,549,920	$9,836,417	$10,131,510	$10,435,455	$10,748,519	$11,070,974
Other Activities	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Revenue	*100.0%*	$ 8,857,746	$ 8,953,039	**$11,699,710**	**$38,981,723**	**$39,176,318**	**$39,376,775**	**$39,583,272**	**$39,795,992**	**$40,015,122**	**$40,240,856**	**$40,473,394**	**$40,712,941**	**$19,408,171**	**$19,990,417**	**$20,590,129**	**$21,207,833**	**$21,844,068**	**$22,499,390**	**$23,174,372**	**$23,869,603**	**$24,585,691**	**$25,323,262**
***Less* Operating Expenditure**	**% of Total (2011)**																						
Labour Costs																							
House Construction	*13.0%*			$1,620,000	$8,473,355	$8,471,566	$8,469,732	$8,467,850	$8,465,919	$8,463,939	$8,461,908	$8,459,825	$8,457,689	$1,894,404	$1,951,237	$2,009,774	$2,070,067	$2,132,169	$2,196,134	$2,262,018	$2,329,879	$2,399,775	$2,471,768
House Upgrades	*13.7%*			$1,710,000	$3,004,903	$3,004,268	$3,003,618	$3,002,950	$3,002,266	$3,001,563	$3,000,843	$3,000,104	$2,999,347	$1,894,404	$1,951,237	$2,009,774	$2,070,067	$2,132,169	$2,196,134	$2,262,018	$2,329,879	$2,399,775	$2,471,768
Repairs & Maintenance	*17.9%*			$2,229,001	$2,295,871	$2,364,747	$2,435,690	$2,508,761	$2,584,023	$2,661,544	$2,741,390	$2,823,632	$2,908,341	$2,995,591	$3,085,459	$3,178,023	$3,273,363	$3,371,564	$3,472,711	$3,576,893	$3,684,199	$3,794,725	$3,908,567
Other	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Materials/Other Costs																							
House Construction	*15.9%*			$1,980,000	$10,356,322	$10,354,137	$10,351,894	$10,349,594	$10,347,234	$10,344,814	$10,342,331	$10,339,786	$10,337,175	$2,315,383	$2,384,845	$2,456,390	$2,530,082	$2,605,984	$2,684,164	$2,764,689	$2,847,629	$2,933,058	$3,021,050
House Upgrades	*16.8%*			$2,090,000	$3,672,659	$3,671,884	$3,671,088	$3,670,273	$3,669,436	$3,668,577	$3,667,697	$3,666,794	$3,665,869	$2,315,383	$2,384,845	$2,456,390	$2,530,082	$2,605,984	$2,684,164	$2,764,689	$2,847,629	$2,933,058	$3,021,050
Repairs & Maintenance	*13.2%*			$1,640,000	$1,689,200	$1,739,876	$1,792,072	$1,845,834	$1,901,209	$1,958,246	$2,016,993	$2,077,503	$2,139,828	$2,204,023	$2,270,144	$2,338,248	$2,408,395	$2,480,647	$2,555,067	$2,631,719	$2,710,670	$2,791,990	$2,875,750
Other	*0.0%*			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Governance & Administration Costs																							
Company Establishment	*0.4%*			$50,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ongoing Board/Governance Costs	*0.2%*			$25,000	$25,750	$26,523	$27,318	$28,138	$28,982	$29,851	$30,747	$31,669	$32,619	$33,598	$34,606	$35,644	$36,713	$37,815	$38,949	$40,118	$41,321	$42,561	$43,838
General Management/Administration Costs	*9.0%*			$1,126,900	$4,423,846	$4,440,972	$4,458,614	$4,476,789	$4,495,513	$4,514,802	$4,534,674	$4,555,147	$4,576,237	$2,042,878	$2,104,165	$2,167,290	$2,232,308	$2,299,278	$2,368,256	$2,439,304	$2,512,483	$2,587,857	$2,665,493
Total Operating Expenditure	*100.0%*	$ 9,301,673	$10,217,223	**$12,470,901**	**$33,941,906**	**$34,073,973**	**$34,210,027**	**$34,350,188**	**$34,494,582**	**$34,643,337**	**$34,796,584**	**$34,954,460**	**$35,117,106**	**$15,695,666**	**$16,166,536**	**$16,651,532**	**$17,151,078**	**$17,665,610**	**$18,195,578**	**$18,741,446**	**$19,303,689**	**$19,882,800**	**$20,479,284**
***Less* Depreciation**	**% of Total (2011)**																						
Depreciation - Equipment				$40,000	$41,200	$42,436	$43,709	$45,020	$46,371	$47,762	$49,195	$50,671	$52,191	$53,757	$55,369	$57,030	$58,741	$60,504	$62,319	$64,188	$66,114	$68,097	$70,140
Depreciation - Vehicles				$48,000	$49,440	$50,923	$52,451	$54,024	$55,645	$57,315	$59,034	$60,805	$62,629	$64,508	$66,443	$68,437	$70,490	$72,604	$74,782	$77,026	$79,337	$81,717	$84,168
Depreciation - Machinery (backhoes)				$48,000	$49,440	$50,923	$52,451	$54,024	$55,645	$57,315	$59,034	$60,805	$62,629	$64,508	$66,443	$68,437	$70,490	$72,604	$74,782	$77,026	$79,337	$81,717	$84,168
Depreciation - Machinery (small trucks)				$20,000	$20,600	$21,218	$21,855	$22,510	$23,185	$23,881	$24,597	$25,335	$26,095	$26,878	$27,685	$28,515	$29,371	$30,252	$31,159	$32,094	$33,057	$34,049	$35,070
Total Depreciation				**$156,000**	**$160,680**	**$165,500**	**$170,465**	**$175,579**	**$180,847**	**$186,272**	**$191,860**	**$197,616**	**$203,545**	**$209,651**	**$215,940**	**$222,419**	**$229,091**	**$235,964**	**$243,043**	**$250,334**	**$257,844**	**$265,580**	**$273,547**
PROFITABILITY ASSESSMENT																							
Earnings Before Interest, Tax, Depreciation & Amortisation		**-$443,926**	**-$1,264,185**	**-$771,191**	**$5,039,817**	**$5,102,345**	**$5,166,748**	**$5,233,084**	**$5,301,410**	**$5,371,786**	**$5,444,272**	**$5,518,934**	**$5,595,835**	**$3,712,506**	**$3,823,881**	**$3,938,597**	**$4,056,755**	**$4,178,458**	**$4,303,811**	**$4,432,926**	**$4,565,914**	**$4,702,891**	**$4,843,978**
Less Depreciation				$156,000	$160,680	$165,500	$170,465	$175,579	$180,847	$186,272	$191,860	$197,616	$203,545	$209,651	$215,940	$222,419	$229,091	$235,964	$243,043	$250,334	$257,844	$265,580	$273,547
Earnings Before Interest & Tax		**-$443,926**	**-$1,264,185**	**-$927,191**	**$4,879,137**	**$4,936,844**	**$4,996,283**	**$5,057,505**	**$5,120,563**	**$5,185,513**	**$5,252,412**	**$5,321,318**	**$5,392,291**	**$3,502,855**	**$3,607,940**	**$3,716,178**	**$3,827,664**	**$3,942,494**	**$4,060,769**	**$4,182,592**	**$4,308,069**	**$4,437,311**	**$4,570,431**
Less Interest Expense				$93,598	$311,854	$313,411	$315,014	$316,666	$318,368	$320,121	$321,927	$323,787	$325,704	$155,265	$159,923	$164,721	$169,663	$174,753	$179,995	$185,395	$190,957	$196,686	$202,586
Net Profit Before Tax		**-$443,926**	**-$1,264,185**	**-$1,020,789**	**$4,567,283**	**$4,623,434**	**$4,681,269**	**$4,740,839**	**$4,802,195**	**$4,865,392**	**$4,930,485**	**$4,997,531**	**$5,066,587**	**$3,347,589**	**$3,448,017**	**$3,551,457**	**$3,658,001**	**$3,767,741**	**$3,880,773**	**$3,997,197**	**$4,117,113**	**$4,240,626**	**$4,367,845**
Less Company Tax Equivalent				$0	$1,370,185	$1,387,030	$1,404,381	$1,422,252	$1,440,659	$1,459,618	$1,479,146	$1,499,259	$1,519,976	$1,004,277	$1,034,405	$1,065,437	$1,097,400	$1,130,322	$1,164,232	$1,199,159	$1,235,134	$1,272,188	$1,310,353
Net Profit After Tax		**-$443,926**	**-$1,264,185**	**-$1,020,789**	**$3,197,098**	**$3,236,404**	**$3,276,888**	**$3,318,587**	**$3,361,537**	**$3,405,775**	**$3,451,340**	**$3,498,272**	**$3,546,611**	**$2,343,312**	**$2,413,612**	**$2,486,020**	**$2,560,601**	**$2,637,419**	**$2,716,541**	**$2,798,038**	**$2,881,979**	**$2,968,438**	**$3,057,491**
CASH FLOW ASSESSMENT (inc. interest on working capital)																							
Net Profit Before Tax		**-$443,926**	**-$1,264,185**	**-$1,020,789**	**$4,567,283**	**$4,623,434**	**$4,681,269**	**$4,740,839**	**$4,802,195**	**$4,865,392**	**$4,930,485**	**$4,997,531**	**$5,066,587**	**$3,347,589**	**$3,448,017**	**$3,551,457**	**$3,658,001**	**$3,767,741**	**$3,880,773**	**$3,997,197**	**$4,117,113**	**$4,240,626**	**$4,367,845**
Plus Depreciation				$156,000	$160,680	$165,500	$170,465	$175,579	$180,847	$186,272	$191,860	$197,616	$203,545	$209,651	$215,940	$222,419	$229,091	$235,964	$243,043	$250,334	$257,844	$265,580	$273,547
Less Capital Expenditure				$700,000	$0	$0	$131,127	$0	$672,379	$143,286	$0	$0	$156,573	$779,472	$0	$171,091	$0	$0	$1,090,577	$0	$0	$204,292	$0
Net Cash Flows		**-$443,926**	**-$1,264,185**	**-$1,564,789**	**$4,727,963**	**$4,788,934**	**$4,720,607**	**$4,916,418**	**$4,310,663**	**$4,908,378**	**$5,122,346**	**$5,195,147**	**$5,113,559**	**$2,777,769**	**$3,663,957**	**$3,602,785**	**$3,887,092**	**$4,003,705**	**$3,033,239**	**$4,247,531**	**$4,374,957**	**$4,301,914**	**$4,641,392**
Terminal Value of Business																							$58,017,396
Total Net Cash Flows		**-$443,926**	**-$1,264,185**	**-$1,564,789**	**$4,727,963**	**$4,788,934**	**$4,720,607**	**$4,916,418**	**$4,310,663**	**$4,908,378**	**$5,122,346**	**$5,195,147**	**$5,113,559**	**$2,777,769**	**$3,663,957**	**$3,602,785**	**$3,887,092**	**$4,003,705**	**$3,033,239**	**$4,247,531**	**$4,374,957**	**$4,301,914**	**$62,658,787**
NPV OF NET CASH FLOWS (including terminal value)				**$41,735,103**																			

