



Government of **Western Australia**
Department of **Local Government**

Local Government Reform Steering Committee

REPORT

May 2010

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FOREWORD

The State Government is committed to building a local government sector with strong and sustainable structures with the capability to provide economic and regional development opportunities for communities throughout Perth and regional Western Australia.

In February 2009, the Minister for Local Government Hon John Castrilli MLA announced the State Government's agenda for voluntary local government reform. A Ministerially appointed Steering Committee was given oversight for the coordination of reform measures to progress State-wide sector reform. As Chairperson of the Local Government Reform Steering Committee, I thank the following Committee members for their valued contribution and note the change in Presidential representation at the Western Australian Local Government Association to Mayor Troy Pickard, and Local Government Managers Australia (WA Division) to Andrew Hammond during this time:

Gary Brennan	Chief of Staff, Office of the Minister for Local Government
Cr Bill Mitchell	President, WALGA
Michael Parker	President, LGMA (WA)
Cr Helen Dullard	President, Shire of Mundaring, representing the Local Government Advisory Board
Mayor Ron Yuryevich	Mayor, City of Kalgoorlie-Boulder, representing the Local Government Advisory Board
Eric Lumsden	Director General, Department of Planning
Alex Scherini	Assistant Director, Intergovernmental Relations, Department of Treasury and Finance
Maree De Lacey	Chief Executive Officer, Peel Development Commission, representing the Regional Development Council
Tim Shanahan	Director, Energy and Minerals Initiative, UWA
Nathan Taylor	Manager, Economic Policy, Chamber of Commerce and Industry WA

I also acknowledge the significant contribution of the Working Groups that have provided considered reports and recommendations to the Steering Committee. In particular I would like to thank the Chairs of the Working Groups:

- Charles Johnson, Chair Commercial Enterprise and Urban Development
- Tim Fowler, Chair Legislative Reform
- Ricky Burges, Chair Training and Capacity Building
- Andrew Hammond, Chair Corporate and Strategic Planning

This Report represents the work of the Steering Committee and the four Working Groups and summarises the progress to date of the reform measures undertaken, and recommends a future direction for the Minister's consideration in determining the State Government's reform agenda. On behalf of the Steering Committee I have pleasure in submitting this report to the Minister for Local Government for his consideration.



JENNIFER MATHEWS
CHAIR LOCAL GOVERNMENT REFORM STEERING COMMITTEE

EXECUTIVE SUMMARY

In February 2009, the Minister for Local Government Hon John Castrilli MLA announced the State Government's agenda for the reform of local government in Western Australia. It is widely acknowledged that local governments in Western Australia face significant structural and capability challenges. It is also acknowledged that strong and sustainable local government structures are needed to provide social, economic and regional development opportunities for communities.

Major reports of the last five years, including the Local Government Advisory Board (LGAB) Report¹, March 2006, and the Western Australian Local Government Association (WALGA) Systemic Sustainability Study² (SSS), February 2008, have each made the case for the reform of local government. Similarly, the *Reducing the Burden: Report of the Red Tape Reduction Group* found that local government planning and approval processes lack practicality and are unable to meet the complexities and demands of modern development requirements.

The aim of reform is to build a local government sector with the capacity to operate at best practice levels and to deliver optimal services to communities throughout Perth and regional Western Australia into the next 100 years. This encompasses effective planning and decision making and the ability to properly engage in partnerships with State and Commonwealth Governments and industry.

Local government reform was implemented as a voluntary, industry led process. The Local Government Reform Steering Committee was appointed by the Minister for Local Government to lead the reform process. The objectives of the Steering Committee were to ensure that:

- By August 2009* all local governments have made an informed decision on voluntary amalgamation.
- By August 2009* all local governments have decided the number of councillors required within a range of six to nine.
- Local identity and community representation is maintained under a new governance model.
- Local governments explore membership of appropriate regional groupings.
- By September 2009 initial proposals for legislation changes made by the Legislative Reform Working Group are considered and final recommendations made to the Minister.
- By December 2009 final proposals for amending legislation are completed.

In addition to the structural reform being sought, the need for capacity building was identified as a significant priority. Capacity building initiatives aim to deliver:

- long term strategic planning, including asset and financial management and workforce planning, across the local government sector;
- greater ability of local government to attract and retain skilled staff;
- enhanced skills and competency of elected members and staff;
- greater community representation including consideration of community-based committees and strengthened local community identity;
- legislative amendments to facilitate local government sustainability, including options for local governments to form corporate entities;
- options to reduce town planning and building licence approvals time; and
- greater encouragement of a diverse range of citizens to stand for council.

¹ Local Government Advisory Board 2006. 'Local Government Structural and Electoral Reform in Western Australia – Ensuring the Future Sustainability of Communities.'

² WALGA 2008 'The Journey: Sustainability into the future.'

* This was extended to September 2009.

PROGRESSING STRUCTURAL REFORM

Structural reform will deliver more efficient and effective systems of governance at the local level and improved levels of service to communities through greater strategic capacity and economies of scale. This will be achieved by fewer, stronger local governments across the State with strategically focussed councils, governed by less members with high level strategic decision making skills.

To this end, local governments were asked to submit reform proposals to the Minister for Local Government which addressed amalgamation options; boundary adjustments; the number of elected members; and regional groupings. Prior to completing the reform submissions, local governments completed capability assessment checklists that identified their strengths and critical gaps in capacity. These checklists revealed that more than 44% (61) of local governments were not sustainable into the future and 82% (114) lacked adequate long term integrated planning strategies in the areas of asset and financial management.

The reform submissions received by 30 September 2009 did not reflect the reality presented by the checklists and did not adequately progress reform. There were commitments from 11 local governments to amalgamate, while attempts to progress structural reform by a further 26 local governments were impeded by a lack of support from neighbouring councils. As a result, and in order to achieve optimal reform outcomes, the Minister asked the Department of Local Government to re-engage with the sector on the basis of two regional models.

The options of Regional Transition Groups (RTGs) and Regional Collaborative Groups (RCGs) were offered to local governments in recognition that the challenges and complexities faced in implementing reform varied across regions. Local governments met with Department of Local Government representatives between January and March 2010 to consider the two regional models.

- A Regional Transition Group is a partnership between two or more local governments to work together to complete a Regional Business Plan with a view to amalgamating in 2013. The Regional Business Plan would provide local governments with time to build trust and provide an opportunity to conduct due diligence before coming together to make a decision on whether to amalgamate.
- Regional Collaborative Groups apply to areas where vast distances between towns mean amalgamation is not a priority. The local governments are to work together on a Regional Business Plan to examine the benefits of shared service arrangements and to achieve a more structured approach than is offered through voluntary regional organisation of councils.

The local governments provided written responses to the Minister on the two models. By the end of March 2010, 65 local governments had indicated they were willing to participate in reform:

- Four proposals for amalgamation comprising 10 local governments:
 - The City of Geraldton-Greenough and Shire of Mullewa;
 - Shires of Mingenew, Morawa, Perenjori and Three Springs;
 - Shires of Yilgarn and Westonia; and
 - Shires of Carnamah and Coorow.
- 11 local governments indicating a willingness to form Regional Transition Groups, totalling four groups.
- 10 local governments resolving to form three Regional Collaborative Groups.
- 22 local governments supporting reform without partners.
- 12 local governments identified for Regional Transition Groups request Regional Collaborative Groups status.

In addition to the above there were:

- 23 proposals for boundary adjustments with neighbouring local governments.
- 51 local governments indicating they will reduce the number of elected members on their councils to between six and nine members. This is a reduction across the State of 100 elected members.

In summary, almost fifty percent of local governments support reform. This is a significant shift from the 26% that embraced reform at the end of September 2009 and it suggests that the reform agenda is starting to take hold. It is equally significant that almost one third of the local governments willing to reform are prevented from acting by adjacent councils opposing reform.

The Steering Committee notes that the voluntary process relied on leadership being shown by the sector to rise to the challenge of reform. This has not happened to the degree required and, as a result, it is clear that the voluntary process has not yielded the scale of reform required to deliver meaningful benefits to the State. The concern remains that the majority of local governments are not in a position now, nor will they be in the future, to plan and deliver sustainable outcomes for the communities without considerable Commonwealth and State Government assistance. Wide fiscal pressures facing Commonwealth and State Governments will limit this funding in the future.

OPPOSITION TO STRUCTURAL REFORM

Local governments that are unwilling to participate in structural reform fall into two groups. The first group comprises small local governments opposed to reform that are adjacent to larger local governments who wish to participate in structural reform. Their opposition prevents reform occurring in that area. Key examples are the local governments of Bunbury, Mandurah, Manjimup, Katanning, and in the metropolitan area, Claremont; Nedlands; Fremantle; and Bayswater.

The second type is identified as the general region response. The Wheatbelt local governments largely oppose structural reform and there is a trend to oppose structural reform in the Southwest and Great Southern. In contrast, the Kimberley, Pilbara, Gascoyne and the Goldfields are progressing reforms through Regional Collaborative Group arrangements. The major part of the Midwest is engaged in structural reform.

This regional variation in response to reform is exacerbated by the willingness of larger centres to participate in structural reform being impeded by the opposition of smaller neighbours.

OPTIONS TO MOVE FORWARD

The need for structural reform of local government in Western Australia is undeniable and there remains a strong case for structural reform across the State. As part of the reform process, local governments were placed in three categories indicating the degree to which reform was required. This was based on an assessment of their capability checklist responses. Of the 45 local governments resolving not to participate in reform, 44% were identified as category 2 (consideration of reform required) and a further 40% were identified as category 3 (significant reform required). This means that without reform, significant capacity issues remain and there are real issues of lost opportunity for the State and communities.

The reform process has revealed a number of impediments to reform. These are largely around perception and relationship based issues, where relationships between individual local governments have undermined open dialogue; the level of trust or distrust between local governments; fear of being taken over by a larger council; fear of loss of identity; and fear of loss of grant revenue as a result of amalgamation. These issues tended to dominate dialogue amongst non-reforming local governments.

There remains a real question as to whether the voluntary reform process will continue to attract the required participation in structural reform and what timeframe should be set for this to occur. A related question is whether there are areas of the State that, because of their significance to regional growth and development, warrant a proactive and targeted approach to achieving structural reform.

The Steering Committee has considered these issues and concluded that; i) it is appropriate to continue to encourage participation in voluntary reforms through provision of advice and assistance; and ii) targeted strategies are required to initiate structural reform in areas of State and regional significance. Options that have been considered to progress reforms in specific regions include greater power for the LGAB to act, specific legislation changes to amend the poll provisions and the possibility of an independent panel charged with reviewing local governments on a regular basis.

The Steering Committee has noted the local government proposals for boundary adjustments and reductions to elected member representation and recommends they are referred to the LGAB unless they are impacted by other structural reform activity.

CAPACITY BUILDING

The Steering Committee focussed on capacity constraints as a fundamental issue impacting on the sector's ability to service communities over the long term. This was achieved through the establishment of four Working Groups structured around issues that had been identified in previous reports.

The intent to strengthen local government capacity and achieve improved outcomes for the community is encapsulated in the recommendations contained in the Working Group reports. While all the recommendations of the Working Groups are to be forwarded to the Department of Local Government for advice on implementation, there are a number of high impact recommendations that are included in the key recommendations from this Report.

In addition, it is noted that the intention to streamline or reduce the compliance load on local governments and the recommendations of the *'Reducing the Burden: Report of the Red Tape Reduction Committee'* should be examined by the Department of Local Government to determine issues affecting their implementation. Refer to Attachment 6.2 for the reports of the Working Groups.

CORPORATE AND STRATEGIC PLANNING WORKING GROUP

Issues that are both a consequence of long term culture and practice and lack of capacity were considered by this Working Group. Measures to address the over reliance on compliance reporting; the practice of the annual budget being the goal of financial reporting; and the lack of strategic planning that includes, asset management and community planning are addressed in the Working Group's recommendations.

Significantly, the proposals to progress strategic planning and asset and financial management capacities of local governments are fundamental to effective decision making and securing the best interests of the community through informed, detailed planning practices. The development of lead performance indicators will assist in driving improvements to local government operations. The Steering Committee supports enshrining a uniform standard of strategic community and business planning in legislation.

TRAINING AND CAPACITY BUILDING WORKING GROUP

This Working Group focused on developing the capacity of the local government sector, options for improved training for elected members, whether training should be compulsory and possible funding mechanisms. The proposals for local governments to regularise training and development opportunities for staff and elected members are largely supported although further work is required on the detail of these recommendations.

COMMERCIAL ENTERPRISE AND URBAN DEVELOPMENT WORKING GROUP

A wide range of issues were addressed by this Working Group. Some of the critical issues related to enhancing revenue raising through rates, fees and charges; local government statutory planning and development approval processes; and development contributions for community infrastructure. The recommendations relating to greater flexibility in rate setting and establishing comparative information to enable agreement on a set of standard ratios are endorsed by the Steering Committee. Other matters around exemptions will require further work.

The Steering Committee also strongly supported the establishment of a working group on planning approval data and performance reporting. Matters relating to local government involvement in land development and urban regeneration projects and the creation of 'arms-length' bodies to undertake development and more general commercial activities were considered. These are complex issues and are also to be referred for further work.

LEGISLATIVE REFORM WORKING GROUP

The existing compliance and reporting arrangements in the *Local Government Act 1995* (the Act) were reviewed with a view to developing proposals for amendment. Over 150 issues were considered resulting in 40 amendment proposals. Many of the proposals relate to streamlining the compliance requirements of the Act. The Steering Committee has recommended that, subject to the advice of the Department, the legislative amendments identified by the Working Group be forwarded to the Minister for endorsement.

The Steering Committee particularly noted and supported proposals to:

- enable the way a Mayor is elected to be changed to an absolute majority decision of Council;
- enable the employment of senior employees to be determined by the Chief Executive Officer, removing the requirement for agreement by Council; and
- changing the provisions on the number of electors required to submit a proposal for boundary change.

The degree to which each recommendation is supported is tabled in the body of the report.

This Report on the outcomes of the State Government's local government voluntary reform agenda concludes the work of the Steering Committee, in accordance with the Terms of Reference, and makes recommendations to the Minister for Local Government on how best to progress the reform agenda.

RECOMMENDATIONS

The Steering Committee notes that the Minister has already referred the following amalgamation proposals to the Local Government Advisory Board for:

- a. The City of Geraldton-Greenough and the Shire of Mullewa;³ and
- b. The Shires of Morawa, Mingenew, Three Springs and Perenjori.

The Steering Committee makes the following recommendations to the Minister for Local Government to continue to progress the reform agenda.

