

EXECUTIVE SUMMARY AND RECOMMENDATIONS FROM REPORT

Local Government Reform in Western Australia – Ensuring the Future Sustainability of Communities

EXECUTIVE SUMMARY

Introduction

The former Minister for Local Government and Regional Development, Hon John Bowler MLA announced in October 2005 that a review of structural and electoral reform would be undertaken by the Local Government Advisory Board (the Board). During the course of the review, the Board consulted with the Western Australian Local Government Association (WALGA) and Local Government Managers Australia (WA Division) (LGMA). It also invited submissions from individual local governments and from the wider community, receiving 233 submissions. Ten public hearings were held around the State.

Structural Reform

By the early part of the 20th century the fabric of Western Australia's local government structure was largely established. To a significant degree the same local government boundaries remain in place today. While there has been considerable debate for decades about the efficiency and appropriateness of the local government structure, overall there has been relatively little change, notwithstanding dramatic demographic, social and technological changes, and changes in the role of local government. This review of the structure of local government in Western Australia (WA), to ensure the system is robust and sustainable, and can meet the challenges of the future, is therefore timely.

In 2006 there are 142 local governments in WA and virtually all of the State is part of a local government area. Local governments vary enormously in size, from 1.5km² to 378,555km², and in population from 130 to over 180,000. For non-metropolitan local governments, the median population is 1400, and 67 local governments have populations of less than 2000. Local government in Western Australia is a major industry, employing more than 12,500 persons, with a total operating revenue in excess of \$2 billion. Local government controls substantial infrastructure assets, and has a net asset value in excess of \$12.4 billion. However, many of the smaller local governments have limited revenue bases, with 22 local governments reporting own-source revenues of less than \$1M, and 42 local governments with rate revenues less than \$1M.

Local government performs a range of roles for the community, including delivering services (or at least facilitating the delivery of services). The old descriptor was 'roads, rates and rubbish', but local government is much more complex and comprehensive today. Services to people have increased in significance, relative to services to property. The breadth of local government functions appears to be increasing. This increase in functions reflects a number of influences, including devolution of functions, as well as local government responses to changing community needs and increasing community expectations. An important issue for this review was how this increase in functions was impacting on the sustainability of communities and local government.

The operating environment of local government might be described for most local governments as being an uncomfortable squeeze between rising community expectations, increasing responsibilities and compliance requirements, constrained revenues and shortages of skilled staff. The financial pressure on local government was a consistent theme among submissions from local government. There are other operational and community issues as well. Some local governments struggle to recruit and retain appropriately skilled staff. Many local governments struggle to sustain their local community as populations shrink and businesses and services are closed or downsized. This demographic stress compounds the financial stress of local governments as shrinking rate bases or a shrinking number of volunteers impact on the provision and maintenance of services and facilities. In addition, local governments need to be able to respond to the changes in government policy and the social, economic and environmental context in which they operate.

The terms of reference for this review were explicit about economic, environmental and social sustainability of WA communities, but the Board also considered related elements implicit in the terms of reference including:

- Community sustainability.
- Population sustainability.
- The financial sustainability of local government.
- The organisational or corporate sustainability of local government.

Given the terms of reference emphasis on sustainability, the principles, visions and goals of the State Sustainability Strategy provide the policy context for this review. In essence, the Board was asked to examine local government through a lens of sustainability. The Board adapted the sustainability assessment approach, as outlined in the State Sustainability Strategy, for the review.

The economic, environmental and social sustainability of a community also needs to be seen in the context of its population sustainability. For local governments with population growth in their communities, the primary facets of sustainability will be far more important. However, there are a large number of areas where demographic components point to a much less secure population size, which in turn places significant pressures on local economies and service provision. For example, 29 out of 44 local government areas in the Wheatbelt Region lost population during 1996-2001.

Given the profound social and economic changes that have already occurred in rural communities, including restructuring of agricultural and pastoral industries, as well as changes in the nature of public sector institutions and services, small towns that are highly reliant on broad acre farming for their economic survival are most likely to be in decline. Community sociologists suggest that this points to a future in which there will be fewer small towns along with perhaps a strengthening of some large regional centres. Changes of this nature, coupled with the general trend of movement to the coast (the so-called 'sea change'), necessitate some consideration of the structure of local government.