Source: AEC*group*

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SAIBAI COASTAL AND INFRASTRUCTURE MANAGEMENT

INCLUDING SEAWALL AND VILLAGE INUNDATION

By Angus Gordon

Disclaimer: All information contained in this report is based on the best information available to the Author at the time. The report represents a preliminary assessment of the current situation at Saibai. The Author has made reasonable endeavors to correctly represent the available information and to form preliminary professional opinions and recommendations based on both the available information and his experience. It is the responsibility of anyone acting on the information and opinions to satisfy themselves as to there reliability and applicability.

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Saibai Island

Rapid Assessment of Shoreline Erosion and Management Recommendations

Introduction
Saibai Island is one of the most northerly landmasses of Queensland. It lies within 3km of the New Guinea mainland and is south west of the Fly River delta.

The Enviromental Protection Agency officers visited Saibai Island on 13 September 2006 to inspect and discuss the erosion and inundation issues with the Saibai Island Council. The shoreline was inspected in detail with the Chairman Jensen Warusam and Sol Akiba.

Island geomorphology, formation and historical changes.
The island has been formed from sediments derived from the New Guinea mainland, and in particular the Fly River some distance to the north east, which discharges an estimated 90 million cubic metres of sediment per year.

Saibai Island is a low flat island some 10km long by 5km wide. It has been constructed from fine to coarse sediments deposited over a decayed coral reef platform. It consists extensive tidal, estuarine and freshwater wetlands with only limited areas of the island emerging above the highest astronomical tide (HAT) level.

The Township of Saibai Island on a long narrow ridge about 3 km in length on the northwesterly part of the island. The ridge terminates in sand spits sheltered behind mangrove communities on either end, and is shown in Photo 1. The raised land here was likely to be a result of the convergence of currents that have separated out deposits of coarser sediments that have then been moved above tidal levels by storm waves. In this respect the land formation is a classed as chenier - a ridge or mounds of coarse sediment overlie marine mud and clay, and exist in a predominant muddy intertidal environment. The remainder of the island is low-lying estuarine or brackish swamps with raised ridges slightly raised areas further inland and localised beaches on the many waterways.

The western and eastern sections of the township face due north and the central section faces northwest. The central section of coast faces directly into the summer north-westerly winds and therefore receives greater exposure to wave energy.

Seawalls have been constructed over almost the entire length of the township. They have been constructed of cemented rock or rubble over many decades. Seawalls founded on beach rock have endured quite well, however those founded on sand or marine muds are commonly undercut, collapsing or have toppled over..

Photo 1: Township of Saibai

Erosion problem sites and assessments
The township is very low lying, being at most 2m above HAT. Inundation in some areas of the township is common on the king tides and during storm events. The primary problem dealt with in this report is maintaining an effective erosion protection wall on the shoreline. Whilst tidal inundation is also a problem, it is not considered in detail in this report.

The shoreline has been partitioned into 4 sections as illustrated on Figure 1 and each of these will be discussed below:

Boigu Island

Rapid Assessment of Shoreline Erosion and Management Recommendations

Introduction

Boigu Island is the most northerly land mass of Queensland. It lies within 3km of the New Guinea mainland and is immediately seaward of the Mai River Mouth.

The shoreline was inspected on 5 July with the Boigu Island Council CEO Lloyd Sunderland and site issues were also discussed with the Boigu Island Council Chairman Donald Banu.

Island geomorphology, formation and historical changes.

The island has been formed from sediments derived from the New Guinea mainland, and in particular the Fly River some distance to the north east, which discharges an estimated 90 million cubic metres of sediment per year.