Recommendations to Further Progress Reform

That the Minister:

1. Note that the voluntary reform process has not yielded the scale of reform required to deliver meaningful benefits to the State.
2. Consider options for targeted Government intervention, including through proposals to the Local Government Advisory Board for major boundary adjustments, and/or legislation to trigger reform activity in critical areas for reform including, but not limited to, the following areas:
 - a. Western Suburbs of Metropolitan Perth
 - b. Fremantle area
 - c. Bassendean / Bayswater
 - d. Geraldton area
 - e. Narrogin area
 - f. Northam area
 - g. Katanning area
 - h. Bunbury area
 - i. Mandurah area **[Majority endorsement]**
3. Consider the following legislation options to facilitate the implementation of Recommendation 2:
 - a. Remove the poll provisions from the *Local Government Act 1995*⁴;
 - b. Retain the poll provisions, but amend so that poll is of all affected districts and votes combined;
 - c. Retain the poll provisions, but amend so that poll is of all affected districts and votes averaged;
 - d. Introduce specific restructuring legislation. **[Majority endorsement]**
4. To ensure the ongoing reform of the local government sector initiate legislation for the appointment of an independent panel of three specialist persons to review local government boundaries every eight years. **[Majority endorsement]**
5. Support Councils willing to take part in structural reform but who have been unable to secure partners, by providing funding support for capacity building and reform initiatives, and request that the Department of Local Government, in collaboration with WALGA and LGMA, continue to engage regarding possible Regional Transition Groups or Regional Collaborative Groups and other reform initiatives.

³ Chapman Valley is also included in the Minister's reference to the Local Government Advisory Board.

⁴ As per schedule 2.1 of the Local Government Act 1995.

6. Request the Local Government Grants Commission to undertake a review of the disincentives to amalgamation resulting from Grants Commission formulae and policy.
 7. Request the Local Government Reform Implementation Committee to develop and implement a communication strategy for local communities and elected members to address perceived reform concerns, including loss of local identity and loss of grant income.
 8. Initiate amendments to legislation to change the prescribed number of elected members to between six and nine.
- [Majority endorsement]**
9. Refer the *Reducing the Burden: Report of the Red Tape Reduction Group* to the Department of Local Government with a view to implementing measures to reduce the compliance burden on local government.

Recommendations Supporting Reforming Local Governments

That the Minister:

10. Refer the two proposals for amalgamation to the Local Government Advisory Board once they have been submitted by:
 - a. The Shires of Carnamah and Coorow; and
 - b. The Shires of Westonia and Yilgarn.
11. Refer boundary change proposals submitted as part of this reform process to the Local Government Advisory Board (where those proposals would not trigger the poll provisions).
12. Request local governments that have proposed councillor reductions (and are not impacted by amalgamation activity) to commence the processes to achieve the reduction in councillor numbers.
13. Support the formation of Regional Transition Groups as agreed by local governments by providing State financial assistance and seeking Commonwealth funding and other assistance for:
 - a. The Shires of Beverley, Cunderdin, Quairading, Tammin and York;
 - b. The Shires of Brookton and Pingelly;
 - c. The Shires of Esperance and Ravensthorpe; and
 - d. The Towns of Claremont and Cottesloe.
14. Support the formation of Regional Collaborative Groups as agreed by local governments by providing State financial assistance and seeking Commonwealth funding and other assistance for:
 - a. The Shires of Broome, Derby–West Kimberley, Halls Creek and Wyndham–East Kimberley;
 - b. The Town of Port Hedland, Shires of Ashburton, East Pilbara and Roebourne;
 - c. The Shires of Murchison, Upper Gascoyne and potentially Yalgoo;
 - d. The Shires of Carnarvon, Exmouth and Shark Bay; and
 - e. The City of Kalgoorlie–Boulder, Shires of Coolgardie, Dundas and potentially, Laverton, Leonora and Menzies.

Recommendations Supporting Capacity Building

That the Minister:

15. Note the Working Groups' recommendations and refers them to the Department of Local Government and other relevant government agencies for advice.

16. Endorse the Legislation Working Group recommendations to amend the *Local Government Act 1995* and Regulations identified by the Legislative Working Group, subject to advice from the Department of Local Government on specific issues.
17. Note the critical role local government plays in fulfilling the urban and regional planning function and endorse further reform and enhancement in this area in collaboration with the local government sector.
18. Endorse that the following further work be undertaken by the Department of Local Government or relevant implementation Working Groups to:
 - research the definition of charitable land that comes under the *Commonwealth Aged Care Act 1997*, to ascertain if the *Local Government Act 1995* could use that definition; and
 - examine if the *Associations Incorporation Act 1987* can be used as a vehicle for the delivery of services by local governments on a regional basis, and if so, develop a draft model constitution for such an entity. If this is not viable, then other types of models could be investigated further.
19. Support amendment to the *Local Government Act 1995* to require that each local government develop and adopt:
 - a Strategic Community Plan; a principal planning document for the local government establishing community aspirations and priorities; and
 - a Corporate Business Plan; a financial planning instrument that would demonstrate the capacity to deliver and/or achieve the key focus areas and objectives identified within the Strategic Community Plan.
20. Endorse the development of lead performance indicators for local governments.
21. Endorse Actions 13, 14, 15 of the Systemic Sustainability Study that:
 - the local government sector endorses the rate setting process as outlined in the Study, as an example of best practice in rate setting;
 - the Department of Local Government establish a website for the purpose of providing local governments with access to comparable information on rates in terms of a set of standard ratios to be agreed; and
 - the local government sector seek a change to 56.41(2)(b) of the *Local Government Act 1995* to increase a local governments flexibility to offer a monthly payment of property rates without an individual installment notice.
22. Endorse removal of provisions regarding a referendum to be held prior to a council changing the way a Mayor is elected and being replaced with a requirement for an absolute majority decision of council. **[Majority endorsement]**
23. Endorse amendments to the *Local Government Act 1995* prescribing the number of electors required to initiate elector participation so that they are increased as follows:
 - from 250 (or 5% of electors) to 500 (or 5% of electors) for a proposal to be made to the Local Government Advisory Board in relation to district boundary, wards or representation proposals; and
 - from 100 (or 5% of electors) to 500 (or 5% of electors) to call a special electors' meeting.
24. Endorse allowing extraordinary vacancies to remain unfilled where a local government has lodged a proposal with the Local Government Advisory Board to reduce its number of elected members.
25. Endorse amendment to the legislation enabling the employment of senior employees to be determined by the Chief Executive Officer and the current requirement for agreement by Council be removed.

INTRODUCTION

Local government in Western Australia is a \$2 billion industry employing 13,622¹ full time equivalent people with a critical role in supporting the social and economic development of communities.

ACIL Tasman, in its 2010 report *Structural Reform in Western Australia; An Economic Development Perspective*, identified that the future development of the State can not be considered in isolation of its geographical parts. This means that Perth cannot be considered in isolation from the future of regional Western Australia; and similarly, the future of the regions cannot be viewed as independent of the future of Perth. "The implication is that an inability of regional local governments to maintain and develop economic and community infrastructure and services are a concern for Western Australia as a whole, not just specific and localised populations".²

In February 2009, the Minister for Local Government announced the State Government's package of wide ranging voluntary reform strategies to build strong and sustainable structures of local government in Western Australia with the capability to contribute to modernised environments for the next 100 years.

The Local Government Reform Steering Committee was appointed by the Minister to oversee the strategic direction and progress the broader strategies of the State Government's reform program. The Terms of Reference are attached at 6.1

The Steering Committee has focused on delivering the desired outcome of 'an increased capacity of communities to develop good government, economic growth and social well-being'. The following Report describes the local government response to the State Government's reform agenda and the Steering Committee's views on the current capacity constraints and future directions for local government reform across Western Australia.

¹ 2007-2008 Australian Bureau of Statistics

² ACIL Tasman 2010, *Structural Reform in Western Australia, an economic development perspective* pp 2.

1. THE NEED FOR LOCAL GOVERNMENT REFORM

1.1 SECTOR STAGNATION

The need for change is widely acknowledged, and is supported by a succession of reports since the 1960s. There is substantial support for local government reform within the sector. More recently the 2006 LGAB report highlighted critical issues regarding sustainability of local government and communities, and made 17 recommendations for reform, including suggesting that legislation be used to target reform in certain strategic areas. Around the same time, the local government sector progressed the Systemic Sustainability Study (SSS report). The State Government has initiated a faster reform agenda than the proposed timetable of reform over 10 years advocated in the SSS Report. Supporting the sense of urgency the Economic Audit Committee 2009 Report found that local government planning and approval processes lack practicality and are unable to meet the complexities and demands of modern development requirements.

There is no argument that the role and demands of local governments have changed dramatically in recent decades. The effectiveness of the current structure is constrained by historical boundaries and structures, fragmented and duplicated systems, and local governments of marginal sustainability. This results in systemic inefficiencies and lost opportunities for government, business and community.

Currently there are 139 local governments and many have been in existence for 100 years or more. They service disparate populations ranging in size from less than 200 to nearly 200,000, with many of the smaller local governments experiencing declining populations. 30 Councils had populations that declined or did not grow between 2008 and 2009, and were predominantly in the Wheatbelt regions and beyond including the Midwest, Gascoyne and Goldfields. With revenue derived from community and government sources, the smallest local governments are heavily grant dependent and have limited capacity to provide services to the community. Many have been assessed by Access Economics as financially unsustainable. Currently 28% of local governments are dependent on grants for 40% or more of their recurrent revenue.

Attempts to restructure local government, particularly in the 50s, 60s and 70s, achieved minimal success, and there have been some incremental changes in the 90s and 00s. With boundaries that are relatively unchanged for 100 years or more in many areas, the structure today is not suited to serving the future of our communities over the long term.

The Department of Local Government, through its oversight of local government compliance, is required to manage the operational issues arising from these capacity constraints. The Department's governance branch works to ensure local governments meet community expectations in transparency and accountability. Each year it receives hundreds of complaints and allegations about local government operations and procedures. Over 1000 complaints have been received in the last three years. While a percentage of these complaints are of a vexatious nature, these complaints and issues are echoed in the concerns raised by external stakeholders, development industry and the business sector generally, about fragmented and inconsistent approaches to decision making and planning processes.

1.2 OPPORTUNITY COSTS

The opportunity cost of not having a reformed and sustainable local government represents a significant loss to the community and the State. In particular, communities will be deprived of the new and improved services and access to facilities that a reformed local government sector could deliver. Instead of a future characterised by stagnation and population loss, reform would provide opportunities in economic and community development that would enhance community prosperity, wellbeing and vibrancy.

Similarly the failure of the sector to undertake reform will mean opportunities lost for industry with economic development hamstrung by local governments with limited capacity, unable to keep pace with the momentum of change. This was particularly evident during the resources sector expansion in the State's north. The implications for communities are significant, including lost job opportunities, impacts on infrastructure and services, increased cost imposts as a result of poorly planned infrastructure, and inequities in service provision.

To overcome capacity deficiencies, most local governments are involved in regional bodies, including approximately 20 regional organisations of councils (ROC) and regional local governments (RLG). Each ROC and RLG has its own administration support and costs. Local governments look to regional service solutions as an alternative to structural reform, but such regional groups generally lead to an increase in system complexity. These regional groups frequently duplicate and overlap each other. Many operate for single purposes such as waste disposal, economic development, and mosquito control.

The time cost and inefficiency of administration and participation in so many duplicative regional bodies is significant and represents further opportunity cost to the State and community. Effective planning and decision making in contemporary local government requires an ability to properly engage in partnerships with State and Commonwealth Governments, as well as industry. This requires a different and more strategic approach to lobbying and advocacy, which in return requires fewer, more strategically focused local governments.

1.3 COMMONWEALTH FUNDING DRIVERS

State Government agencies, as well as the Commonwealth Government, see benefits and efficiencies in managing fewer local government relationships and dealing with more professional local government entities with the capacity to partner on complex projects.

The Commonwealth Government has invested significantly in the local government sector to ensure that it is equipped with the skills to deliver on key programs. An examination of the allocation of funds under the Commonwealth Regional and Local Community Infrastructure Program in 2008-09 reveals Western Australia received only 8% of the Commonwealth's 2009, \$550 million Regional and Local Community Infrastructure Program Strategic Program. This was due to funding criteria requiring a minimum population of 30,000 to access additional funds, resulting in 118 of WAs 139 local governments being ineligible. A similar tale of funding opportunities is demonstrated by only four local governments in Western Australia having received funding through the Commonwealth's 2008, \$176 million Better Regions Program.

The Commonwealth Government is committed to supporting the reform process, but many local governments in WA have limited ability to advocate or partner with State and Commonwealth Governments to attract funding. The Commonwealth Government's *National Building Economic Stimulus Plan* requires local governments across the country to negotiate effective partnerships with all levels of Government and private industry to deliver major capital works programs that provide community infrastructure and job creation. So long as the Commonwealth Government believes there is a lack of capacity in WA local governments, the State and communities will continue to miss out on important Commonwealth funding.

1.4 BENEFITS TO COMMUNITY

The Steering Committee believes reform would deliver significant ongoing benefits to the community, industry and Government. These can be summarised as:

- Better services.

Local governments would be able to provide a broader range and improved services to the community through economies of scale; the attraction and retention of more professional staff, and a greater capacity to partner with Government and business.

- Reduced bureaucracy.

There would be benefits to the community, industry and Government in reducing the layers of local government bureaucracy and unifying and streamlining systems. This would enable, for example, enhanced efficiency in processing planning, building and other licence applications.

- Cost savings.

By reducing local government bureaucracy and unifying and streamlining systems there would be significant cost savings to the community, industry and Government. The local government cost savings are likely to be reinvested in providing more and better services to the community.

Local governments that have undergone reform such as Geraldton, Greenough and Northam have identified or experienced many such benefits. These include:

- Greater capacity to work with the business sector to leverage large projects.
- Enhanced efficiency in processing planning, building and other licence applications through reduced bureaucratic duplication and red tape.
- Greater capacity to attract and retain professional staff.
- Greater capacity for improved partnerships with government agencies, such as on planning and environmental matters, for better community outcomes.
- Greater capacity to partner with the State and the Commonwealth including sourcing and leveraging funding to invest in infrastructure.

The Steering Committee prioritised the need to address critical capacity issues which impact on state and regional development and community services such as:

- lack of strategic and community planning;
- lack of adequate financial planning and asset management; and
- fragmented/inconsistent approach to planning/business processes.

The remainder of this Report details the reform process undertaken since February 2009 and the outcomes of this process. The process has emphasised a voluntary, sector led approach to reform. The Report discusses the way forward and provides recommendations for progressing reform.

2. REFORM PROCESS

The Government's reform agenda to date has been led by the Minister and supported by the Steering Committee. It is a voluntary process, with significant support and guidance provided to the sector by the State to facilitate reform. The voluntary process has enabled the sector, which has long acknowledged the urgent need for local government reform, to take the lead role and determine the future boundaries of their districts.