Financial sustainability is a critical issue for local government. The Board noted from a survey of local governments that across the industry only moderate levels of attention to developed long term financial plans, detailed management plans and asset management plans was evident. The consultant's report commissioned by the Board

"... confirmed the long held perception that the local government industry in WA has a task before it in addressing the competing needs of the community, aging assets and the financial resources to undertake the task. Some local governments are managing to meet the needs within their financial capacity. The challenge for the industry is to seek ways to preserve the asset base to enable them to continue to deliver the services and facilities to their respective communities. Service delivery will always be a debatable topic in establishing the ideal size and shape of a local government. Issues of viability have been before the industry for many years and local communities continue to rise to meet their particular challenges. Local governments continue to survive. Financial sustainability is one of a number of factors that may influence the shape of local government in the future; however it should not be the guiding factor in determining local government structures." (Back 2006: v)

The Board was also concerned about the organisational sustainability of local governments in terms of their ability to recruit and retain appropriately skilled staff and consequently their ability to comply with legislative and financial reporting requirements. It is apparent that there is an emerging human capital crisis in local government and many local governments will continue to be challenged by these issues.

Findings of the Board included:

- Some local governments are facing severe demographic pressures that are threatening community sustainability.
- Some local governments are facing staff recruitment and employment pressures that are threatening organisational sustainability.
- Some local governments are not generating enough revenue to meet their operating demands and are likely to have difficulty in meeting long-term infrastructure funding needs.

These findings support the need for structural reform of local government in Western Australia, to enhance the future economic, environmental and social sustainability of Western Australian communities. Based on the information collected by the Board, the general content of the submissions received by the Board, the changes that have taken place in other jurisdictions, and the fundamental need to ensure the future sustainability of communities in WA, the Board has therefore concluded that there is an urgent need for structural reform of local government in WA.

However, structural reform of local government will not be a panacea for the sustainability issues faced by local governments and communities. This would take perhaps a combination of managerial, functional, jurisdictional and financial reform. However, the Board does believe that structural reform would make the local government system more effective, and in the longer term facilitate community sustainability. Local government is often the largest employer in rural communities, so structural reform has to be undertaken in a sensitive manner, which does not further undermine the sustainability of communities. It may be a case of changing the structure of local government from one that is constraining sustainability to one that is enabling sustainability.

The Board believes a sustainable local government can be defined as a local government which

- a) Has a stable or growing population into the medium term (i.e. the next 15 or 20 years).
- b) Has the ability to engender and maintain an appropriate sense of community.
- c) Has the ability to understand and identify community needs and respond in a timely manner to efficiently provide or facilitate an appropriate level of services to meet community needs.
- d) Has the ability to show leadership and be flexible and respond to changes in needs and operating conditions.
- e) Has a revenue base which is able to fund current and future service and infrastructure needs, and maintain their infrastructure and other assets at an appropriate standard.
- f) Is able to attract enough candidates from the community to constitute an elected council, which can then provide effective governance and representation of the communities they serve.
- g) Is able to recruit and maintain appropriately skilled staff with normal rates of staff turnover.
- h) Has the capacity to develop and apply strategies and plans, and influence government policy, to protect and enhance local environments.
- i) Has the capacity to develop and apply strategies and plans, and influence government policy, to foster local economic development.
- j) Has the capacity, including by working in partnerships, to develop and apply strategies and plans, and influence government policy, to deliver social justice and equity and protect and enhance social capital.

The Board agreed with the view of many participants that a State like WA was not suited to a “one size fits all” approach. The Board identified nine structural reform approaches, noting that each approach would suit different circumstances and different local governments in different parts of the State. The models considered include:

1. Existing Small Local Governments.
2. Resource Sharing.
3. Regional Organisations of Councils.
4. Area Integration/ Joint Board Model.
5. Virtual Local Government.
6. Agency Model.
7. Amalgamated Large Local Governments.
8. Major Boundary Change.
9. Community Consultation Mechanisms.