Boigu Island is a low flat island some 10km long by 5km wide that is constructed from fine to coarse sediments over a decayed coral reef platform. It consists tidal, estuarine and freshwater wetlands with only a very small part of the island emerging above the highest astronomical tide (HAT) level.

The township of Boigu is on a raised area on the northern part of the island and is shown in Photo 1.

The raised land here probably exists due to the convergence of currents that have winnowed out deposits of coarser sediments that have then been moved above tidal levels by storm waves. In this respect the land formation is a classed as chenier plain, where ridges or mounds of coarse sediment overlie marine mud and clay, and exist in a predominant muddy intertidal environment.

The remainder of the island is low-lying estuarine or brackish swamps with occasional raised ridges and mounds and localised beaches on the many waterways.

Photo 1: Township of Boigu

Erosion problem sites and assessments

The township is very low lying, being at most 2m above HAT. Inundation in some areas of the township is common on the higher tides. (see Photo 6 and 7)

The shoreline on the seaward side of the town has been protected for most of its length by "Seabee" concrete block revetment and a rock seawall. These structures have replaced or overlie older stone pitched revetments that are evident on air photos from 1964. A visual inspection of the structure showed that the Seabee wall has performed well since construction in that no units appear to have been dislodged, the toe has not been undermined and slumping or subsidence are not evident. The rock revetment by comparison has experienced little dislodgement of rocks, but localised slumping and crest level changes are evident. This is more than likely a result of either a lack of geotextile behind the wall or poor placement resulting in fine material being eroded through the wall. Both wall types have experienced wave and tide overtopping indicating that crest levels are inadequate for controlling these events.

Specific sea erosion problems at Boigu Island are described below:

Site 1 Cemetery

The cemetery is located to the immediate west of the township on a low narrow plain immediately adjacent to a mangrove wetland. The narrow beach episodically lowers, and scarp movement landward is a potential threat to the gravesites. This is of concern to the community.

Assessment

Yorke (Masig) Island

Rapid Assessment of Shoreline Erosion and Management Recommendations

Introduction

Masig Island is a coral cay on the eastern side of the Torres Strait.

The shoreline was inspected on 20 May and 3 July with George Billy and Paul Mosby representing the Island Council

Photo 1: Yorke (Masig) Island

Island geomorphology, formation and historical changes.

Coconut (Poruma) Island

Rapid Assessment of Shoreline Erosion and Management Recommendations

Introduction
Poruma is a coral cay on the eastern side of the Torres Strait.

The shoreline was inspected in March and September 2006 with the Island Chairman Nora Pearson.

Photo 1: Poruma

Sue (Warraber) Island

Rapid Assessment of Shoreline Erosion and Management Recommendations

Introduction
Warraber is a coral cay on the eastern side of the Torres Strait.

The shoreline was inspected on 27 June 2006 with Micka David representing the Island Council.

Photo 1: Warraber

Island geomorphology, formation and historical changes.

Coral cays in Torres Strait are typically formed as Holocene reef sediments overlaying fossil Pleistocene reefs, which in turn have formed in shallow waters throughout the straits. Warraber is an oval shaped cay with strong bilateral symmetry in both form and processes around the island. The island shows clear evidence of recent sand build-up on the eastern and western sides and gradual erosion or wearing back of the southern face. On this face, beach rock is exposed for much of its length, but the area is a dominantly sandy environment. The northern face is dominated by the exposure of a thick layer of beach-rock above the reef platform, with little or no sand on the beach face or the intertidal zone.

A comprehensive report on island development and erosion has previously been undertaken by Rassmussen and Hopley (1994), and Kevin Parnell from James Cook University is currently undertaking further detailed investigations of coastal processes and erosion management on the island.

Yam (Iama) Island

Rapid Assessment of Shoreline Erosion and Management Recommendations

Introduction
Iama is a continental island on the eastern side of the Torres Strait.

The shoreline was inspected on 6 September with a representative of the Island Council.

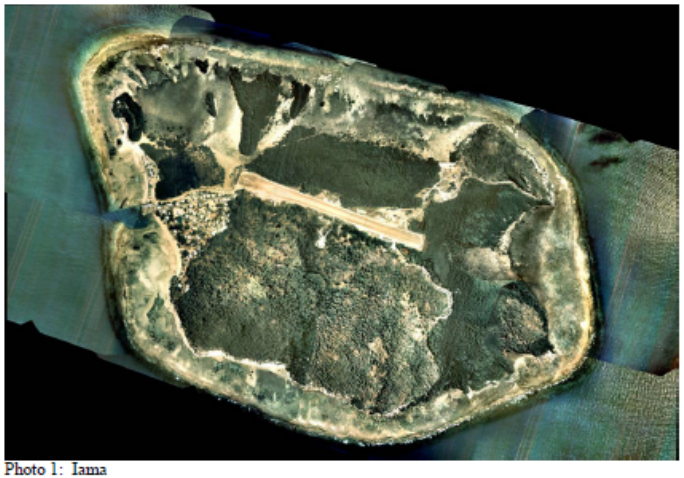

Photo 1: Iama

Island geomorphology, formation and historical changes.

Iama is a continental island on the eastern side of the Torres Strait see photo 1). The island consists of a mountain core with a surrounding rocky reef platform. This platform has been colonised extensively by mangrove on the northern and eastern sides. A broad squat sand spit dominates the western side. This spit trails off to the northwest as a narrow undulating ridge (see photo 2).