The local government reform agenda focuses on identifying where reform is needed, developing initiatives as well as proposals to build organisational capability and amending legislation to reflect the changing environments within which local governments operate.

As such, the reform agenda encompasses both structural reform and capacity building initiatives. These capacity building initiatives are critical to achieving effective governance in local government and include measures to achieve:

- long term strategic planning; including asset and financial management and workforce planning across the local government sector;
- greater ability of local government to attract and retain skilled staff;
- enhanced skills and competency of elected members and staff;
- greater community representation including consideration of community-based committees and strengthened local community identity;
- legislative amendments to facilitate local government sustainability, including options for local governments to form corporate entities;
- options to reduce town planning and building licence approvals time; and
- greater encouragement of a diverse range of citizens to stand for council.

The Steering Committee was appointed by the Minister to oversee the strategic direction and progress the broader strategies of the State Government's reform program. The governance structure established to progress the reform agenda is led by expertise from the sector and external stakeholder groups. Throughout this process, the sector was provided with significant support which included:

- Best practice models and guidelines to assist local governments with consideration of voluntary amalgamation and reduction in the number of elected members.
- Options to maintain local community identity and greater community representation including consideration of community-based committees.
- Detailed proposals for amending the local government legislation to facilitate local government sustainability.
- Financial assistance to engage in reform activities.

An important phase of the Steering Committee's work involved the production of structural reform guidelines which contained a local government capability assessment. Local governments were asked to undertake a self assessment to identify areas of strength and gaps in capacity to enable councils to make an informed; objective assessment of their future viability. The Steering Committee then developed a standardised methodology for assessing the information submitted with each local government's checklist against objective criteria demonstrative of best practice principles.

The overall management and processes developed by the Steering Committee and Working Groups have been recognised as best practice by other States and the Centre of Excellence for Local Government.

The following timeline summarises the key stages of the Government's reform process.

Government Commitment to Reform Announced	
February 2009	The Minister announces State Government commitment to build a strong and sustainable sector through structural reform by: <ul style="list-style-type: none"> – voluntary amalgamation; – reduction in elected member numbers; and – formalised regional groupings.
Governance Arrangements Established to Progress Reform	
February 2009	The Minister establishes the Local Government Reform Steering Committee to oversee and coordinate the reform process. The Steering Committee meets monthly, with bulletins circulated to the sector following each meeting updating the reform measures.
February 2009	The Minister endorses the establishment of four Working Groups to examine capacity building initiatives to support the development of a strong and capable sector through reform.
Supporting Local Government Reform	
February 2009	The Steering Committee releases guidelines to the sector to support local governments consider reform options. The guidelines comprise a capability assessment and template for developing a reform submission.
February 2009	The Minister requests local government undertake a capability assessment to identify gaps in capacity and operational strengths to inform the development of their reform submission.
March 2009	The Minister announces funding assistance program for local governments to complete their reform submissions.
Response to Reform	
April 2009	Working Groups report on reform initiatives to Steering Committee.
April – May 2009	Local governments submit their capability assessment to the Steering Committee for consideration.
May 2009	The Steering Committee endorses methodology to review capability assessments reflective of best practice principles.
May-June-July 2009	The assessments are reviewed by senior Local Government departmental officers and feedback provided to local governments.
May 2009	The Steering Committee compiles information on maintaining community identity and representation to assist local governments address these issues in their reform submission.
August 2009	The Minister extends reform submission deadline.
September 2009	The Minister receives 139 local government reform submissions.
October 2009	The Steering Committee considers each reform submission.
Interim Analysis of Reform Response	
November 2009	Interim Analysis of reform submissions compiled and submitted to the Steering Committee.
November 2009	The Department of Local Government liaises with local governments which have resolved to amalgamate to progress amalgamation proposals through to the Local Government Advisory Board.
November 2009	Interim Analysis of reform submission proposals forwarded to the Minister. The analysis did not reveal a logical way to progress significant reform based on the content of the submissions, with 3 agreed amalgamation proposals and 26 proposals with no partners.

Regional Model Approach Announced	
December 2009	The Minister advises local governments of the next stage of the reform agenda proposing a two-fold regional model approach premised on local considerations within a regional context.
January – March 2010	The Department of Local Government embarks on a series of engagement briefings with predominantly country local governments discussing the regional model approach.
February 2010	The Minister writes to Mayors and Presidents detailing the processes and structures of the regional approach and requesting local governments advise him by 26 March 2010 of their intention to participate in the regional models proposed.
Final Report on Reform	
March 2010	Local governments advise the Minister of their intention to consider the regional model approach.
March 2010	The Working Groups each submit a report to the Steering Committee.
May 2010	The Steering Committee submits a report to the Minister summarising local governments' response to reform and recommending a way forward to progress sector reform.

3. REFORM RESPONSE

3.1 LOCAL GOVERNMENT CAPABILITY ASSESSMENT

To assist local governments assess their capacity in key areas of strategic planning and service delivery, the Steering Committee developed a capability checklist for local governments. A standardised methodology for assessing the information submitted by local governments was developed to reflect best practice principles.

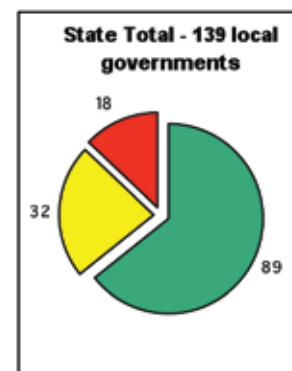
The capability checklists were assessed by a small team of Department of Local Government specialists, and sections of the checklist were allocated to each team member according to their expertise to ensure consistency of assessment. In assessing responses to checklist questions, reference was made to all supporting information provided. In some cases, it was possible to provide a council a higher score based on the documents provided than would have been the case if the assessment had relied on the council's short response only.

Collectively, the capability assessments identified areas where greater support is required to assist local government to operate at optimal levels into the future. The pie charts below provide further detail on a cross section of the checklist responses.

Each pie chart shows the number of local governments within the identified principle areas and the assessed responses. Green represents a comprehensive capacity; yellow limited capacity; and red no capacity. The pie charts show number of local governments and the text converts these to percentages.

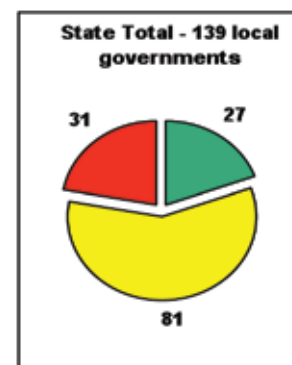
Long Term Strategic Planning

i) 36% of local governments undertake limited or no strategic planning.



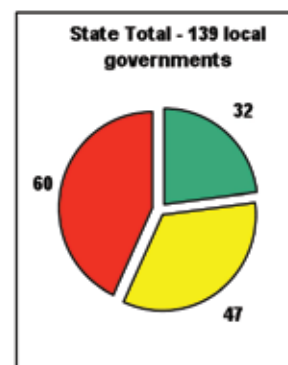
Integrated Asset Management Planning

ii) 81% of local governments undertake limited or no planning for asset maintenance and renewal.

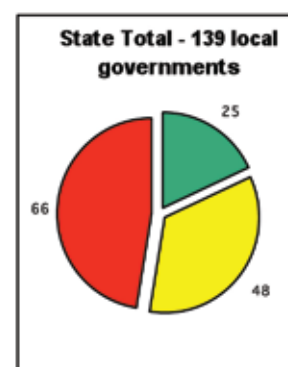


Local Term Financial Planning

iii) **77%** of local governments undertake limited or no financial management planning.



iv) **82%** of local governments undertake limited or no financial planning to identify asset maintenance and renewal gaps.



The assessment of the capability checklist as evidenced by the above pie charts, confirms the significant, limited capacity of local government and reinforces the findings of previous reports of the need for State-wide sector reform. Refer to Attachment 6.3 for the full illustration of the assessment of local government responses to the capability checklist.

The Methodology used to assess each local government's capability checklist, identified each local government within one of three categories, reflecting existing organisational capacity and the level of reform required.

Category One – Demonstrative of organisational and financial capacity to meet current and future community needs.
30 local governments comprising 22 metropolitan and eight regional.

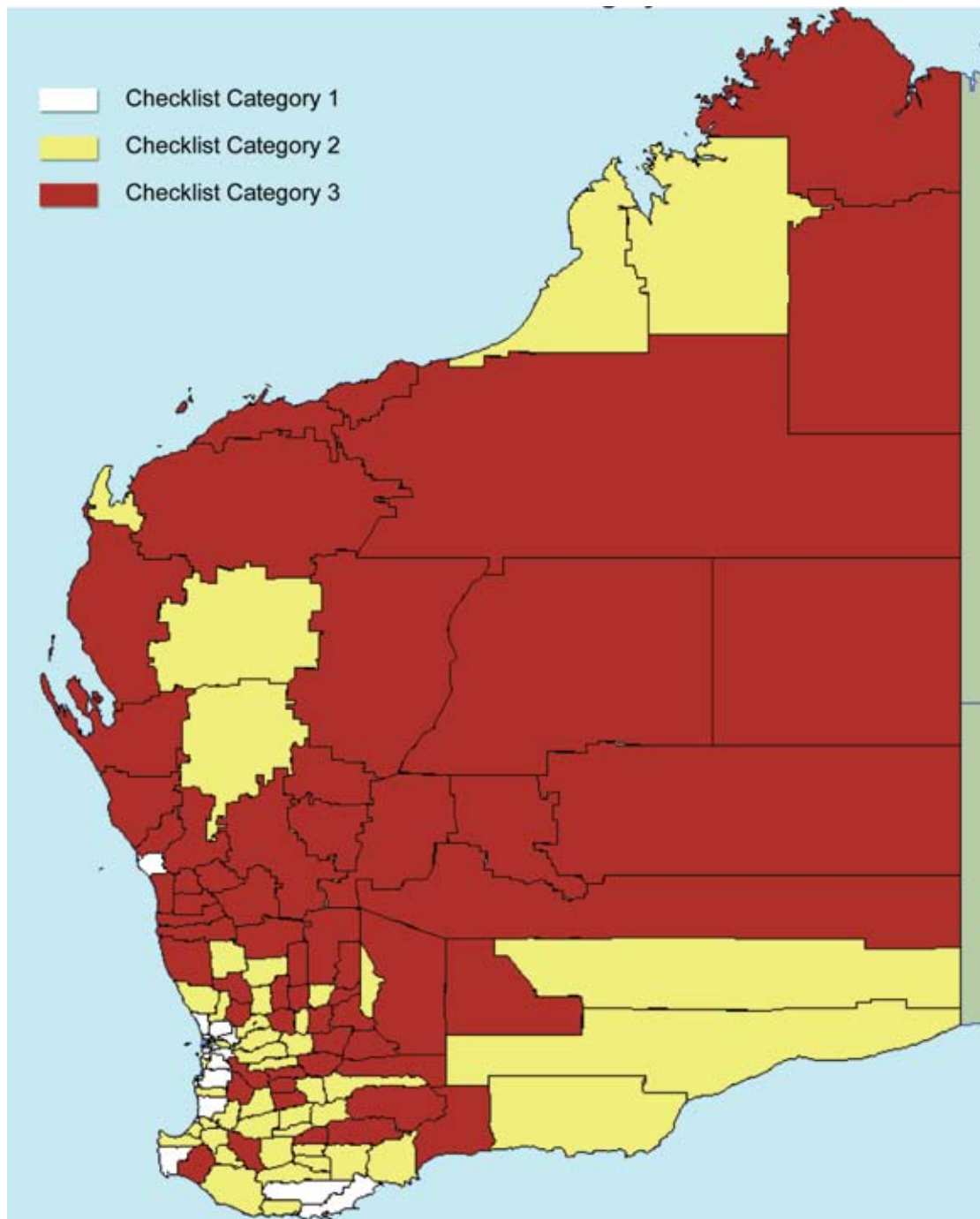
Category Two – Requiring structural reform including amalgamation/boundary adjustments and formalisation of regional groupings to enhance organisational and financial capacity.
48 local governments comprising seven metropolitan and 41 regional.

Category Three – Requiring significant structural reform including amalgamation and formalisation of regional groupings to ensure long term community and organisational benefit.
61 comprising only regional local governments.

Western Australia

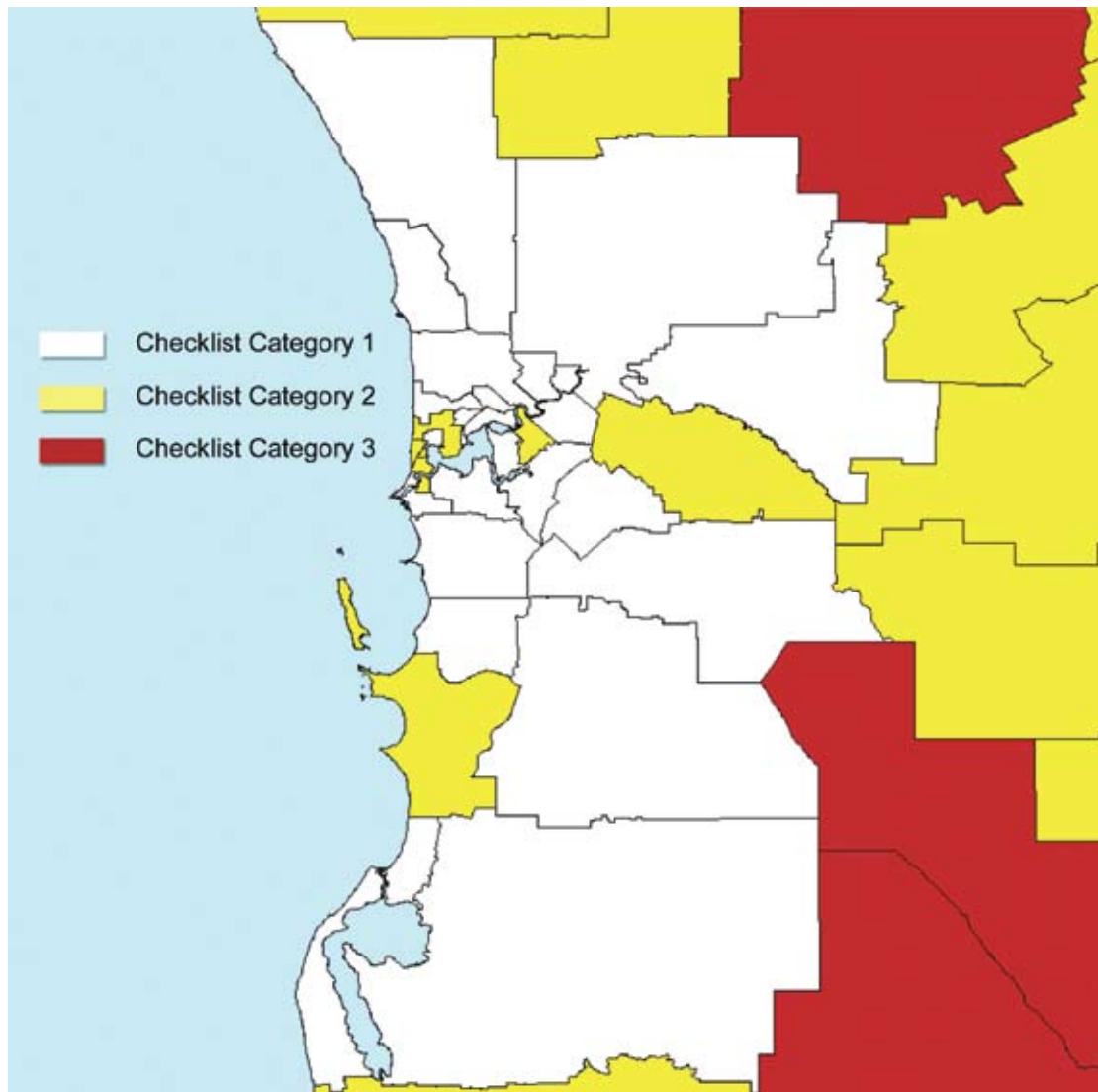
LOCAL GOVERNMENT Reform Checklist Category

The following maps display the scope of capacity issues demonstrated in the assessment of capability checklists across local governments in WA:



* Boundary changes resulting from recent local government amalgamations are not reflected in the base map used for this map.