A number of impediments to structural reform and their possible solutions, were identified by the Board and raised in submissions. These included:

- The poll provisions in Schedule 2.1 of the Act and the State Government policy of ‘no forced amalgamations’.
- Financial incentives for structural reform.
- The perceived negative social impacts, including a fear that communities could lose services, jobs, community identity and community assets.

The Board makes a number of recommendations in order to minimise or eliminate the impediments to structural reform. There should be a range of financial and non-financial support provided by Government to local government to undertake structural reform initiatives.

A number of recommendations are made which impact on the organisational arrangements of local government. The Act should be amended to reduce the minimum number of elected members required by a council within a regional local government to four, and decrease the maximum number of elected members in any local government council from 15 to 12 (13 where the Mayor/President is elected at-large). Compulsory training, along the lines of that recently introduced in NSW, should be required for all Western Australian elected members.

Reflecting the importance of financial sustainability, a number of recommendations are made about the way local governments manage and report their financial position. The Local Government Financial Management Regulations should be amended to require councils to develop and annually update 10-year financial management plans linked to the plan for the future and linked to appropriate asset management plans. Depreciation rates based on a standardised schedule, to be developed by the Department of Local Government and Regional Development (the Department), which take into account the different circumstances in different parts of the State, should be applied across the industry with local governments providing justification for variations from the schedule. To fund the asset renewal requirements, local governments should evaluate the available options, including increases in rates and own source revenues, reducing services to release funds to apply to asset renewal, and increased use of debt.

In the amalgamations and boundary changes recommended in the report the Board has largely worked within the existing boundaries of local governments. In this sense the recommended changes are essentially a first step, and further work should be done in the future to further refine the boundaries for a better fit with communities and environmental regions. After detailed analysis, specific recommendations for amalgamations are made in respect of the following areas:

- Western Suburbs of Metropolitan Perth.
- Fremantle area.
- Geraldton area.
- Narrogin area.
- Northam area.

It is recommended that the amalgamations and boundary changes affecting the above metropolitan and regional centres be considered a priority for the State Government.

The Board believes that in the case of the Geraldton, Narrogin and Northam areas, the Minister should legislate for these changes to ensure that the changes are implemented as soon as possible. There has been extensive public consultation on proposals in these areas in recent years and it is considered that legislative action is required to bring about change. The Board believes there is a strong case for change in the western suburbs and for an amalgamation of Fremantle and East Fremantle. Given the history of opposition to any boundary change in these areas in response to previous inquiries, and given the strength of the arguments for change, the Board believes it is appropriate for the Minister to legislate for these changes to ensure that the changes are implemented as soon as possible.

The Board identified other areas where there were also compelling reasons for change, but felt that there was a need to further refine the reform options and for further consultation with the community. These include the Bunbury and Mandurah areas. Rather than direct legislative action in the short term, a formal proposal to the Board from the Minister is the recommended course of action to allow for further consideration and more public consultation on the issues. These areas should be the priority for consideration through the formal inquiry process.

A number of other areas were identified where amalgamations and boundary changes may also be the most effective and efficient method of achieving future economic, environmental and social sustainability. In the time available, the Board has not been able to make a detailed assessment of these areas, but has gathered evidence to suggest that the following boundary change options should be considered in detail.

- Amalgamation of the Town of Bassendean and City of Bayswater, to be considered in conjunction with adjacent local governments.
- Boundary changes in the southwest sector of metropolitan Perth, addressing minor boundary anomalies as well as a possible division of the Town of Kwinana.
- Potential for a division of the Town of Victoria Park between the Cities of South Perth and Belmont.
- Potential for an amalgamation of the Shire of Katanning with the Shires of Broomehill and Woodanilling.

There is also potential for the amalgamation of various local governments in the Wheatbelt, Midwest and Great Southern Regions. Local governments should be given the opportunity and funding assistance to implement amalgamation and other options in the short term. It is recommended that the Minister submit a proposal to the Board in 2009 for an assessment of progress on structural reform in these regions, and for a detailed study of each region, with recommendations on amalgamations and other changes if appropriate.