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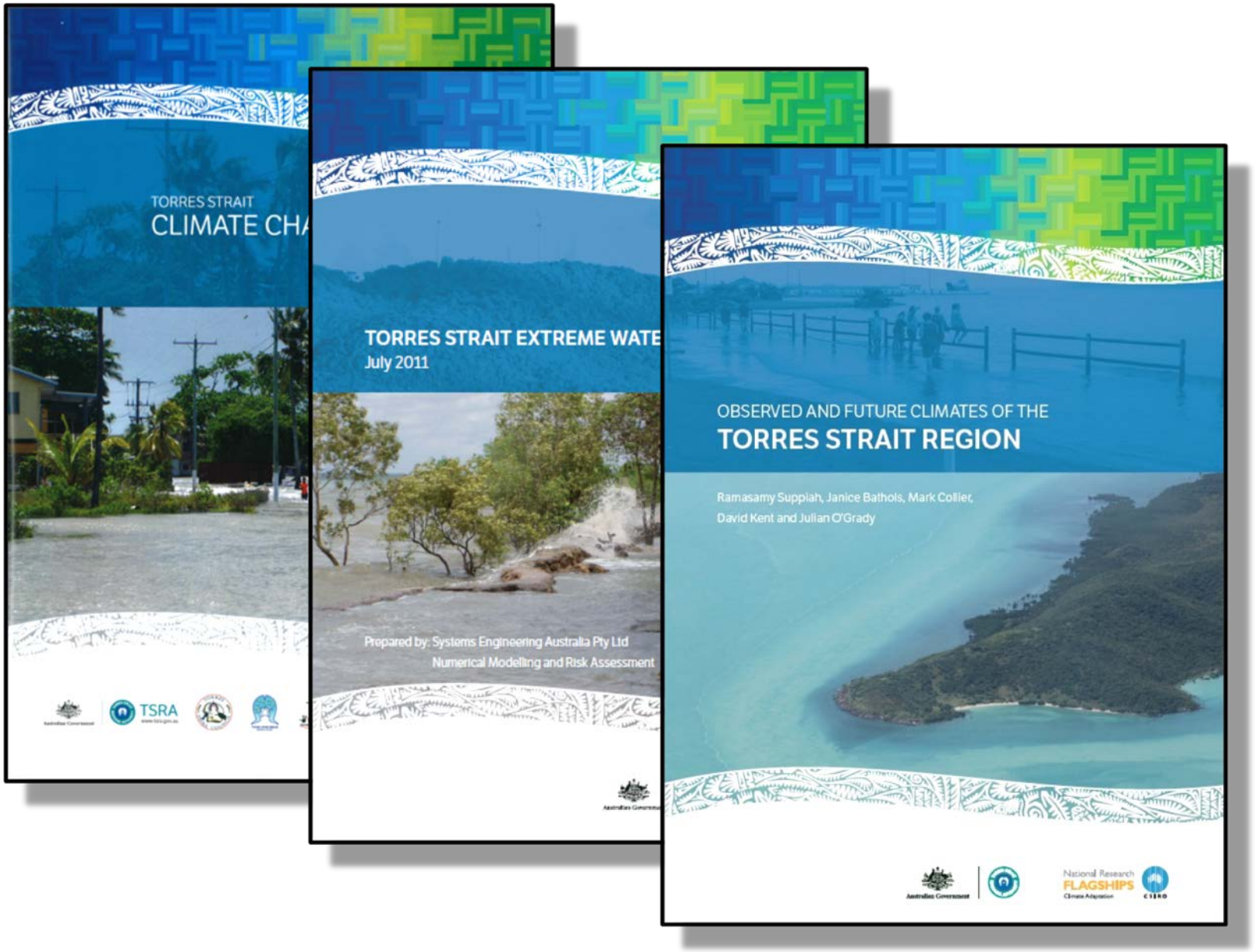
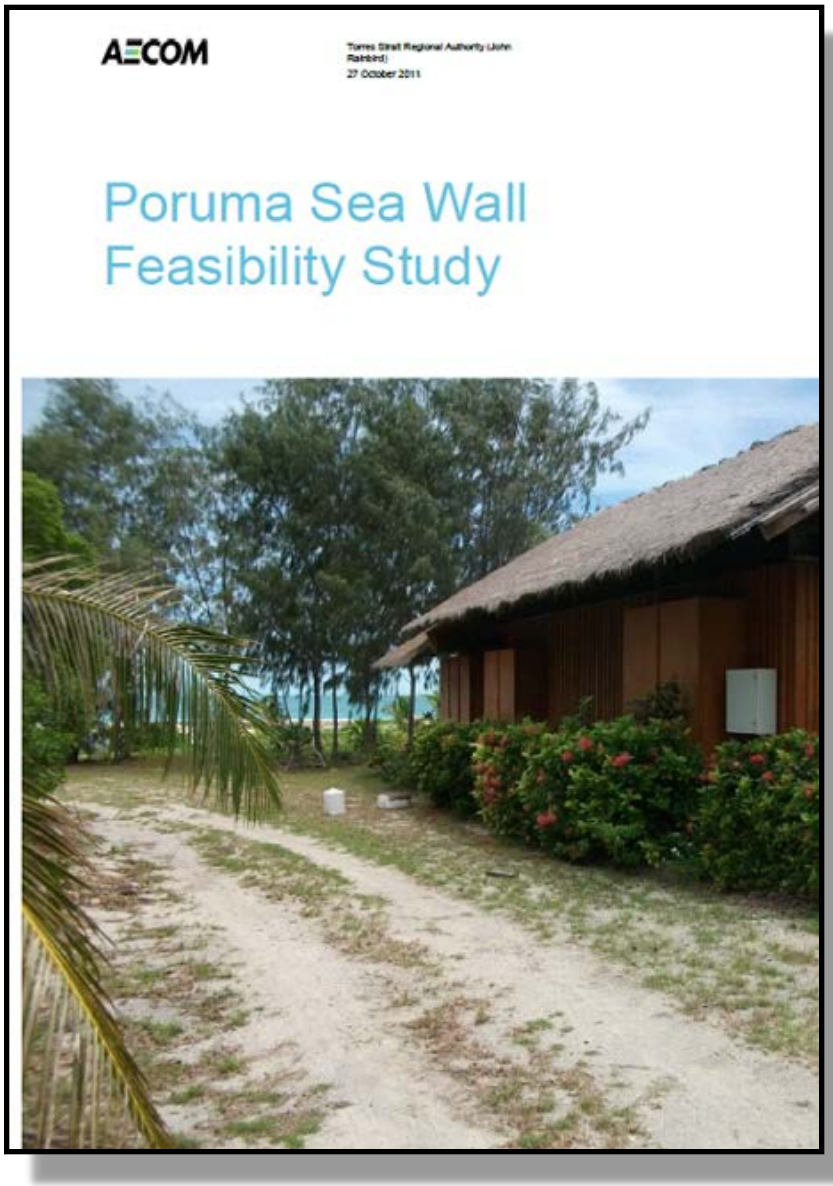
APPENDIX A 35

TORRES STRAIT ISLANDS - EROSION CONTROL WORKS
Cost Estimates

LOCATION	Length	Construction Cost	Contingency at 30%	Design Cost	Estimated Cost	All Works
BOIGU						
Site 1 : Cemetery						
low-level (modified) Seabee wall	155m	$275,000	$82,500	$35,000	**$392,500**	
optional wave wall behind	*155m*	*$70,000*	*$21,000*	*$14,000*	*$105,000*	
Site 2 : Barge Ramp to Church						
Site 2(a) - replace with Seabee wall & wave wall at rear	90m	$280,000	$84,000	$18,000	**$382,000**	
Site 2(b) - rehabilitate existing rock wall near church	115m	$105,000	$31,500	$20,000	**$156,500**	
Site 3 : Wave Wall for entire foreshore (optional)						
build wave wall behind existing Seabee wall	*760m*	*$305,000*	*$115,500*	*$25,000*	*$525,500*	
						$1,581,500
SAIBAI						
Site 1 : East of the Airstrip						
minor repairs to prevent undermining	240m	$10,000	$3,000	-	**$13,000**	
Site 2 : west of airstrip to tidal drain						
OPTION 1 : replace entirely with Seabees & rear wave wall	780m	$2,247,000	$674,000	$90,000	**$3,011,000**	
OPTION 2 : replace poor walls with Seabees / repair elsewhere	420m / 360m	$1,196,000	$359,000	$75,000	**$1,630,000**	
Site 3 : west of tidal drain to sewage treatment plant						
repair existing seawalls	975m	$125,000	$37,500	$5,000	**$167,500**	
optional - extend 90m west with Seabees	*90m*	*$226,500*	*$65,000*	*$15,000*	*$312,500*	
Site 4 : Cemetery						
(modified) seabee wall	155m	$190,000	$57,000	$35,000	**$282,000**	**$3,788,000** for Option 1
						$2,406,000 for Option 2
WARRABER (SUE)						
Site 1 : Eastern end of the existing seawall						
recycle material in coral rubble wall to reconstruct 80m of wall	80m	$125,000	$37,500	$32,500	**$195,000**	
new Seabee wall replaces existing wall & partially extends past Church	200m	$520,000	$156,000	$80,000	**$756,000**	**$951,000**
YORKE (MASIG)						
Site 1 : Marine Facility - Barge Landing Ramp						
initial sand bypassing campaign of 5,000 to 10,000 m^3	-	-	-	-	**$500,000**	
annual sand bypassing of 1,000 to 1,500 m^3 per year	-	-	-	-	**$150,000** to **$200,000** per annum	