Central Western Australia



3.2 INTERIM ANALYSIS OF REFORM SUBMISSIONS

It was intended that local governments, informed by the outcome of the capability assessment, would use this information to guide their approach to engaging in reform activity. In September 2009, local governments forwarded a reform submission to the Minister for Local Government which addressed the key reform issues of: addressing voluntary amalgamation; boundary adjustments representation and preferred regional groupings.

The State Government provided financial assistance to support local government in developing their submissions. 56 applications were received involving 88 local governments. Funding support totalling \$961,779 was provided to the sector to examine and submit proposals on significant state wide reform. In addition, a series of planning workshops were delivered to local governments across the State to assist consideration of reform options and the development of reform submissions.

Attachment 6.5 sets out the reform submission responses received in September 2009. The summation of local government reform submissions identified:

Amalgamation/boundary adjustment;

- 9 local governments resolved to amalgamate comprising three groups:
 - City of Geraldton-Greenough and Shires of Chapman Valley and Mullewa;
 - Shires of Mingenew, Morawa, Perenjori and Three Springs; and
 - Shires of Yilgarn and Westonia.
- 32 local governments willing to reform with no partners.
- 22 local governments willing to consider reform if required.
- 76 local governments unwilling to amalgamate.
- 23 proposals for boundary adjustment.

Representation;

- 51 local governments resolving to reduce the composition of their council to between six and nine members.

Regional Groupings;

- 14 local governments proposing new regional groupings;
- 106 local governments proposing to retain existing regional groupings; and
- 19 local governments who did not provide details of a preferred regional grouping.

The Steering Committee assessed each merger proposal and noted the lack of real engagement by the sector to drive the voluntary process in areas long recognised as needing reform evident by only three agreed amalgamation proposals submitted. In some cases local governments requested the Government issue parameters for reform; however this would have been contrary to the voluntary principles of the Government's reform.

The reluctance of local governments to engage in reform was noted by ACIL Tasman who reported “strong anecdotal evidence that many of the smaller local governments do not wish to cooperate with the nearby regional town and are seeking to build capacity through partnerships with other smaller local governments with a similar view” and that this may not necessarily represent the optimal outcome for the region³. It was further noted by some local governments in their reform submissions that the potential loss of Federal Assistance Grants based on the current allocation methodology, was a considerable deterrent to amalgamation. The WA Local Government Grants Commission methodology provides for the combined grant allocation to former local governments comprised of the new entity for a period of five years. In the sixth year the assessment and subsequent grant allocation is to be based on it being one local government.

Based on the general intentions revealed in the submissions and preferences expressed by local governments, a regional approach to reform was recommended that provided transitional options and more flexibility to encourage greater engagement in reform measures.

3.3 RESPONSE TO REGIONAL GROUP MODELS

The concepts of Regional Transition Groups (RTGs) and Regional Collaborative Groups (RCGs) were developed and presented to the local government sector through a comprehensive engagement process. These proposals provided a rational path for transition that could address local concerns and enable gradual harmonisation of services and functions, whilst taking into consideration the regional considerations of each local government.

RTGs were offered as a way forward for local governments that saw the need for reform but were not able to formalise amalgamation agreements with their proposed partners. These local governments would commission a Regional Business Plan with a view to amalgamating in 2013. The Regional Business Plan provides local governments with time to build trust and provide an opportunity to conduct due diligence before coming together to make a decision on amalgamation.

RCGs were offered to local governments in regional areas such as the Kimberley and Pilbara where vast distances between towns meant that amalgamation was not a priority. The local governments in these regions would work together on a Regional Business Plan to examine the potential benefits for extended shared service arrangements. It also provides a more structured approach than the voluntary regional organisation of councils.

The Local Government Advisory Board observed in 2006 that many of the smaller local governments had limited capacity to undertake the process of structural reform. Attempts to restructure local government, particularly in the 50s, 60s and 70s, achieved limited success. The regional options to progress reform offer better opportunity for success through having a transitional way forward that can address local concerns whilst building long term organisational capability.

Based on broad groupings emerging from the reform submissions, officers of the Department met with groups of local governments to explain the regional models, funding to be provided to undertake the Regional Business Plans and other support.

³ ACIL Tasman 2010 Structural Reform in Western Australia; An Economic Development Perspective, pp 1

The majority of local governments provided a written response to the Minister by 26 March 2010 on whether they would participate in a regional group. 65 local governments have indicated a willingness to participate in reform comprising:

- 10 local governments resolved to amalgamate, reducing the number of local governments in the State by six over three years.
- 11 local governments have indicated a willingness to form RTGs totalling four groups.
- 10 local governments resolving to form three Regional Collaborative Groups.
- 22 local governments support reform however partners remain unresolved.
- 12 local governments identified to consider a Regional Transition Group requested that they be supported to form a Regional Collaborative Group.

The following table summarises local governments' response to the Minister's regional group models.

Local Government Responses to Regional Group Models

(Local Government / Region / Population Number)

SUPPORT AMALGAMATION Resolved to amalgamate		
Carnamah	Mid West	763
Coorow	Mid West	1,185
Geraldton-Greenough	Mid West	37,895
Mullewa	Mid West	878
Morawa	Mid West	882
Perenjori	Mid West	536
Three Springs	Mid West	732
Mingenew	Mid West	457
Westonia	Wheatbelt	208
Yilgarn	Wheatbelt	1,544
10 LGS (4 GROUPS)		45,080

SUPPORT REGIONAL COLLABORATIVE GROUPS Resolved to form 3 RCG Groups		
Derby-West Kimberley	Kimberley	7,940
Halls Creek	Kimberley	3,349
Wyndham-East Kimberley	Kimberley	7,863
Broome	Kimberley	15,857
Port Hedland	Pilbara	14,072
Roebourne	Pilbara	18,828
Ashburton	Pilbara	6,674
East Pilbara	Pilbara	7,954
Upper Gascoyne	Gascoyne	313
Murchison	Mid West	114
10 LGS		82,964

SUPPORT REGIONAL TRANSITIONAL GROUPS Resolved to form 4 RTG Groups		
Esperance	Goldfields - Esp.	14,553
Ravensthorpe	Goldfields - Esp.	2,402
Beverley	Wheatbelt	1,749
Cunderdin	Wheatbelt	1,263
Quairading	Wheatbelt	1,129
Tammin	Wheatbelt	460
York	Wheatbelt	3,539
Brookton	Wheatbelt	1,031
Pingelly	Wheatbelt	1,260
Claremont	Central Metropolitan	9,822
Cottesloe	Central Metropolitan	8,152
11 LGS		45,360

SUGGEST RTG PREFER RCG Identified to consider RTG, requesting RCG		
West Arthur	Wheatbelt	900
Mukinbudin	Wheatbelt	568
Woodanilling	Great Southern	452
Bruce Rock	Wheatbelt	1,033
Carnarvon	Gascoyne	6,166
Exmouth	Gascoyne	2,424
Shark Bay	Gascoyne	962
Coolgardie	Goldfields - Esp.	3,968
Dundas	Goldfields - Esp.	1,204
Kalgoorlie-Boulder	Goldfields - Esp.	32,365
Merredin	Wheatbelt	3,362
Trayning	Wheatbelt	400
12 LGS		53,804

SUPPORT REFORM BUT HAVE NO PARTNER/S Willing to reform, but partners remain unresolved		
Nedlands	Central Metropolitan	22,404
Broomehill-Tambellup	Great Southern	1,282
Katanning	Great Southern	4,653
Plantagenet	Great Southern	5,064
Irwin	Mid West	3,595
Boddington	Peel	1,581
Mandurah	Peel	68,269
Cockburn	South Metropolitan	88,702
Fremantle	South Metropolitan	28,105
Bridgetown-Greenbushes	South-West	4,466
Bunbury	South-West	33,979
Manjimup	South-West	10,162
Dandaragan	Wheatbelt	3,252
Kellerberrin	Wheatbelt	1,324
Moora	Wheatbelt	2,575
Mt Marshall	Wheatbelt	686
Narrogin (S)	Wheatbelt	909
Narrogin (T)	Wheatbelt	4,731
Northam	Wheatbelt	11,044
Wagin	Wheatbelt	1,910
Wongan - Ballidu	Wheatbelt	1,469
Wyalkatchem	Wheatbelt	533
22 LGS		300,695

NOT PARTICIPATING IN REFORM Resolved not to participate in an RTG/RCG		
Mosman Park	Central Metropolitan	9,392
Peppermint Grove	Central Metropolitan	1,741
Subiaco	Central Metropolitan	18,625
Bassendean	East Metropolitan	14,508
Bayswater	East Metropolitan	61,264
Menzies	Goldfields - Esp.	250
Cranbrook	Great Southern	1,144
Denmark	Great Southern	5,322
Gnowangerup	Great Southern	1,393
Jerramungup	Great Southern	1,162
Kent	Great Southern	601
Kojonup	Great Southern	2,228
Cue	Mid West	302
Meekatharra	Mid West	1,218
Mount Magnet	Mid West	664
Sandstone	Mid West	133
Murray	Peel	14,763
Serpentine-Jarrahdale	Peel	16,492
Waroon	Peel	3,772
East Fremantle	South Metropolitan	7,448
Augusta-Margaret River	South-West	12,212
Boyup Brook	South-West	1,624
Busselton	South-West	30,514
Capel	South-West	12,687
Collie	South-West	9,332
Dardanup	South-West	12,709
Harvey	South-West	23,468
Nannup	South-West	1,304
Chittering	Wheatbelt	4,310
Corrigin	Wheatbelt	1,275
Cuballing	Wheatbelt	866
Dalwallinu	Wheatbelt	1,352
Dowerin	Wheatbelt	765
Dumbleyung	Wheatbelt	669
Gingin	Wheatbelt	4,983
Goomalling	Wheatbelt	1,044
Kondinin	Wheatbelt	1,035
Koorda	Wheatbelt	473
Kulin	Wheatbelt	902
Lake Grace	Wheatbelt	1,482
Narembeen	Wheatbelt	854
Nungarin	Wheatbelt	241
Victoria Plains	Wheatbelt	941
Wandering	Wheatbelt	422
Wickepin	Wheatbelt	771
Williams	Wheatbelt	1,006
46 LGS		289,663

DECISION PENDING		
Reserved opinion/ Seeking further information		
Laverton (RCG)	Goldfields - Esp.	760
Leonora RCG	Goldfields - Esp.	1,666
Albany (RTG)	Great Southern	35,550
Chapman Valley	Mid West	1,069
Northampton (RTG)	Mid West	3,541
Yalgoo RCG	Mid West	265
Wiluna (RCG)	Mid West	755
Donnybrook-Balingup (RTG)	South-West	5,360
8 LGS		48,966

NO RESPONSE RECEIVED		
No correspondence received		
Ngaanyatjarraku (RCG)	Goldfields - Esp.	1,559
Toodyay (RTG)	Wheatbelt	4,629
2 LGS		6,188

NO RESPONSE EXPECTED		
Not targeted in the Ministers current Reform Agenda		
Cambridge	Central Metropolitan	26,622
Perth	Central Metropolitan	17,093
Vincent	Central Metropolitan	30,870
Belmont	East Metropolitan	34,466
Kalamunda	East Metropolitan	54,729
Mundaring	East Metropolitan	38,264
Swan	East Metropolitan	110,051
Joondalup	North Metropolitan	162,195
Stirling	North Metropolitan	198,803
Wanneroo	North Metropolitan	144,148
Armadale	South East Metro.	58,153
Canning	South East Metro.	87,562
Gosnells	South East Metro.	104,022
South Perth	South East Metro.	43,776
Victoria Park	South East Metro.	32,256
Kwinana	South Metropolitan	28,044
Melville	South Metropolitan	101,052
Rockingham	South Metropolitan	100,231
18 LGS		1,372,337

4. CAPACITY BUILDING

The Steering Committee focused strongly on the capacity constraints as a fundamental issue impacting on the sector's ability to service communities over the longer term. This was achieved through the establishment of four Working Groups structured around issues that had been identified in previous reports. In particular the SSS explored the issues confronting local government sustainability including: resourcing structures; alternative models for generating income; strategic planning, asset and financial management; difficulties in attracting and retaining skilled staff; and meeting service demands.

The intent to strengthen local government capacity and achieve improved outcomes for the community is encapsulated in the recommendations contained in the Working Group reports. While all the recommendations coming out of the Working Groups are recommended to be forwarded to the Department of Local Government for advice on implementation, there are a number of high impact recommendations that are included in the key recommendations from this report.

In addition, it is noted that the intention to streamline or reduce the compliance load on local governments and the *Reducing the Burden: Report of the Red Tape Reduction Group* should be examined by the Department of Local Government in relation to these recommendations and other relevant matters.

Refer to Attachment 6.2 for the reports of the Working Groups.

4.1 CORPORATE AND STRATEGIC PLANNING WORKING GROUP

The Corporate and Strategic Planning Working Group addressed a range of issues that were seen to be both a consequence of long term culture, practice and lack of capacity. In particular the group aimed to address the over reliance on compliance reporting and the annual budget as the goal of financial reporting and lack of strategic planning. The need for better integration of asset management and financial planning and the importance of having an adequate set of lead indicators is addressed in the recommendations.

Significantly, the proposals to progress strategic planning and asset and financial management capacities of local governments are fundamental to effective decision making and securing the best interests of the community through informed, detailed planning practices. The development of lead performance indicators will assist in driving improvements to local government operations. The Steering Committee supports enshrining a uniform standard of strategic community and business planning in legislation.