Regional cooperation and resource sharing already exists to a large degree in local government in WA, but there is potential for such activities to be extended in scope and coverage. Many of the State's local governments are too small to achieve future sustainability in their own right. While amalgamation and boundary changes are the most appropriate option for some local governments, there are many parts of the State where resource sharing and regional cooperation could be more extensively pursued as the most effective and efficient method of achieving future economic, environmental and social sustainability. Innovative approaches such as the shared service/ backend processing model developed by the Goldfields-Esperance Country Zone of WALGA should be progressed further, be considered for State Government funding support and for adoption in other regions. The Board was concerned that some local governments, particularly in the Wheatbelt Region are not members of a regional group. The Board believes there is a pressing need for regional arrangements to be formalised in many parts of the State, and recommends that regional arrangements be further extended and formalised and that all local governments become members of a regional body. New entities formed by the proposed amalgamations should become or remain members of a regional group, and cooperate with other local governments and share resources where appropriate.

Some local governments have identified examples where relatively minor boundary changes would be desirable. Other submissions received by the Board also noted such examples. Rationalisation of these anomalies should be achieved by proposals from local governments or the affected electors for the Board to consider.

Further use by local governments of community consultation measures, such as Community Councils and Precinct Committees, would also contribute to social capital and enhance the future economic, environmental and social sustainability of WA communities.

The adoption of these forms of structural reform by local government will not be a panacea for the sustainability issues faced by local government and communities. However, the Board believes that implementation of these reform measures would in the longer term facilitate greater sustainability in the system of local government in WA, and in the affected communities in particular. The changes recommended in this review do not mark an end to the process, for the Board believes there should be a review of local government structure and boundaries at least every 15 years, or more frequently under circumstances of major demographic, social or economic change.

Electoral Reform

The Terms of Reference for this review asked the Board to provide recommendations on seven key elements of the electoral provisions of the Act. In considering the terms of reference on the local government electoral system, the Board acknowledged the context of declining or low voter turnout at local government elections, and the increase in the number of uncontested and unfilled positions on councils throughout the State.

Most of the submissions received by the Board on electoral reform were from the local government sector and the review has enabled the Board to assess whether there are any major problems with the current provisions.

Ultimately the Board has opted to recommend no change to many of the major electoral provisions, being:

- The eligibility criteria for local government elections, including the provision for eligible voters to be on the owners and occupiers roll.
- Voluntary voting at local government elections.
- The option of postal or in-person elections.
- The 'first past the post' system of voting.
- The methods of election of Mayors and Presidents.
- Four year terms for elected members.
- The system of staggered terms for the elected members of a council.
- Who is able to conduct elections.

However, the Board has identified a number of aspects that should be subject to amendment or further review, including an amendment to the Act so that an elector is not able to vote in more than one ward election in the same local government. There should be further investigation by the Board in relation to issues raised concerning both directly elected and council elected Mayors and Presidents. The Board should also be given the power to investigate other statutory authorities to establish their capacity to undertake postal elections. It is also recommended that the Department undertake a review of the electoral offence provisions in the Act.

RECOMMENDATIONS

1 STRUCTURAL REFORM

It is recommended that amalgamations and boundary changes affecting the following metropolitan and regional centres be considered a priority for the State Government.

Western Suburbs

- 1.1 That the Minister legislate for the amalgamation of the local governments of Cambridge (part), Claremont, Cottesloe, Mosman Park, Nedlands, Peppermint Grove and Subiaco, to form a new western suburbs local government (in conjunction with the transfer of a part of Cambridge to Stirling and part of Stirling to the new western suburbs local government) as soon as possible (p 118, 268).

South West Metropolitan

- 1.2 That the Minister legislate for the amalgamation of the City of Fremantle and Town of East Fremantle as soon as possible (p 118, 316).

Bunbury Region

- 1.3 That the Minister submit two proposals to the Local Government Advisory Board for boundary change in the Bunbury region (to be considered concurrently):

One proposal to be the amalgamation of the City of Bunbury with the Shires of Capel and Dardanup and including a southern part of the Shire of Harvey (Australind and Leschenault existing and proposed urban areas, Binningup, Kemerton Industrial Park and Brunswick Junction). The balance of the Shire of Harvey to be included with the Shire of Waroona.