NOTES :
1. *Design Costs include for pre & post construction survey, geotechnical investigations (penetrometer), engineering design & construction documentation.*
2. *Costs are based on work being undertaken in 2007/08, there is no additional allowance in costs for escalation. (ie. no account for works being undertaken at some other time in the future).*
3. *Costs exclude GST.*
4. *For assumptions when estimating cost, refer report Section 3.2*


TORRES STRAIT
CLIMATE CHA
TSRA
TORRES STRAIT EXTREME WATE
July 2011
Prepared by: Systems Engineering Australia Pty Ltd
Numerical Modelling and Risk Assessment
OBSERVED AND FUTURE CLIMATES OF THE
TORRES STRAIT REGION
Ramasamy Suppiah, Janice Bathols, Mark Collier,
David Kent and Julian O'Grady
National Research
FLAGSHIPS
Climate Adaptation
CSIRO


AECOM
Torres Strait Regional Authority (John Rainbird)
27 October 2011
Poruma Sea Wall
Feasibility Study

AECOM

Torres Strait Seawalls
Torres Strait Regional Authority
29 November 2011

Inundation Management on Saibai, Boigu and Iama Islands

Seawalls and Drainage

Schedule	OPCC Sub-Total	Contingency (25%)	Total
Saibai Seawall Upgrade (Seabee Wall)	$8,824,595	$2,206,149	$11,030,744
Saibai Seawall Upgrade (Rock Wall)	$9,021,270	$2,255,318	$11,276,588
Saibai Seawall Upgrade (Cemetery)	$470,469	$117,617	$588,086
Saibai Drainage Upgrade	$6,311,614	$1,577,903	$7,889,517
Boigu Seawall Upgrade	$1,536,499	$384,125	$1,920,623
Boigu Bund Wall Upgrade	$713,750	$178,438	$892,188
Iama Seawall Upgrade	$742,110	$185,527	$927,637

PROJECT No. 60237674

DATE 09.01.12 ISSUE 1

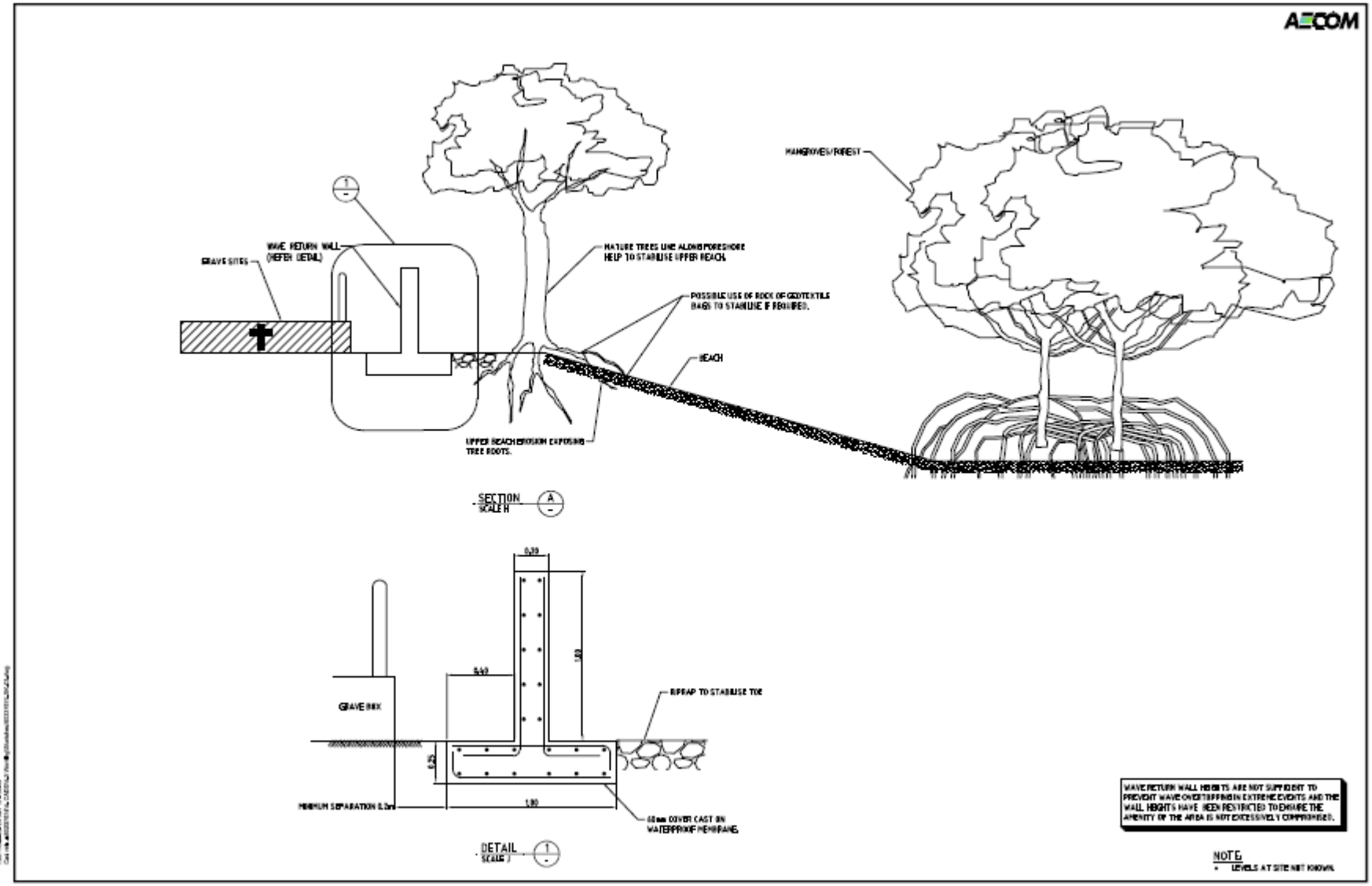
LEGEND

PROPOSED WAVE RETURN WALL TO BE CONSTRUCTED BEHIND THE CONCRETE CAPPING ON THE EXISTING SEABEE WALL.