The Steering Committee notes that the lead indicators offer an opportunity for auditing and reporting of local government capacity and sustainability on a regular basis. It is also noted that the improved systems and functioning that will evolve from the local government reforms and through joint initiatives under the Commonwealth Local Government Reform Fund may make recommendations 5 and 6 redundant.

Key Recommendations

1. That the *Local Government Act 1995* be amended to require that each local government develop and adopt:
 - a Strategic Community Plan, a principal planning document for the local government establishing community aspirations and priorities; and
 - a Corporate Business Plan, a financial planning instrument that would demonstrate the capacity to deliver and/or achieve the key focus areas and objectives identified within the Strategic Community Plan.
2. (i) That the Department of Local Government collaborates with WALGA and LGMA to develop a suite of uniform lead performance indicators that would serve to identify potential corporate performance opportunities across the sector and inform communities of the strategic strengths or otherwise of their local government; and
- (ii) That the *Local Government Act 1995* be amended to require that uniform lead performance indicators be adopted by local governments as part of the corporate business planning process and that these indicators be used to measure corporate performance potential.

3. (i) That the *Local Government Act 1995* be amended to require an external qualitative review of each local government's corporate performance, to analyse and report upon:
 - community satisfaction, asset management performance, and alignment of service delivery with community aspiration;
 - the functional linkage between the Strategic Community Plan, Corporate Business Plan and annual programs; and
 - the alignment between the Corporate Business Plan and Annual Budget.
- (ii) That the legislative amendment provide that such external qualitative review be held every 3 years for "functional" local governments and on an as needs basis for those organisations with underlying problems.
4. That the *Local Government Act 1995* be amended to require that a minimum uniform standard of a Strategic Community Plan and Corporate Business Plan be developed and prescribed in regulations and that the layout, form and functionality of the documents be of a standard that can be understood by the general community.
5. That a capacity building service be developed to provide assistance to Chief Executive Officers and Councils in achieving the requirements contained within these recommendations. These recommendations are contingent upon the need for an organisation to provide advice, training and governance support to implement and manage the proposed planning arrangements.
6. That a Corporate Performance Measurement Team be established by the Department of Local Government to assist local governments in improving their overall performance in areas such as asset management, service delivery, governance, financial management and community engagement.

4.2 TRAINING AND CAPACITY BUILDING WORKING GROUP

The Training and Capacity Building Working Group addressed several areas aimed at developing the capacity of the local government sector. In particular, the group focused on elected member training and came to the view that apparent problems in the sector relate directly to the lack of training of elected members. Recommendations incorporated questions of whether elected member training should be compulsory and how elected member training could be funded and delivered. Opportunities provided by the establishment of the Australian Centre of Excellence for Local Government (ACELG) were noted. The group included a number of underpinning principles as a framework for training, development and capacity building in the future.

In receiving the recommendations, the Steering Committee proposed that further consideration be given to the availability of training providers, how the ACELG could be used and funding sources for training and development. Recommendations regarding workforce development would now be read within the context of the Local Government Workforce Development Strategy being progressed by the Local Government and Planning Ministers' Council. The proposals for local governments to regularise training and development opportunities for staff and elected members are largely supported although further work is required on the detail of these recommendations.

Key Recommendations

1. That local government vocational education and training be progressed through the newly established Electrical Utilities and Public Administration Training Council (EUPA TC) and associated Local Government Industry Working Group.
2. That a training fund or levy for the local government sector not be introduced.
3. That there be a requirement for local governments to include line items in the setting of their annual budgets for training and development for both elected members and employees.
4. That there be a legislative requirement for a local government to prepare and adopt a training and development policy for its members and to include details of activities in its annual report.

4.3 COMMERCIAL ENTERPRISE AND URBAN DEVELOPMENT WORKING GROUP

The Working Group on Commercial Enterprise and Urban Development was required to report on various issues, and formed sub-groups to consider them in detail:

- best practice in urban regeneration;
- enhancing revenue raising through rates, fees and charges;
- local government statutory planning and development approval processes; and
- development contributions for community infrastructure.

Progress was noted in respect of a number of key issues, such as the current planning system, developer contributions, planning and development fees, as well as many issues previously identified through the WALGA SSS report. The current rate exemptions for commercial (non-charitable) business activities of charitable organisations and Government entities such as Port Authorities, LandCorp and other State trading agencies were examined and noted to require further work. .

The most complex issues included those surrounding local government involvement in land development and urban regeneration projects, and the question of enabling local government to form 'arms-length' bodies to undertake development and more general commercial activities. The Steering Committee supports further consideration being given to this important issue and referral for further work.

The majority of the Working Group recommendations are supported. In particular recommendations relating to greater flexibility in rate setting and establishing comparative information to enable agreement on a set of standard ratios are endorsed by the Steering Committee.

The Steering Committee also strongly supported establishment of a working group on planning approval data and performance reporting.

Key Recommendations

1. That the *Local Government Act 1995* be amended to eliminate exemptions for commercial (non-charitable) business activities of charitable organisations; or, a compensatory fund be established by the State Government for local governments to cover the revenue shortfall, similar to the pensioner discount provisions.
2. That where a Government entity such as Port Authorities and other State trading agencies operate for profit and is currently exempt from rates and local government services are provided, rate equivalency payments should be paid to the local government in lieu of rates.
3. That Actions 13,14,15 of the Systemic Sustainability Study (SSS) be endorsed:
 - The local government sector endorses the rate setting process as outlined in the SSS, as an example of best practice in rate setting;
 - The Department of Local Government establish a website for the purpose of providing local governments with access to comparable information on rates in terms of a set of standard ratios to be agreed; and
 - The local government sector seek a change to 56.41(2)(b) of the *Local Government Act 1995* to increase a local governments flexibility to offer a monthly payment of property rates without an individual instalment notice.

Key recommendations pertaining to the proposal for local government enterprises and rating exemptions have also been dealt with by the Legislative Reform Working Group.

4.4 LEGISLATIVE REFORM WORKING GROUP

The Legislative Reform Working Group reviewed existing compliance and reporting arrangements in the *Local Government Act 1995* (the Act). The objective was to review the relevant provisions of the Act and develop proposals for amendment. This includes consideration of legislation proposals prepared by other Working Groups.

Following the Steering Committee's review of the Legislative Reform Working Group report in September 2009 additional matters were referred to the group for consideration. The final report of the Working Group was considered by the Steering Committee following its meeting in March 2010. In total, the Group considered over 150 issues during its deliberations, delivering over 40 amendment proposals.

Many of the proposals relate to streamlining compliance requirements and the Steering Committee has recommended that, subject to the advice of the Department of Local Government the legislative amendments identified by the Working Group are forwarded to the Minister for endorsement.

The Steering Committee particularly noted and supported proposals to:

- enable the way a Mayor is elected to be changed to an absolute majority decision of council;
- enable the employment of senior employees to be determined by the Chief Executive Officer, removing the requirement for Agreement by Council; and
- changing the provisions on the number of electors required to submit a proposal for boundary change.

The degree to which each recommendation is supported is tabled in the body of the report.

The summary of the key proposals considered by this Working Group are set out below.

Community Participation and Engagement

1. That the provisions regarding a referendum to be held prior to a council changing the way a mayor is elected be removed and replaced by an absolute majority decision of council.
2. That the prescribed number of electors required to initiate elector participation in the Act be increased as follows:
 - (iii) from 250 (or 5% of electors) to 500 (or 5% of electors) for a proposal to be made to the Local Government Advisory Board in relation to district boundary, wards or representation proposals;
 - (iv) from 100 (or 5% of electors) to 500 (or 5% of electors) to call a special electors' meeting.
3. That extraordinary vacancies be allowed to remain unfilled where a local government has lodged a proposal with the Local Government Advisory Board to reduce its number of elected members.
4. That the requirement for a separate annual Electors' Meeting be removed, subject to prior advertising to electors that the Annual Report will be considered at a nominated Council Meeting.

Rating of Land

5. That Independent Living Units only be exempt from rates where they qualify under the Commonwealth *Aged Care Act 1997* and that this be phased in over a five-year period.
6. That council powers be widened to include the power to apply differential rates based on:
 - (i) time-based differentials for vacant land;
 - (ii) specified parts of an amalgamated district.

7. That the maximum interest rate applied for payment arrangements by instalments be set at a commercially appropriate benchmark as follows:
 - (i) for monthly instalments, at the average variable overdraft interest rate for small business as published by the Reserve Bank in the month immediately preceding the instalment date;
 - (ii) for overdue rates and service charges, at double that rate.

Compliance, Red Tape and Other Matters

8. That the prescribed threshold value required for a local government to prepare a Business Plan for a major land transaction or a major trading undertaking be increased as follows:
 - (i) from \$1million to \$1.5million for a land transaction;
 - (ii) from \$500,000 to \$750,000 for a trading undertaking.
9. That the employment of senior employees be determined by the Chief Executive Officer and the current requirement for agreement by Council be removed.
10. That the requirements for local government purchasing and tendering be improved to:
 - (i) enable multiple tenders;
 - (ii) streamline purchasing policies;
 - (iii) clarify where tenders are required;
 - (iv) improve advertising requirements;
 - (v) improve procedures relating to the opening of tenders.
11. That the local government auditing requirements in the Act and regulations be streamlined to remove unnecessary and outdated provisions and that particular provisions be referred to the Department's Audit Working Group for review.
12. That the level of fees, expenses and allowances payable to elected members be reviewed and updated. (A proposed role for the Salaries and Allowances Tribunal be considered.)

Regional Service Delivery Models

13. That the Department or a Working Group of the Implementation Committee prepare a model constitution under the *Associations Incorporation Act 1987* that provides for local government service delivery where the participating local governments are members, based on not-for-profit principles. Should this prove not to be viable, then other models could be considered further.

Recommendations from other Working Groups

14. That the Steering Committee endorse the Training and Capacity Building Working Group's recommendation that local governments should be required by legislation to have a training policy for staff and elected members.
15. That the proposals from the Corporate and Strategic Planning Working Group be put on hold until the outcome of the State's submission for funding under the Commonwealth Local Government Reform Fund is known; and that subject to that outcome, the new Strategic Planning and Community Engagement Working Group should develop those proposals.
16. That the Commercial Enterprise and Urban Development Working Group's proposal for local government enterprises be considered 'in principle' by the Steering Committee prior to referral to an appropriate Working Group to investigate related legislative change.
17. That the Steering Committee consider the Commercial Enterprise and Urban Development Working Group's proposal for amendment to the State legislation requiring LandCorp land rates to be paid to local government rather than to the State Government.

Key Recommendations

The Steering Committee reviewed the Legislative Reform Working Group table of recommendations and supports the summary recommendations to:

- endorse the proposed amendments to the *Local Government Act 1995* and Regulations identified by the Working Group that are included in section 5.7 of this Report;
- consider the recommendations of the Commercial Enterprise and Urban Development Working Group and refer any further work culminating from those recommendations to an appropriate Working Group;
- refer the proposals from the Strategic and Corporate Planning Working Group to the Local Government Reform Implementation Committee's Strategic Planning and Community Engagement Working Group;
- refer the various matters identified relating to auditing to the Department of Local Government's Audit Working Group, and that the Group be reconvened to address these matters; and
- endorse the Working Group's recommendation that the following further work be undertaken by the Department of Local Government (or relevant implementation Working Group):
 - research the definition of charitable land that comes under the Commonwealth *Aged Care Act 1997*, to ascertain if the *Local Government Act 1995* could use that definition; and
 - examine if the *Associations Incorporation Act 1987* can be used as a vehicle for the delivery of services by local governments on a regional basis, and if so, develop a draft model constitution for such an entity. If this is not viable, then other types of models could be investigated further.

Further, the Steering Committee notes that additional amendments should be included that support the progress of local government reforms. In particular the number of elected members to be changed to limit the number to 6-9 and to reduce red tape as noted in the Economic Audit Committee Report on Reducing the Red Tape Burden.

The means of progressing the legislative reforms is noted to be subject to the Governments legislative processes and Departmental scheduling.

5. CONCLUSIONS AND RECOMMENDATIONS

The local government reform agenda is aimed at achieving “an increased capacity of communities to develop good government, economic growth and social well-being”.

Local government reform is a highly complex change process, involving more than just amalgamations. The breadth of issues canvassed in the capability checklist and by the Working Groups demonstrates the complexity of the reform considerations.

The Steering Committee has worked within the framework of a voluntary reform and sector led process. This means that it has been reliant on the local government sector rising to the challenge and actively engaging in reform. The need for reform is well acknowledged and the Steering Committee, while commending those local governments which are committed to reform, does not consider that the local government response has been sufficient to achieve the scope or scale of structural reform required state wide.

The process undertaken through the Steering Committee has revealed serious impediments to reform. As a result of these impediments, and the level of resistance within the sector to meaningful reform, the Steering Committee's recommendations presented in this Report represent a means to continue and elevate the reform process.

5.1 MAIN FINDINGS

The Steering Committee finds that if the reduction in local governments is limited to the existing amalgamation proposals and potential amalgamations arising from Regional Transition Groups, and no more, then the number of local governments will reduce by 13. This is appreciably less than the reduction of 40 plus local governments required to achieve the target of less than 100 local governments within five years, as advocated by the Premier of Western Australia. The main findings of the Steering Committee relate to the capacity of local governments, the level of support for reform among local governments, and the inability of the existing legislative framework to facilitate change.

The Steering Committee finds that the need for structural reform is critical. The effectiveness of the current structure is constrained by historically derived boundaries and structures and fragmented and duplicated systems resulting in systemic inefficiencies which are having an impact beyond the local government sector. The smallest local governments have weak rates bases, are heavily grant dependent and have limited staff and financial capacity to provide services to their communities. Many have been assessed by Access Economics as financially unsustainable.

Local governments look to regional service solutions as an alternative to structural reform, but the increase in regional groups has increased system complexity, added costs and created duplication with limited outcomes. The implications for communities are significant and include lost job opportunities, negative impacts on infrastructure and services, increased cost imposts as a result of poorly planned infrastructure, and inequities in service provision. The Steering Committee finds that reform of the sector would yield significant benefits for the community, industry and government. Where reform is not achieved, communities are deprived of new and improved services and facilities as well as the benefits of improved strategic and regional planning for economic development.

The Steering Committee also finds that the voluntary reform process has facilitated some positive changes and that the increase in the number of local governments embracing reforms over the last six months, indicates that the reform agenda is gaining traction in the sector. At present almost fifty percent of local governments are supporting reform. However, almost one third of these are unable to proceed because of the failure of the adjacent councils to support reform.