The second proposal to be the amalgamation of the City of Bunbury with the Shires of Capel and Dardanup and including a southern part of the Shire of Harvey (Australind and Leschenault existing and proposed urban areas and Brunswick Junction). The balance of the Shire of Harvey to be included with the Shire of Waroona. (p 119, 351)

Mandurah Region

- 1.4 That the Minister submit a proposal to the Local Government Advisory Board for the amalgamation of the City of Mandurah with the Shire of Murray (p 119, 377).

Northam Region

- 1.5 That the Minister legislate the amalgamation of the Town and Shire of Northam as soon as possible (p 119, 419).

Narrogin Region

- 1.6 That the Minister to legislate the amalgamation of the Town of Narrogin with the Shire of Narrogin and Shire of Cuballing as soon as possible. (p 120, 447)
- 1.7 That the Minister ask the Local Government Advisory Board to carry out a further examination of the boundaries of the new local government in relation to adjacent local governments, to be undertaken in three (3) years time (p 120, 447).

Geraldton Region

- 1.8 That the Minister legislate to form a new City of Geraldton-Greenough by amalgamating the City of Geraldton with the Shire of Greenough as soon as possible (p 120, 456).

- 1.9 That the Minister submit a proposal to the Local Government Advisory Board in three years time for the development areas immediately north of the new local government (including residential areas and the Oakajee Industrial Estate) to be included within the new local government (p 120, 456).

Wheatbelt Region

- 1.10 That local governments be given the opportunity and funding assistance to implement amalgamation and other structural reform options as a means of achieving future economic, environmental and social sustainability (p 122, 471).
- 1.11 That regional arrangements be further extended and formalised and that all local governments become part of a regional body (p 471).
- 1.12 That the Minister submit a proposal to the Local Government Advisory Board in 2009 for an assessment of progress on structural reform in the Wheatbelt Region, and for a detailed study of the Region with recommendations on further amalgamations and other reforms if appropriate (p 123, 471).

Other Areas

- 1.13 That the Minister submit a proposal to the Local Government Advisory Board for the amalgamation of the Town of Bassendean and City of Bayswater, in conjunction with a review of the boundaries of adjacent local governments, particularly areas of the Cities of Swan and Stirling. (p 121)
- 1.14 That the Minister submit a proposal to the Local Government Advisory Board for the division of the Town of Kwinana between the Cities of Cockburn and Rockingham and minor amendments to boundaries in the south west metropolitan area (p 122).
- 1.15 That the Minister submit a proposal to the Local Government Advisory Board for the division of the Town of Victoria Park between the Cities of South Perth and Belmont (p 122).
- 1.16 That the Minister submit a proposal to the Local Government Advisory Board for the amalgamation of the Shire of Katanning with the Shires of Broomehill and Woodanilling (p 122).
- 1.17 That the Minister submit a proposal to the Local Government Advisory Board in 2009 for an assessment of progress on structural reform in the Mid West and Great Southern Regions, and for a detailed study of each region, with recommendations on amalgamations and other reforms if appropriate (p 123).

Community consultation

- 1.18 That local governments give consideration to making further use of community consultation mechanisms and that the Minister for Local Government consider measures to formalise the methods local governments are to use to engage the community in their decision making processes (p 92, 129).

Impediments to Structural Reform

Legislation

- 1.19 That Schedule 2.1 of the *Local Government Act 1995* be amended to remove the poll provisions (p 99).
- 1.20 That the Government undertake a comprehensive public communication program prior to the legislation and boundary changes occurring (p 99).
- 1.21 That Schedule 2.1 of the *Local Government Act 1995* be changed to eliminate the need for the Local Government Advisory Board to re-advertise a changed proposal and making it optional for the Local Government Advisory Board to re-advertise (p 101).
- 1.22 That Schedule 2.1 of the *Local Government Act 1995* be changed to allow the Local Government Advisory Board limited discretionary powers to make a consequential proposal related to adjacent parts of local governments that are affected by a proposal for boundary change (p 102).

Financial and non-financial assistance

- 1.23 The Local Government Advisory Board strongly endorses the State Budget submission made by the Department of Local Government and Regional Development in relation to the provision of financial and non-financial support for local governments undertaking structural reform initiatives and that it be supported by the Government (p 103).