RAISE CREST OF EXISTING ROCK SEAWALL. CONSTRUCT NEW WAVE RETURN WALL

EXISTING BUND WALL

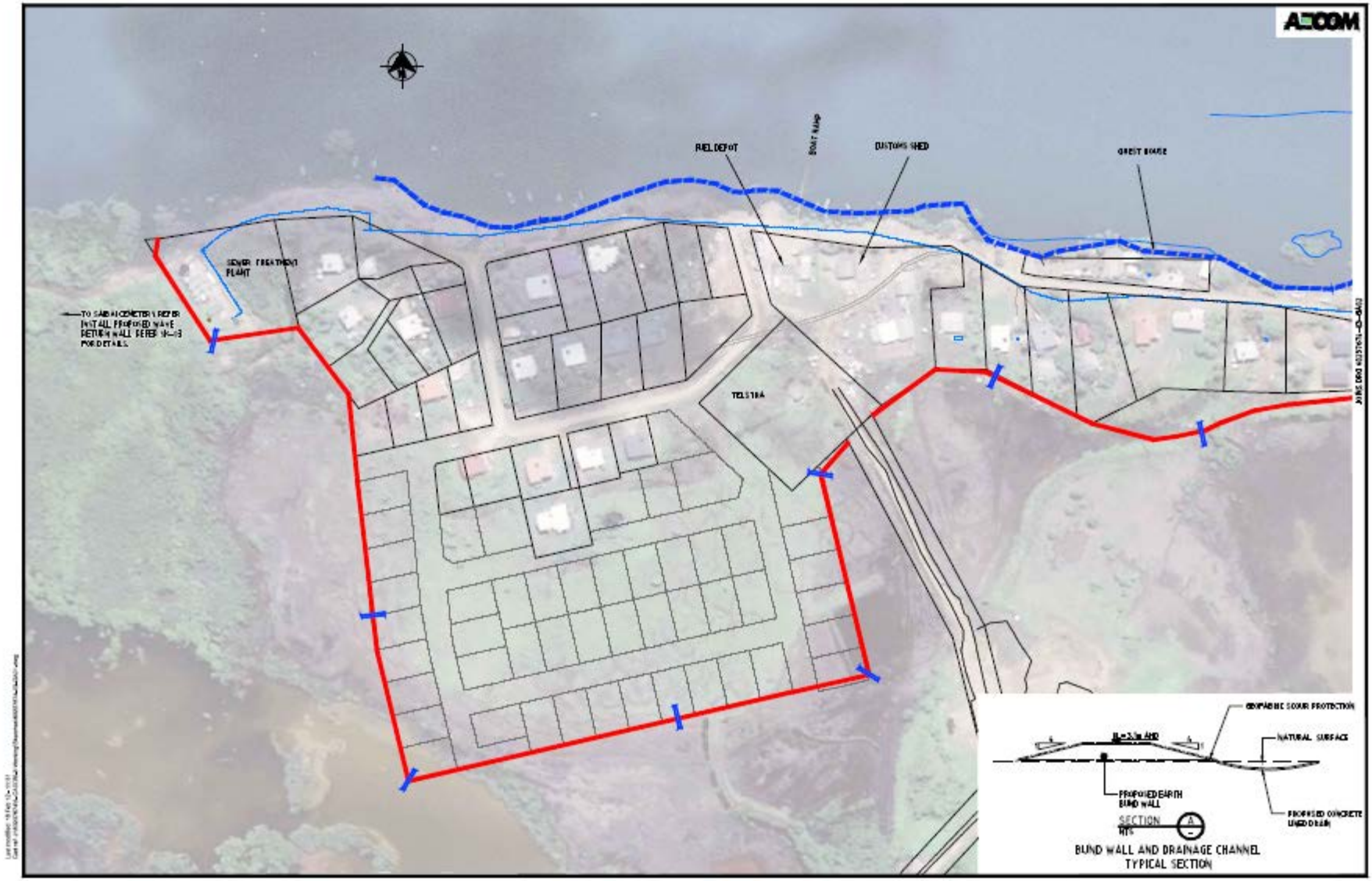
TORRES STRAIT REGIONAL AUTHORITY
BOIGU SEAWALL AND BUNDING OPTIONS
GENERAL ARRANGEMENT PLAN
60237674-01-GA01