The Committee finds that the voluntary process has not yielded the scale of reform that is required and is an insufficient foundation for a sustainable local government sector for the next 100 years. There are areas of the State where the voluntary sector led approach has not resulted in significant progress. Where these areas have been identified as urgently requiring structural reform because of their significance to regional growth and development, alternative measures to promote structural reform may need to be considered. The option of establishing processes to progress reforms in specific regions is raised for consideration by the Minister.

The Steering Committee finds that the current legislative framework is a poor facilitator of structural change. The current provisions of the *Local Government Act 1995* have restricted local government reform, and there is scope for a new mechanism to provide for more regular review of boundaries to ensure local government is responsive to changing WA communities as they evolve.

The Steering Committee finds that there are a range of legislative and other measures which should also be considered to address capacity constraints in the sector. The Steering Committee established four expert Working Groups to provide advice on key areas of capacity building, and the group's final reports and recommendations provide a valuable way forward. Most significant are the proposals to progress the strategic planning and asset and financial management capacities of local governments. These are fundamental to effective decision making and securing the best interests of the community through comprehensive and well informed planning practices. They also address a critical capacity gap identified through the reform process.

In many respects, the Steering Committee's findings about the impediments to, and benefits of reform, are not new findings, but are common to other reviews and inquiries past and recent. The Steering Committee's work adds to these previous reviews by endorsing the urgent and critical need for reform.

5.2 LOCAL GOVERNMENT RESPONSE

As outlined previously in this report, an extensive engagement process was undertaken and local governments were invited to consider the potential for reform. Three categories of local government response to the current reform process can be identified.

- Councils supporting local government structural reform. The process generated some firm proposals for reform, particularly in the Midwest and Southeast Avon regions. Local governments developed agreed proposals that included amalgamations and support for Regional Transition Groups. Northern and eastern parts of the State are progressing reforms through Regional Collaborative Groups.
- Councils that support structural reform, but are being blocked by their neighbours. Many such Councils are located in regions of strategic significance to the State, where it is essential that strong local governments are in place to facilitate economic development and where structural reform would significantly enhance service delivery to communities. A number of metropolitan Councils also fall into this category.
- Councils that have no willingness or interest in reform, other than through existing ROCs.

The reform submissions received in September 2009 did not reflect the reality of the need for reform presented by the checklist analysis (showing 61 local governments are not sustainable into the future and 114 lack adequate long term integrated planning strategies) nor adequately progressed reform. The commitments from 11 local governments to amalgamate and indications of willingness to reform from a further 26 local governments represented support for reform from 26% of the sector. By April 2010 almost 50% of local governments supported reform demonstrating an important shift. It is noted that almost one third of the local governments willing to reform are prevented from acting by adjacent councils which oppose reform.

The Steering Committee is encouraged by the considerable interest from many individual local governments, even when consensus among neighbours is lacking. An overarching recommendation of the Steering Committee is that where local governments are embracing the need for structural reform then all possible financial and other support should be provided to them. The recommended approach going forward is to focus on those local governments which have agreed to take part in structural reform, either through early amalgamations or through the Regional Transition Group or the Regional Collaboration Group process.

It is also recommended that the Minister continue to encourage other voluntary reform proposals across the sector, by providing targeted assistance. There should be further engagement with Councils who were targeted for Regional Transition Groups but which have expressed a preference for Regional Collaborative Groups. Underpinning this should be a communication strategy to promote the benefits of local government reform to the wider community which addresses the perceived obstacles to participating in reform.

5.3 PROMOTING STRUCTURAL REFORM

While significant reform has been generated in some areas there remains a strong case for structural reform to be progressed in other parts of the State. The leadership shown by the reforming local governments represents a good first step, but it is not sufficient to achieve the level of structural reform required state-wide. There remain areas of the State where the voluntary sector led approach has not resulted in significant progress suggesting the need for additional effort.

Inertia in the sector is a real issue and serious impediments to reform were revealed during the process of engaging with local governments. Many of the impediments are relationship and perception based, relating to low levels of trust undermining open dialogue; the fear of being taken over by larger Councils; fear of loss of identity; and fear of loss of grant revenue as a result of amalgamation. The impediments to reform need to be addressed through proactive strategies that take into account the urgency for reform, regional issues and the nature of the obstacles.

The willingness of local governments to participate has varied by region. For example both the Wheatbelt and the Midwest regions have similar sustainability issues but there is a significant difference in participation in reforms. In general, there is a trend to oppose structural reform in the Southwest and Great Southern. In contrast the major part of the Midwest is engaged in structural reform and the Kimberley, Pilbara, Gascoyne and the Goldfields are progressing reforms through Regional Collaborative Group arrangements. A breakdown of responses by region is included in Attachment 6.4. This regional variation in response to reform is complicated by the willingness of larger centres to participate in structural reform being impeded by the opposition of smaller neighbours.

The Steering Committee has identified the option to establish processes that progress reforms in specific regions because of their significance to growth and development in the State. The 2006 LGAB Report found compelling reasons for change and made recommendations for amalgamations (or more detailed consideration of) in respect of the following areas:

Metropolitan

- Western Suburbs of Metropolitan Perth
- Fremantle area
- Bassendean / Bayswater

Regional

- Geraldton area
- Narrogin area
- Northam area
- Katanning area
- Bunbury area
- Mandurah area

While there has been change in the Geraldton and Northam areas since the 2006 report, the above list provides a starting point for further consideration. The Minister may wish to consider strategic intervention to progress the reform agenda, particularly in respect of the above areas.

Some local governments in their reform submissions referred to the potential loss, based on the current allocation methodology, of Financial Assistance Grants as a result of amalgamation. While the WA Local Government Grants Commission has a policy of maintaining the combined grant allocation of the former local governments for a period of five years, there is still the prospect of a significant reduction from the sixth year onwards, and this is still seen as a considerable disincentive to amalgamation. A review should be undertaken of the disincentives to amalgamation resulting from Grants Commission formulae and policy.

An important objective of the reform process is to reduce the compliance load on local governments through less onerous reporting requirements and by building capacity in the sector with a focus on higher level planning and reporting. The increased emphasis on integrated strategic planning, asset and financial management complements the current requirement for a Plan for the Future but establishes a higher level reporting framework rather than a detailed check on individual elements. This is consistent with *Reducing the Burden: Report of the Red Tape Reduction Group*. Further consideration of how the recommendations of the Reducing the Burden: Report of the Red Tape Reduction Committee may contribute to streamlined governance is warranted; this should be examined by the Department of Local Government.

5.4 REFERRAL OF BOUNDARY PROPOSALS TO THE LOCAL GOVERNMENT ADVISORY BOARD

The LGAB, established under the *Local Government Act 1995*, has a statutory role in processing boundary change and representation proposals. The Minister has a role in referring amalgamation and boundary change proposals to the Board. The Steering Committee notes that the amalgamation proposals would be subject to the poll provisions of the Act. Under clause 7 of Schedule 2.1, the Minister may require a poll of electors to assist him in deciding whether or not to accept a recommendation of the Board for amalgamations and boundary amendments.

It is noted that consideration of boundary amendments under clause 3 of Schedule 2.1 of the *Local Government Act 1995*, should be in consultation with the affected local governments. Under this clause the Board can deal with a boundary change as a minor matter where the change involves a relatively small area and a relatively small number of electors. Where the Board determines that a matter is of a minor nature there is no need for a formal inquiry.

It is recommended that the amalgamation proposals submitted as part of the reform process be forwarded to the Board.⁴

23 separate proposals for boundary amendments were received from eight regional local governments and 15 metropolitan local governments. The Steering Committee suggests that the Minister should refer these boundary amendment proposals (i.e. division of a local government, which do not trigger the poll provisions) submitted as part of this reform process to the LGAB where they are not impacted by amalgamations or activities of Regional Transition Groups.

⁴ The Committee notes that the Minister has already referred the following amalgamation proposals to the Local Government Advisory Board for:
a. the City of Geraldton Greenough and Shires of Chapman Valley and Mullewa; and
b. the Shires of Morawa, Mingenew, Three Springs and Perenjori.

5.5 LOCAL GOVERNMENT ADVISORY BOARD: CAPACITY TO SUPPORT REFORM

The current provisions of the *Local Government Act 1995* have restricted local government reform.⁵ The practical operation of the 'poll provisions' has required previous Ministers to reject a number of amalgamation proposals due to the results of polls. These included the proposals to amalgamate the Towns and Shires of Northam (1998) and Narrogin (1999) respectively, and the Shire of Greenough and the City of Geraldton (1998). In all cases, the polls were called for and held in the districts with the smaller populations.

The Steering Committee believes the Minister should give consideration to amending legislation as a means of facilitating an extended level of reform across the sector. The Steering Committee notes the legislative options identified by the LGAB in its 2006 Report (p94-99) in addressing impediments to structural reform:

- Remove the poll provisions from the *Local Government Act 1995*;
- Retain the poll provisions, but amend so that poll is of all affected districts and votes combined;
- Retain the poll provisions, but amend so that poll is of all affected districts and votes averaged;
- Introduce specific restructuring legislation.

The LGAB has no mandate to promote reform in the sector and with a staff of only 2 to 3 full-time equivalents it can only deliver piecemeal change based on proposals referred to it. The current boundary change system, which leaves it to local governments and communities to initiate proposals to the LGAB, has had little impact on the overall local government structure and boundaries over the last 15 years. It is only when a Minister requests a general review, such as the current one, that the prospect of broad changes appears possible.

Structural reform should be seen as not a once and for all solution, but needs to be ongoing to ensure local government is responsive to changing WA communities. The Steering Committee believes there is scope for a body to be charged with undertaking regular reviews of the structure of local government. The need to establish a long-term mechanism for future change management has been identified in at least one previous study.

It is suggested that the Minister initiate legislation for the appointment of an independent panel, similar to the panel responsible for redrawing electoral boundaries, of three specialist persons to review local government boundaries every eight years. The panel should be appointed by government on the recommendation of the Minister for Local Government.

5.6 PROPOSALS FOR ELECTED MEMBER REDUCTIONS

Structural reform is required to deliver more efficient and effective systems of governance at the local level and improved levels of service to communities through greater strategic capacity and economies of scale. One means to this end is through having more strategically focussed councils that are governed by fewer members with high level strategic decision making skills.

⁵ For a poll to be held, clause 8 prescribes that the following process should be followed:

- a. Where the Local Government Advisory Board (the Board) recommends to the Minister the making of an order to abolish two or more districts (the districts) and amalgamate them into one or more districts, the Board is to give notice to affected local governments, affected electors and the other electors of districts directly affected by the recommendation about the recommendation.
- b. The notice to affected electors has to notify them of their right to request a poll about the recommendation under subclause [3].
- c. If, within one month after the notice is given, the Minister receives a request made in accordance with regulations and signed by at least 250, or at least 10%, of the electors of one of the districts asking for the recommendation to be put to a poll of electors of that district, the Minister is to require that the Board's recommendation be put to a poll accordingly.

In relation to determining the result of a poll, clause 10 [2] prescribes that if at a poll:

- at least 50% of the electors of one of the districts vote; and
- of those electors of that district who vote, a majority vote against the recommendation, the Minister is to reject the recommendation to amalgamate or change boundaries.

Local governments were requested to consider reducing the total number of their council so that each operates with between six and nine elected members as a board of directors whose primary concern is the strategic direction of the local government.

51 local governments resolved to reduce the number of their elected member group to between six and nine. This will see a reduction of 100 elected members across the sector, which will generate immediate savings in governance costs once implemented for those local governments.

The local governments that resolved to reduce the number of their elected members are required to undertake a ward and/or representation review as part of this process. The Steering Committee recommends that the Minister write to each local government to thank them for their willingness to reduce the number of elected members, and request they commence the process by referring their proposal to the LGAB.

It is also recommended that the legislative amendments should include changing the number of prescribed elected members to between six and nine to support further implementation of this initiative.

5.7 RECOMMENDATIONS

The Steering Committee notes that the Minister has already referred the following amalgamation proposals to the Local Government Advisory Board for:

- a. The City of Geraldton-Greenough and the Shire of Mullewa;⁶ and
- b. The Shires of Morawa, Mingenew, Three Springs and Perenjori.

The Steering Committee makes the following recommendations to the Minister for Local Government to continue to progress the reform agenda.

Recommendations to Further Progress Reform

That the Minister:

1. Note that the voluntary reform process has not yielded the scale of reform required to deliver meaningful benefits to the State.
2. Consider options for targeted Government intervention, including through proposals to the Local Government Advisory Board for major boundary adjustments, and/or legislation to trigger reform activity in critical areas for reform including, but not limited to, the following areas:
 - a. Western Suburbs of Metropolitan Perth
 - b. Fremantle area
 - c. Bassendean / Bayswater
 - d. Geraldton area
 - e. Narrogin area
 - f. Northam area
 - g. Katanning area
 - h. Bunbury area
 - i. Mandurah area

[Majority endorsement]

⁶ Chapman Valley is also included in the Minister's reference to the Board.

3. Consider the following legislation options to facilitate the implementation of Recommendation 2:
 - a. Remove the poll provisions from the *Local Government Act 1995*⁴;
 - b. Retain the poll provisions, but amend so that poll is of all affected districts and votes combined;
 - c. Retain the poll provisions, but amend so that poll is of all affected districts and votes averaged;
 - d. Introduce specific restructuring legislation. **[Majority endorsement]**
4. To ensure the ongoing reform of the local government sector initiate legislation for the appointment of an independent panel of three specialist persons to review local government boundaries every eight years. **[Majority endorsement]**
5. Support Councils willing to take part in structural reform but who have been unable to secure partners, by providing funding support for capacity building and reform initiatives, and request that the Department of Local Government, in collaboration with WALGA and LGMA, continue to engage regarding possible Regional Transition Groups or Regional Collaborative Groups and other reform initiatives.
6. Request the Local Government Grants Commission to undertake a review of the disincentives to amalgamation resulting from Grants Commission formulae and policy.
7. Request the Local Government Reform Implementation Committee to develop and implement a communication strategy for local communities and elected members to address perceived reform concerns, including loss of local identity and loss of grant income.
8. Initiate amendments to legislation to change the prescribed number of elected members to between six and nine. **[Majority endorsement]**
9. Refer the *Reducing the Burden: Report of the Red Tape Reduction Group* to the Department of Local Government with a view to implementing measures to reduce the compliance burden on local government.

Recommendations Supporting Reforming Local Governments

That the Minister:

10. Refer the two proposals for amalgamation to the Local Government Advisory Board once they have been submitted by:
 - a. The Shires of Carnamah and Coorow; and
 - b. The Shires of Westonia and Yilgarn.
11. Refer boundary change proposals submitted as part of this reform process to the Local Government Advisory Board (where those proposals would not trigger the poll provisions).
12. Request local governments that have proposed councillor reductions (and are not impacted by amalgamation activity) to commence the processes to achieve the reduction in councillor numbers.
13. Support the formation of Regional Transition Groups as agreed by local governments by providing State financial assistance and seeking Commonwealth funding and other assistance for:
 - a. The Shires of Beverley, Cunderdin, Quairading, Tammin and York;
 - b. The Shires of Brookton and Pingelly;
 - c. The Shires of Esperance and Ravensthorpe; and
 - e. The Towns of Claremont and Cottesloe.