The perceived loss of community and economic impact

- 1.24 That the Local Government Advisory Board recognises the impact that structural reform can have on regional communities and supports structural reform models where these impacts will be minimised, including arrangements where the delivery of specific services is undertaken from each of the administrative centres of the local governments that existed prior to an amalgamation, and the use of specified area rating to maintain service levels in local governments where there are multiple towns (p 105).

Regional local governments

- 1.25 That there be no change to the method by which members of a regional council are appointed (p 107).
- 1.26 That no amendments be made at present to the *Local Government Act 1995* provisions regarding regional local governments (p 108).
- 1.27 That regional arrangements be further extended and formalised and that all local governments become part of a regional body (p 128).

Conduct of early elections

- 1.28 That the *Local Government Act 1995* be amended to provide local governments with the option of conducting elections early in an amalgamation process in order to facilitate long-term planning, include the community, and avoid negative feedback (p 109).

Retention of staff for two years following an amalgamation

- 1.29 That no amendments be made at present to the *Local Government Act 1995* provisions regarding the retention of staff for two years following an amalgamation (p 110).

Other considerations

- 1.30 That local governments individually assess and address their asset renewal requirements, giving consideration to the means of funding this requirement including increases in rates and own source revenues, reductions in services to release funds to apply to asset renewal, and increased use of debt (p 133).
- 1.31 That the Local Government Financial Management Regulations be amended to make it mandatory for each local government to:
1. Develop and annually update a 10-year financial management plan, linked to the local government's plan for the future.
 2. Develop appropriate asset management plans that are to be reflected in the 10 year financial management plan.
 3. Apply depreciation rates based on a standardised schedule, which takes into account the different circumstances in different parts of the State, with local governments to provide justification for variations from the schedule. (p 133)
- 1.32 That the cultural context of Indigenous communities continue to be recognised by the Local Government Advisory Board in future ward reviews in relevant local governments (p 135).
- 1.33 That a review of local government structure and boundaries occur at least every 15 years, or more frequently under circumstances of major demographic, social or economic change (p 136).
- 1.34 That review of local government structure and boundaries be undertaken on a regional basis (p 136).
- 1.35 That the Western Australian Salaries and Allowances Tribunal be given the responsibility for establishing the range of fees and allowances for elected members, with each local government having the ability to set a fee within this range. The Tribunal also be required to update the fees and allowances on an annual basis (p 142).
- 1.36 That the *Local Government Act 1995* be amended to:
1. Reduce the minimum number of elected members required by a council within a regional local government to four.
 2. Decrease the maximum number of elected members in any local government council from 15 to 13. (p 145)
- 1.37 That compulsory training, along the lines of that recently introduced in NSW, be required for all newly elected members in WA local government (p 146).

2 ELECTORAL REFORM

Non residents right to vote

- 2.1 That the current eligibility criteria for local government elections, including the provision for eligible voters to be on the owners and occupiers roll, be retained (p 153).

Number of votes that an elector can cast in a local government election

- 2.2 That the *Local Government Act 1995* be amended so that an elector is not able to vote in more than one ward election in the same local government (p 155).

Requirement to vote

- 2.3 That the current provisions for voluntary voting at local government elections be retained (p 163).

Type of election

- 2.4 That the current provisions for the option of postal or in-person elections be retained (p 169).

Voting system

- 2.5 That the current provisions for the 'first past the post' system of voting be retained (p 175).

Election of Mayor or President

- 2.6 That the current provisions for the methods of election of Mayors and Presidents be retained (p 186).

- 2.7 That further investigation be undertaken by the Local Government Advisory Board in relation to issues raised concerning both directly elected and council elected Mayors and Presidents (p 186).

Length of term

- 2.8 That the current provisions for four year terms for elected members be retained (p 188).

Staggered terms

- 2.9 That the current provisions for a system of staggered terms for the elected members of a council be retained (p 193).

Who can conduct elections

- 2.10 That the current provisions in relation to who is able to conduct elections be retained (p 201).

- 2.11 That the Local Government Advisory Board be given the power to investigate other statutory authorities to establish their capacity to undertake postal elections (p 201).

Review of Act

- 2.12 That the Department of Local Government and Regional Development undertake a review of the electoral offence provisions in the *Local Government Act 1995* (p 202).