PROJECT No. 60237674

DATE 09.01.12 ISSUE 1

TORRES STRAIT REGIONAL AUTHORITY
SAIBAI
CEMETERY WAVE RETURN WALL
60237674-SK-03



PROJECT No. 60237674

DATE 09.01.12 ISSUE 1

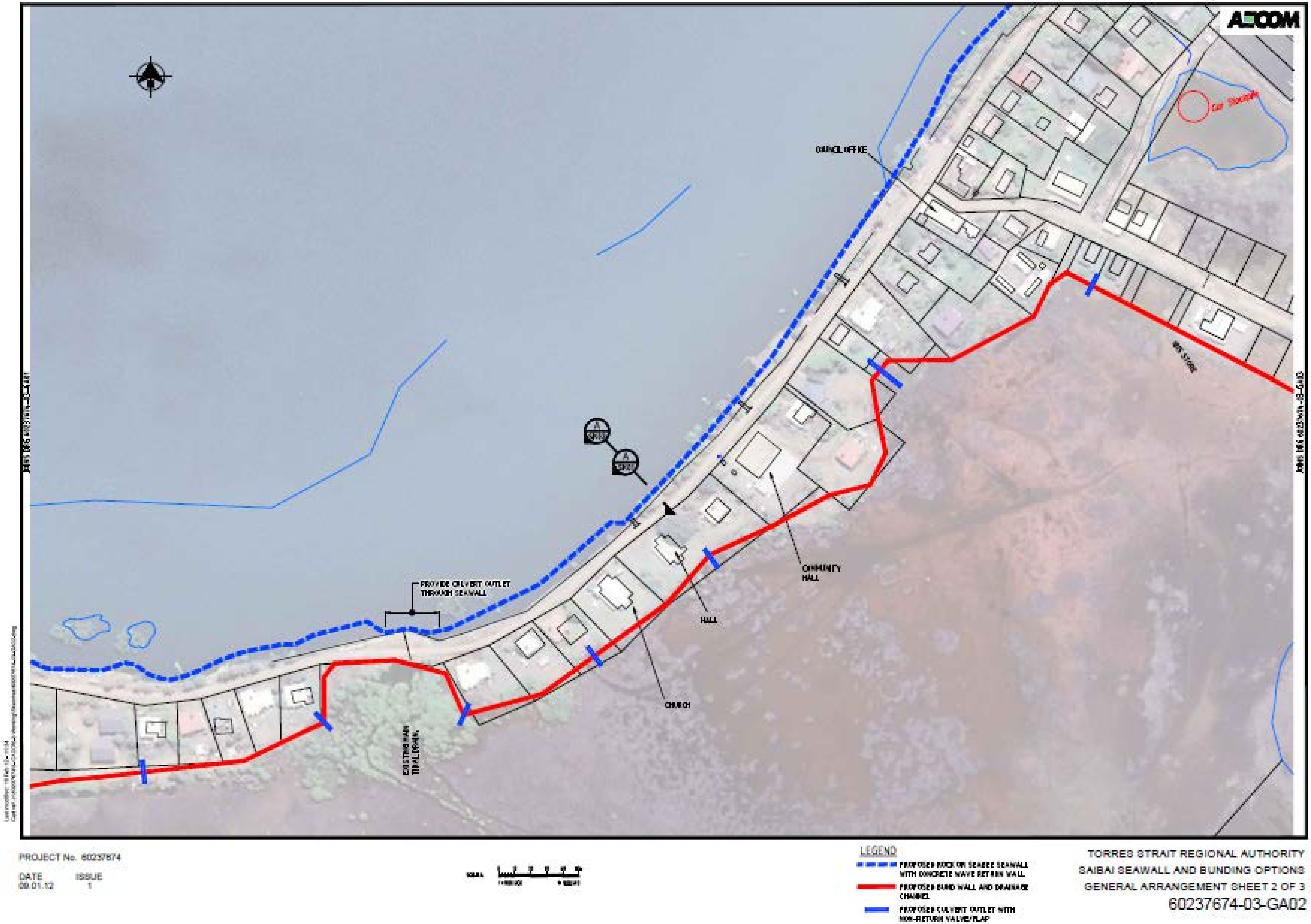
LEGEND

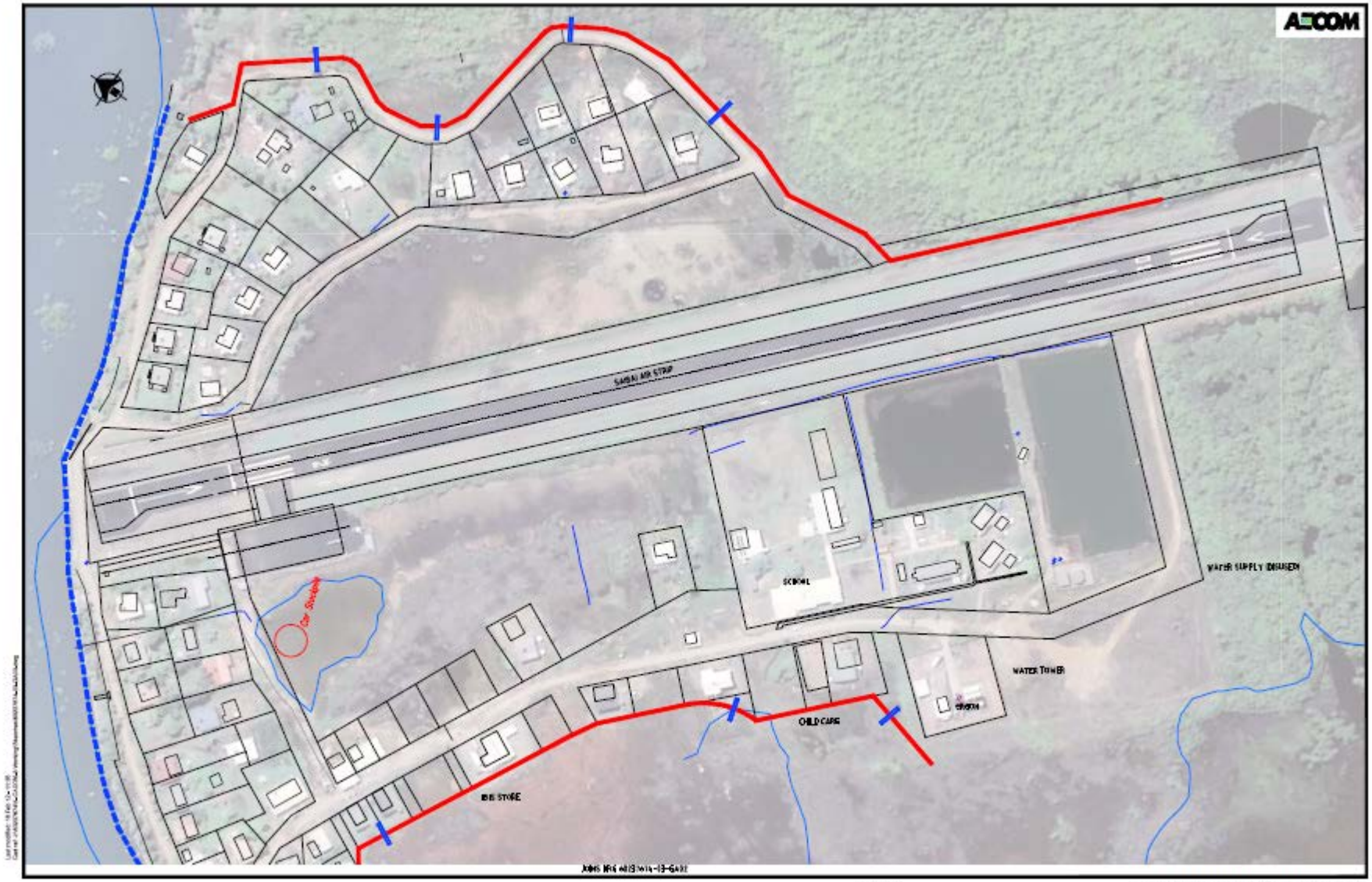
PROPOSED ROCK OR SEABEE SEAWALL WITH CONCRETE WAVE RETURN WALL.

PROPOSED BUND WALL AND DRAINAGE CHANNEL.

PROPOSED CULVERT OUTLET WITH NON-RETURN VALVE/FLAP.