14. Support the formation of Regional Collaborative Groups as agreed by local governments by providing State financial assistance and seeking Commonwealth funding and other assistance for:
 - a. The Shires of Broome, Derby–West Kimberley, Halls Creek and Wyndham–East Kimberley;
 - b. The Town of Port Hedland, Shires of Ashburton, East Pilbara and Roebourne;
 - c. The Shires of Murchison, Upper Gascoyne and potentially Yalgoo;
 - d. The Shires of Carnarvon, Exmouth and Shark Bay; and
 - e. The City of Kalgoorlie–Boulder, Shires of Coolgardie, Dundas and potentially, Laverton, Leonora and Menzies.

Recommendations Supporting Capacity Building

That the Minister:

15. Note the Working Groups' recommendations and refers them to the Department of Local Government and other relevant government agencies for advice.
16. Endorse the Legislation Working Group recommendations to amend the *Local Government Act 1995* and Regulations identified by the Legislative Working Group, subject to advice from the Department of Local Government on specific issues.
17. Note the critical role local government plays in fulfilling the urban and regional planning function and endorse further reform and enhancement in this area in collaboration with the local government sector.
18. Endorse that the following further work be undertaken by the Department of Local Government or relevant implementation Working Groups to:
 - research the definition of charitable land that comes under the Commonwealth *Aged Care Act 1997*, to ascertain if the *Local Government Act 1995* could use that definition; and
 - examine if the *Associations Incorporation Act 1987* can be used as a vehicle for the delivery of services by local governments on a regional basis, and if so, develop a draft model constitution for such an entity. If this is not viable, then other types of models could be investigated further.
19. Support amendment to the *Local Government Act 1995* to require that each local government develop and adopt:
 - a Strategic Community Plan; a principal planning document for the local government establishing community aspirations and priorities; and
 - a Corporate Business Plan; a financial planning instrument that would demonstrate the capacity to deliver and/or achieve the key focus areas and objectives identified within the Strategic Community Plan.
20. Endorse the development of lead performance indicators for local governments.
21. Endorse Actions 13, 14, 15 of the Systemic Sustainability Study that:
 - the local government sector endorses the rate setting process as outlined in the Study, as an example of best practice in rate setting;
 - the Department of Local Government establish a website for the purpose of providing local governments with access to comparable information on rates in terms of a set of standard ratios to be agreed; and
 - the local government sector seek a change to 56.41(2)(b) of the *Local Government Act 1995* to increase a local governments flexibility to offer a monthly payment of property rates without an individual installment notice.
22. Endorse removal of provisions regarding a referendum to be held prior to a council changing the way a Mayor is elected and being replaced with a requirement for an absolute majority decision of council.

[Majority endorsement]

23. Endorse amendments to the *Local Government Act 1995* prescribing the number of electors required to initiate elector participation so that they are increased as follows:
- from 250 (or 5% of electors) to 500 (or 5% of electors) for a proposal to be made to the Local Government Advisory Board in relation to district boundary, wards or representation proposals; and
 - from 100 (or 5% of electors) to 500 (or 5% of electors) to call a special electors' meeting.
24. Endorse allowing extraordinary vacancies to remain unfilled where a local government has lodged a proposal with the Local Government Advisory Board to reduce its number of elected members.
25. Endorse amendment to the legislation enabling the employment of senior employees to be determined by the Chief Executive Officer and the current requirement for agreement by Council be removed.

5.8 WORKING GROUP RECOMMENDATIONS

Note comments from three members still to be received.

Corporate and Strategic Planning Working Group Report Précis Recommendations

1. That the <i>Local Government Act 1995</i> be amended to require that each local government develop and adopt: <ul style="list-style-type: none"> a <i>Strategic Community Plan</i>, a principal planning document for the local government establishing community aspirations and priorities; and a Corporate Business Plan, a financial planning instrument that would demonstrate the capacity to deliver and/or achieve the key focus areas and objectives identified within the Strategic Community Plan. <i>(See pages 4 & 5 of the Corporate and Strategic Planning Working Group (CSPWG) report and also page 8 of the Legislative Reform Working Group's report for its comments on this recommendation).</i> 	Majority support
2. (i) That the Department of Local Government collaborates with WALGA and LGMA to develop a suite of uniform lead performance indicators that would serve to identify potential corporate performance opportunities across the sector and inform communities of the strategic strengths or otherwise of their local government; and (ii) That the <i>Local Government Act 1995</i> be amended to require that uniform lead performance indicators be adopted by local governments as part of the Corporate Business Planning process and that these indicators be used to measure corporate performance potential. <i>(See page 5 of the CSPWG report and also page 8 of the Legislative Reform Working Group report, for its comments on this recommendation).</i>	Majority support conditionally
3. (i) That the <i>Local Government Act 1995</i> be amended to require an external qualitative review of each local government's corporate performance, to analyse and report upon: <ul style="list-style-type: none"> community satisfaction, asset management performance, and alignment of service delivery with community aspiration. the functional linkage between the Strategic Community Plan, Corporate Business Plan and annual programs. the alignment between the Corporate Business Plan and Annual Budget. (ii) That the legislative amendment provide that such external qualitative review be held every 3 years for "functional" local governments and on an as needs basis for those organisations with underlying problems. <i>(See page 5 of the CSPWG report and also page 8 of the Legislative Reform Working Group report for its comments on this recommendation).</i>	Majority support
4. That the <i>Local Government Act 1995</i> be amended to require that a minimum uniform standard of Strategic Community Plan and Corporate Business Plan be developed and prescribed in regulations and that the layout, form and functionality of the documents be of a standard that can be understood by the general community. <i>(See page 4 and 5 of the CSPWG report and also page 8 of the Legislative Reform Working Group report, for its comment on this recommendation).</i>	Majority support
5. That a capacity building service be developed to provide assistance to Chief Executive Officers and Councils in achieving the requirements contained within these recommendations. These recommendations are contingent upon the need for an organisation to provide advice, training and governance support to implement and manage the proposed planning arrangements. <i>(See page 6 of the CSPWG report).</i>	Majority support
6. That a Corporate Performance Measurement Team be established by the Department of Local Government to assist local governments in improving their overall performance in areas such as asset management, service delivery, governance, financial management and community engagement. <i>(See page 5 of CSPWG report).</i>	Majority support

Training and Capacity Building Working Group Report Précis Recommendations

1. The Working Group recommends that local government vocational education and training be progressed through the newly established EUPA TC and associated LG Industry Working Group. <i>(Please refer to page 4 of Training and Capacity Building Working Group (TCBWG) report).</i>	Majority support
2. The Working Group does not recommend the introduction of a training fund or levy for the local government sector. <i>(Please refer to page 5 of TCBWG report).</i>	Majority support
3. The Working Group proposes that there be a requirement for local governments to include line items in the setting of their annual budgets for training and development for both elected members and employees. <i>(Please refer to page 5 of TCBWG report).</i>	Majority support
4. The Working Group proposes that elected member training in core competency areas be made compulsory. OR (Alternative recommendation based on the South Australian approach as the above recommendation was not supported by all members of the Working Group) The Working Group proposes that there be a legislative requirement for a local government to prepare and adopt a training and development policy for its members and to include details of activities in its annual report. <i>(Please refer to page 9 of TCBWG report, and see page 9 of Legislative Reform Working Group report for its comments on this recommendation).</i>	Majority do not support
5. The Working Group proposes that a tripartite working group including membership from the Department of Local Government, Western Australian Local Government Association and Local Government Managers Australia be formed to review and update the existing Induction Guidelines and associated resource material and to consider options for the delivery of orientation and induction training for elected members following the October 2009 election. <i>(Please refer to page 9 of TCBWG report).</i>	Majority support conditionally
6. The Working Group proposes that the Local Government Reform Steering Committee support the development of a model policy giving elected members automatic access to training 'as of right' with a mandated budget line supporting payment for attendance. <i>(Please refer to page 10 of TCBWG report).</i>	Majority support
7. The Working Group proposes that the Local Government Reform Steering Committee consider the possibility of the training cost to local governments being equalised through Local Government Grants Commission processes. <i>(Please refer to page 10 of TCBWG report).</i>	Majority do not support
8. The Working Group proposes that a working group be formed to develop initiatives for the 2009 local government elections. <i>(Please refer to page 11 of TCBWG report).</i>	Majority support
9. The Working Group proposes that a collaborative, multifaceted approach be taken which includes funding for print and media advertising. <i>(Please refer to page 11 of TCBWG report).</i>	Majority divided
10. The Working Group proposes that the Minister for Local Government consider the development of an ongoing television campaign which would promote the local government sector. <i>(Please refer to page 11 of TCBWG report).</i>	Majority divided
11. The Working Group proposes that a central point for the collection of best practice resources in relation to the attraction and retention of staff be established in WA. <i>(Please refer to page 15 of TCBWG report).</i>	Majority support
12. The Working group proposes that the State Government and local government work together to further develop the branding of local government. <i>(Please refer to page 15 of TCBWG report).</i>	Majority divided
13. The Working Group proposes that a bureau be established for the purpose of workforce planning and that the work of the bureau include HRMIS data collection and the provision of best practice services for workforce planning and attraction and retention of staff. <i>(Please refer to page 15 of TCBWG report).</i>	Majority support
14. The Working Group proposes that there be a central point for the management and coordination of local government apprenticeships and traineeships; and for this to be undertaken under the auspices of a fully funded Local Government Group Training Organisation. <i>(Please refer to page 15 of TCBWG report).</i>	Majority do not support

Commercial Enterprise and Urban Development Working Group Report Précis Recommendations

1. That the Commercial Enterprise and Urban Development Sub Group support the broader approach to statutory reform contained in the discussion paper by Conway Davy Pty Ltd titled <i>Enterprise Models as a Means of Improving Local Government Efficiency</i> and recommends that it be referred to the Legislative Advisory Working Group for further consideration. <i>(Please refer to page 15 of Commercial Enterprises and Urban Development Working Group (CEUDWG) report. Also see page 10 of Legislative Reform Working Group report, for its comments and questions re this recommendation).</i>	Majority support
2. Note that WALGA intends that its discussion paper will be referred to key Government and non-government organisations for further comment and discussion. <i>(Please refer to page 6 of CEUDWG report).</i>	Majority support
3. Endorsement of Actions 13, 14 and 15 of the SSS Final Report. <i>(Please refer to page 17 of CEUDWG report.)</i>	Majority support
4. That local governments report rating increases (or decreases) in terms of intended service level standards, asset management programs and other similar factors to educate the community of the need for increased rate revenue. <i>(Please refer to page 17 of CEUDWG report).</i>	Majority support
5. Supports the SSS Final Report Action 16 regarding the Local Government Cost Index. <i>(Please refer to page 18 of report).</i>	Majority support
6. Supports the SSS Final Report Actions 17, 18 and 19 regarding fees and charges levied by local governments. <i>(Please refer to page 18 of CEUDWG report).</i>	Majority support
7. Local government should set its own fees unless the State Government defines a public benefit which requires it to set charges. If the State Government sets a particular fee, the fee must at least cover the cost of service and reflect local variance where appropriate. The principle of setting fees based on reasonable estimates of costs in advance be formally endorsed. Fees to be revised annually to reflect true cost recovery. <i>(Please refer to page 19 of report).</i>	Majority support
8. That the <i>Local Government Act 1995</i> be amended to eliminate exemptions for commercial (non-charitable) business activities of charitable organisations; or, a compensatory fund be established by the State Government for local governments to cover the revenue shortfall, similar to the pensioner discount provisions. <i>(Please refer to page 19 of CEUDWG report. Also please see page 10 of the Legislative Reform Working Group report for its comments and recommendation re this issue).</i>	Majority support
9. The Sub Group recommends that where a Government entity such as Port Authorities and other State trading agencies operate for profit and is currently exempt from rates and local government services are provided, rate equivalency payments should be paid to the local government in lieu of rates. <i>(Please refer to page 20 of CEUDWG report).</i>	Majority support
10. The Sub Group recommends that the <i>Western Australian Land Authority Act 1992</i> is amended so LandCorp is required to pay rates to local government rather than to the State Government. <i>(Please refer to page 20 of CEUDWG report, and see page 10 of Legislative Reform Working Group report for its comment on this recommendation).</i>	Majority support
11. Note that the Department of Planning is in the process of reviewing submissions on the planning and development fees discussion paper released for public comment in May 2009. <i>(Please refer to page 21 of CEUDWG report).</i>	Majority support
12. Note the Department of Planning is to review the current planning system published as "Building a Better Planning System." <i>(Please refer to page 29 of CEUDWG report).</i>	Majority support or noted
13. Note that there has been a Bill (<i>Approvals and Related Reforms Bill 2009</i>) introduced to Parliament to amend the <i>Planning and Development Act 2005</i> . <i>(Please refer to page 29 of CEUDWG report).</i>	Majority support

14. That a Working Group be established by DoP and WALGA to progress the development of local government planning approval data acquisition and performance reporting. <i>(Please refer to page 29 of CEUDWG report)</i>	Majority support
15. Note that the Working Group has offered to assist DoP in their review of standard conditions of subdivision. <i>(Please refer to page 29 of CEUDWG report).</i>	Majority support
16. Note that the review of the Model Scheme Text and Town Planning Regulations currently being undertaken by DoP is aimed at streamlining the approval system. <i>(Please refer to page 29 of CEUDWG report).</i>	Majority support
17. Note that a review of building license matters has not been undertaken. <i>(Please refer to page 29 of CEUDWG report).</i>	Majority noted
18. Note that: <ul style="list-style-type: none"> a. State Planning Policy 3.6 Development Contributions for Infrastructure (SPP 3.6) was gazetted on 20 November 2009. b. WALGA has coordinated a peer review workshop and a follow up meeting with developers. c. Clearer guidance materials are required to: <ul style="list-style-type: none"> i. Effectively manage the integration of Planning Bulletin 18 into SPP 3.6. ii. Understand the scope of SPP 3.6 in relation to inclusions/exclusions iii. Determine appropriate timeframes for infrastructure provided in a Development Contribution Scheme. d. The Department of Planning is currently considering the preparation of a guidelines document on the implementation of SPP 3.6. <i>(Please refer to page 34 of CEUDWG report).</i> 	Majority support