TORRES STRAIT REGIONAL AUTHORITY
SAIBAI SEAWALL AND BUNDING OPTIONS
GENERAL ARRANGMENT SHEET 1 OF 3
60237674-03-GA01

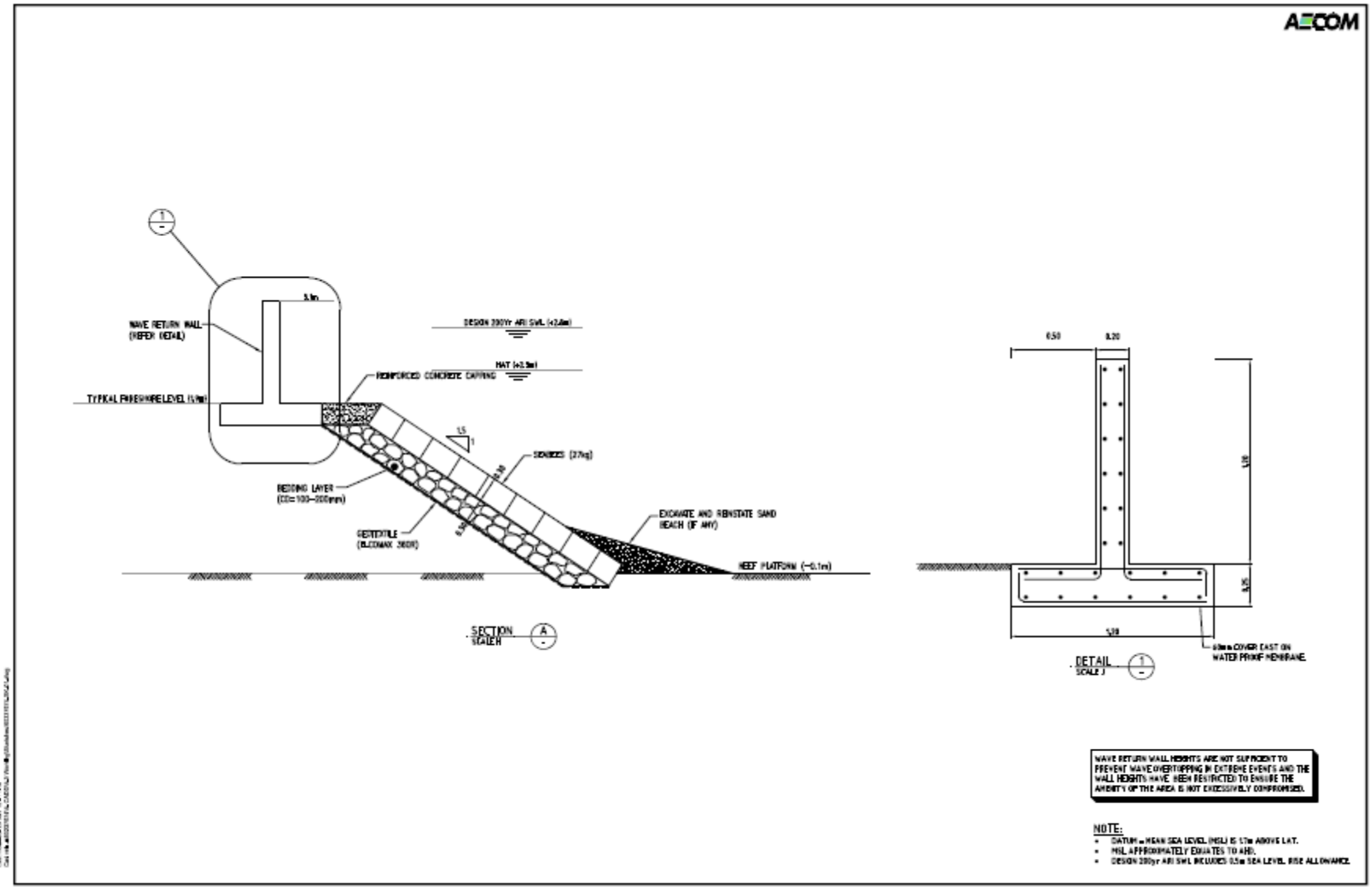

AECOM
COUNCIL OFFICE
PROVIDE CULVERT OUTLET THROUGH SEAWALL
COMMUNITY HALL
HALL
CHURCH
PROJECT No. 60237674
DATE 09.01.12
ISSUE 1
LEGEND
PROPOSED ROCK OR SEABEE SEAWALL WITH CONCRETE WAVE RETURN WALL
PROPOSED BUND WALL AND DRAINAGE CHANNEL
PROPOSED CULVERT OUTLET WITH NON-RETURN VALVE/FLAP
TORRES STRAIT REGIONAL AUTHORITY
SAIBAI SEAWALL AND BUNDING OPTIONS
GENERAL ARRANGEMENT SHEET 2 OF 3
60237674-03-GA02



PROJECT No. 60237674

DATE 09.01.12 ISSUE 1

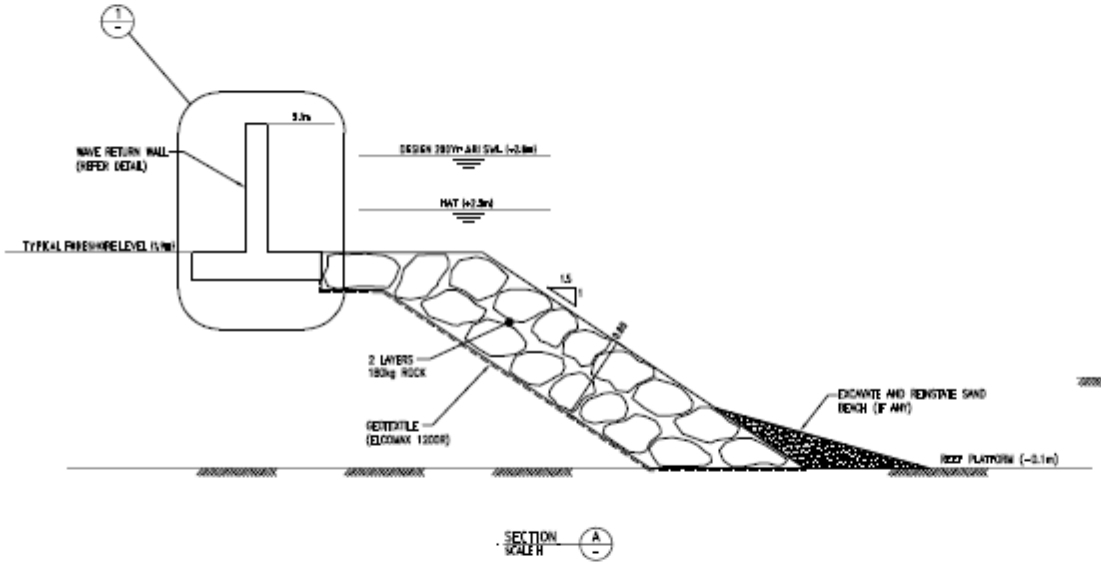
TORRES STRAIT REGIONAL AUTHORITY
SAIBAI SEAWALL AND BUNDING OPTIONS
GENERAL ARRANGEMENT PLAN SHEET 3 OF 3
60237674-03-GA03

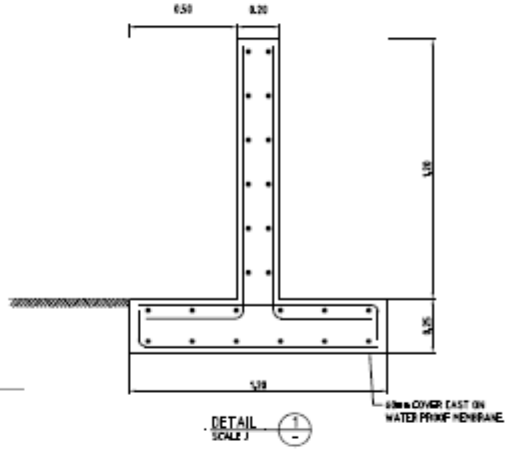


PROJECT No. 60237674

DATE 09.01.12 | ISSUE 1

TORRES STRAIT REGIONAL AUTHORITY
SAIBAI SEAWALLS
SEABEE SOLUTION
60237674-SK-01





WAVE RETURN WALL HEIGHTS ARE NOT SUFFICIENT TO PREVENT WAVE OVERTOPPING IN EXTREME EVENTS AND THE WALL HEIGHTS HAVE BEEN RESTRICTED TO ENSURE THE AMENITY OF THE AREA IS NOT EXCESSIVELY COMPROMISED.

NOTE:
- DATUM = MEAN SEA LEVEL (MSL) IS 1.7m ABOVE LAT.
- MSL APPROXIMATELY EQUATES TO AHD.
- DESIGN 200yr ARI SWL INCLUDES 0.5m SEA LEVEL RISE ALLOWANCE

PROJECT No. 60237674

DATE 09/01/12 ISSUE 1

TORRES STRAIT SEA WALL
SAIBAI SEAWALLS
ROCK ARMOUR SOLUTION
60237674-SK-02

PROJECT No. 60237674

DATE 09.01.12 ISSUE 1

SHEET

TORRES STRAIT REGIONAL AUTHORITY
IAMA SEAWALL AND BUNDING OPTIONS
GENERAL ARRANGEMENT
60237674-02-GA01

	Works	2012/13 Federal	2012/13 State	TSRA	2013/14 Federal	2013/14 State	2014/15 Federal	2014/15 State	2015/16 Federal	2015/16 State	Total
Iama	Rock wall upgrade - Northern Bay, raise boat ramp near airport, bund along rear of northern spit									600,000	600,000
Saibai	Seawall and overtopping wall construction plus main drain upgrade	4,762,544		2,137,456	7,237,456						14,137,456
Saibai	Cemetary wave return wall construction					600,000					600,000
Saibai	Bund wall plus drainage improvements behind community					1,400,000		2,200,000		2,000,000	5,600,000
Boigu	Overtopping wall construction includes reconstructing jetty to boat ramp wall section					2,000,000					2,000,000
Boigu	Raise and repair bund wall behind community							600,000			600,000
Poruma	Emergency coastal infrastructure repairs			100,000							100,000
Poruma	Seebee sea wall and erosion control							1,200,000			1,200,000
Masig	Sand replenishment and berm restoration									200,000	200,000
Warraber	Extend seawall at western end of existing seawall									1,200,000	1,200,000
Total		4,762,544	0	2,237,456	7,237,456	4,000,000	0	4,000,000	0	4,000,000	26,237,456

State	12,000,000
Fed	12,000,000
TSRA	2,237,456

Thank You