Legislative Reform Working Group Report Précis Recommendations

1. 2.12A – Procedure to change the method of electing the mayor or president by council. The Working Group is of the view that the current requirements for a referendum, regarding proposals to change the method of electing the mayor from the election by the electors' method to the election by the council method, are excessive. The Working Group recommends that the requirement that a referendum be held prior to a council changing the way a mayor is elected be removed and replaced by an absolute majority decision of council.	Majority support
2. Schedule 2.1 2 (1) (d) – Provisions about creating, changing the boundaries of, and abolishing districts - Number of electors required to put forward a proposal for change. The prescribed number of electors, at 250 (or 5% of electors), whichever is fewer, is considered too small. The Working Group recommends that this provision be reviewed to require that the number of electors be increased to 500 (or 5 % of electors), whichever is fewer.	Majority support
3. Schedule 2.2 3 (1) (a) & 6 Provisions about names, wards and representation - Number of electors required to put forward a proposal for change. The prescribed number of electors, at 250 (or 5% of electors), whichever is fewer, is considered too small. The Working Group recommends that this provision be reviewed to require that the number of electors be increased to 500 (or 5%), whichever is fewer.	Majority support
4. Local Government (Constitution) Regulations 1998 General improvements The Working Group recommends that the LGAB and officers associated with recent amalgamations should be consulted to assist with determining whether these Regulations can be improved. It is further recommended that consideration of this issue takes place in the second half of 2010, following further amalgamation case management experiences.	Majority support
5(a) 3.52 (4) – Public access to be maintained and plans kept. The Working Group agrees the purpose of this provision needs to be clarified. Plans are prepared at the design stage but, once constructed, subsequent survey is not conducted and new plans are not made. The Working Group therefore recommends that Section 3.52(4) be amended to make it clear that local governments are required to keep "as designed", rather than "as constructed", drawings.	Majority support
5(b) 3.52(2) and 3.51 (4) - Affected owners to be notified of certain proposals. The Working Group also recommends that a proviso be added to s3.52(2) to allow local governments to close or restrict the use of thoroughfares without notifying affected owners in times of emergency or where there is risk to public safety. This may also require a change to the wording of s3.51 (1) in relation to providing notification.	Majority support
<i>Local Government (Functions and General) Regulations</i>	Majority support
6. Reg. 7- Minimum value of major land transactions should be increased. The Working Group recommends that the minimum value should be increased by 50%, from \$1 million to \$1.5 million, in line with increases in land values.	Majority support
7. Reg. 9- Minimum expenditure involved in a major trading undertaking should be increased. The Working Group recommends that the minimum value should be increased by 50%, from \$500,000 to \$750,000, in line with valuation increases.	Majority support
8. Reg. 29A – Prescribed value for abandoned vehicle wrecks to be increased. The Working Group recommends an increase from \$200 to \$500, to reflect the higher value of abandoned vehicle wrecks.	Majority support
9(a) Accepting panel tenders The Working Group recommends that the regulations should be amended to clarify that local government are able to accept multiple tenders, not just one.	Majority support

9(b)(i)	Reg 11A(3)(b) – Requirement to record and retain written information, or documents, in relation to all quotations received and all purchases made. The Working Group recommends that the current wording of Reg 11A(3)(b) be deleted and be replaced with a provision that a purchasing policy is to specify the number of verbal and written quotes that a local government is to source. Much of the existing requirement is now redundant, in view of a local government's obligations under the State Records Act 2000, and the current wording fails to specify that a purchasing policy should specify the number of verbal and written quotes that a local government is to source.	Majority support
9(b)(ii)	Reg 11A(4) outlines different requirements that may be imposed under a purchasing policy. The Working Group recommends that Reg 11A(4) be deleted and the information it contains be provided to the sector by means of a DLG Guidance Note, as this would be more appropriate than providing for it by means of legislation.	Majority support
9(c)	Reg 11(2)(b) refers to a specific business unit at WALGA by name. The Working Group recommends that a general reference to WALGA is preferable in Reg 11(2)(b), as business units change their names from time to time.	Majority support
9(d)	Reg 11(2)(ba) spells out a special circumstance where tenders do not have to be publicly invited The Working Group recommends that Reg 11(2)(ba) be deleted. Given that current procurement best practice recommends market testing as the most effective means of acquiring goods and services, the circumstances outlined in this part of the regulations are no longer relevant.	Majority support
9(e)	Reg 11(2)(c)(i) refers to a case where an exception applies where no tender was 'submitted that met the tender specifications'. The Working Group recommends that for drafting clarity, these words be replaced with, 'accepted by the local government in accordance with Reg 18'.	Majority support
9(f)	Reg 13 and Reg 14(2a) refer to occasions when a local government 'decides' to invite tenders. In both Reg 13 and Reg 14(2)(a), the Working Group recommends that for clarity, the word 'decides', should be replaced with 'chooses'. In practice, local governments rarely 'resolve' to invite tenders.	Majority support
9(g)	Reg 14(3) specifies the information that a local government is required to include in a State-wide public notice when publicly inviting tenders. The Working Group recommends that Reg 14(3) be reworded to allow local governments to choose either to include the specified information in full, or to direct tenderers to where they may find it. The reason for this recommendation is that placing such detailed information in a public advertisement is expensive.	Majority support
9(h)	Reg 14(4) (d) requires a local government to advise in its State-wide public notice 'whether or not' the local government has decided to submit a tender. The Working Group recommends that, for clarity, the words, 'or not' should be deleted. In other words, local governments should only be required to provide this information in the public notice in cases where they have decided to submit a tender.	Majority support
9(i)	Reg 14(4)(e) states that the public notice should include information on whether or not tenders will be accepted by facsimile or other electronic means. The Working Group recommends that Reg 14(4)(e) be deleted. It is redundant, as Reg 14(3)(c) already requires that the public notice include information as to where and how tenders may be submitted.	Majority support
9(j)	Reg 15(1) The text of this subregulation is prefaced, 'If the notice is published in the newspaper as part of giving State-wide public notice. The Working Group recommends that the opening words of Reg 15(1) be deleted. They are redundant, as State-wide public notice is a requirement under Reg 14(1).	Majority support
9(k)	Reg 16(3)(a) specifies who from the local government must be present when tenders are opened. The Working Group is of the view that Reg 16(3)(a) is clumsily worded. It recommends that it be reworded to make it clear that at least one employee of the local government or at least one person authorised by the CEO, is required to be present when tenders are opened.	Majority support
9(l)	Reg 17(2)(b) requires the Tenders Register to include details of the making of decisions to invite tenderers, or to seek expressions of interest under Reg 21(1). The Working Group recommends that Reg 17(2)(b) be deleted, as formal council decisions in this respect are made only rarely.	Majority support

9(m)	Reg 20 outlines circumstances where requirements may be varied before entry into a contract. It is suggested that an additional provision be added, to the effect that once a contract has been entered into for the supply of goods or services required, the local government may enter into a variation with respect to fulfilment of the terms of the contract if it is satisfied that such variation is advantageous to the local government.	Majority support
9(n)	Reg 21(2) explains what grounds constitute good reason to make a preliminary selection. The Working Group recommends that Reg 21(2) be deleted. It is unnecessary, as local governments should have discretion to determine when to call expressions of interest.	Majority support
10.	Reg 30(3) relates to exemptions for disposition of property other than land Reg 30(3), allows exemption from tenders in relation to property trade-ins (other than land) the value of which is not more, or worth more, than \$50,000. The Working Group recommends that the Department investigate increasing this to \$100,000, given that the tender threshold has been increased to this amount elsewhere in the regulations. Also, consideration should be given to including a 'trade in' exemption as part of an acquisition of goods and services exemption under Reg 11(2).	Majority support
11.	5.27 – Electors' General Meetings. The Working Group recommends the removal of the requirement for separate Annual Electors' Meetings, subject to a requirement that there be prior advertising of the meeting to electors where the annual report will be considered at a council meeting.	Majority support
12.	5.28 (1) (a) – Electors' Special Meetings - Number of Electors required to call a Special Meeting. The Working Group supports an increase in the number of electors required to call a Special Meeting from 100 (or 5% of electors), whichever is fewer, to 500 (or 5% of electors), whichever is fewer, to recognise the population of larger local governments.	Majority support
13.	5.37 (2) – Senior employees - Role of Council in employing or dismissing senior employees. To avoid confusion between the role of the CEO and Council in the employment of a senior employee, the Working Group recommends that section 5.37 (2) be deleted, to remove the ability of the council to interfere with the appointment of senior employees by the CEO.	Majority support
14.	5.38 – Annual Review of certain employees' performances - review of employee performance. The Working Group recommends that the review of employee performance should not be a legislative provision, other than for the Chief Executive Officer. This would require amendment to section 5.38 so that there is only a specific statutory requirement for a performance review for the CEO. It is also proposed that section 5.41 be amended so that a CEO is responsible for providing a system of performance review for the organisation.	Majority support
15.	Division 6 – Disclosure of financial interests - current penalty levels. The Working Group notes that the penalties within the Division, which have been in place for 15 years, have not been reviewed in line with inflation. It is proposed that the Department take action to review penalty levels.	Majority support
16.	5.94 – Limits on right to inspect local government information - ability to provide information online and in an electronic form. The Working Group proposes the Act be amended to state that all documents are to be available to the public online and a paper copy be provided only if requested.	Majority support
17.	Reg 19B – <i>Local Government (Administration) Regulations 1996</i> 'Salary bands' to be stated more clearly or more guidance provided. The Working Group recommends that this regulation should refer to the number of positions rather than to the number of employees affected.	Majority support
18.	Reg 10 – <i>Local Government (Administration) Regulations 1996</i> - Revocation of previous decisions of council. The Working Group recommends that this regulation be amended to make it clear that its provisions do not apply to council decisions that have already been implemented.	Majority support

19. Develop a clearer process for local governments to declare a person a vexatious complainant. The Working Group proposes that information be included in Departmental Guidelines explaining how local governments can reasonably respond to vexatious complainants.	Majority support
20. 5.53(2)(f) – This stipulates that the Annual Report is to contain the financial report for the year. The Working Group recommends that s5.53(2)(f) be reworded to require that 'a' financial report for the year, rather than 'the' financial report for the year, should be contained in the Annual Report. The financial report is lengthy, detailed and complex. For this reason, it is suggested that the annual report should contain a summarised financial report, rather than the actual financial report.	Majority support
21. Division 8 – Fees, expenses and allowances and <i>Local Government (Administration) Regulations 1996</i> , Regs 30 to 34AB inclusive The Working Group recommends that the level of these allowances be reviewed, as they have not been updated since 2004. (A proposed role for the Salaries and Allowances Tribunal to be considered.)	Majority support
22. 5.28 Provides for how and when electors' special meetings may be held. The Working Group notes that s5.28 is silent on whether such meetings can be called on the same issue within a short period. It therefore recommends s5.28 be amended to preclude the calling of Electors' special meetings on the same issue within a period of 12 months, unless council determines otherwise. This may also require a rewording of s5.29 regarding the convening of electors' meetings.	Majority support
23. At various places in the Act and the Regulations, the term, "Register" is used in relation to the requirement to keep a record, or in relation to people's rights to view recorded information. At various places in the Act and the Regulations, the term, "Register" is used in relation to the requirement to keep a record, or in relation to people's rights to view recorded information.	Majority support
24. 6.16 – Imposition of fees and charges - Amending prices of small consumer items. The current provisions hinder the ability of local governments to quickly adjust prices that they charge for small consumer items such as theatre tickets or food and drink at community venues. The Fees and Charges schedule should only relate to statutory application fees and charges, and not to small consumer items. The Working Group also recommends that Section 6.15 of the Act be amended to clarify that revenue can be received from the sale of such items.	Majority support
25. 6.20 (2) & (3) – Power to Borrow Section requires one month's local public notice about intention to borrow. While there is a requirement to give notice, there is no requirement for Council to consider any submissions made. This provision places an unwarranted delay on local government operations. The Working Group recommends that the requirement to give notice be removed.	Majority support
26. 6.26 (2) (g) – Rating exemption for charitable purposes. The Steering Committee referred this matter to the Working Group for advice and direction. Working Group recommends amendment of the <i>Local Government Act 1995</i> to clarify that Independent Living Units should only be exempt from rates where they qualify under the <i>Commonwealth Aged Care Act 1997</i> . It also proposes that if the <i>Local Government Act 1995</i> is amended accordingly, the amendment should allow for the change to be phased in over a five-year period.	Majority support
27. 6.41 – Service of rate notice. Introduce ability to offer monthly rates payments without need for individual instalment notice. Section 6.49 already allows for an agreement to be entered into with a local government and make arrangements for payment by any method. It is recommended that the Department prepare guidelines on this matter for the sector.	Majority support
28. <i>Local Government (Financial Management) Regulations 1996</i> , reg 68 – Maximum interest rate in instalments - Rate of 5.5% set by regulations in 1999. The Working Group recommends that this regulation be amended, so that the prescribed interest rate on rates instalments be set at the average variable overdraft interest rate for small business as published by the Reserve Bank of Australia in the month immediately preceding the instalment date. The rate of 5.5%, currently stipulated in Reg 68, is inflexible and can become outdated, over time. The Working Group noted that a change to the head of power may be required in order to progress this proposed amendment.	Majority support

29. <i>Local Government (Financial Management) 1996</i> , reg 70 – Maximum rate of interest on overdue rates and services charges – Rate of 11% set by regulations in 1999. The Working Group recommends that, to reflect the penalty nature of this clause, this regulation be amended, so that the prescribed interest rate on overdue rates and service charges be set at twice that which will apply for the payment of rates in instalments. The rate of 11%, currently stipulated in Reg 70, is inflexible and can become outdated over time. The Working Group noted that a change to the head of power may be required in order to progress this proposed amendment.	Majority support
30. 6.33 Differential general rates. This section outlines the characteristics that local governments may take into account when imposing differential general rates. The Working Group recommends that the Department should examine the issue of time-based differential rating for vacant land. This results from concerns by some local governments that vacant land should be developed in a timely manner. Additionally, the Working Group recommends that consideration be given to allowing local governments to impose differential general rates by town and specified parts of an amalgamated district. This would be helpful where local governments are merged, and certain localities may wish to preserve different levels of service within the new amalgamated entity.	Majority support
31. 7.3(3) (b) – Appointment of auditors. The Working Group recommends that all auditors should be registered company auditors. Accordingly, the ability to appoint other “approved” auditors should be removed.	Majority support
32. 7.6 (2) & (3) – Term of office of the auditor Contract terminations and new auditor appointments. The Working Group proposes that a Department circular could be used as a guideline for the drafting of audit contracts which would reflect the termination and new appointment clauses contained in these subsections. The Working Group also recommends that the Department’s Audit Working Group review the possibility of removing 7.6(2) and 7.6(3).	Majority support
33. 7.8 – Terms of appointment of auditors - detailed nature of the section in relation to written contracts. The Working Group recommends that the Audit Working Group review this provision, on the understanding that there was a desire of the Working Group to move it into guidelines.	Majority support
34. 7.13(1)(i) – Regulations as to audits and <i>Local Government (Audit) Regulations 1996</i> , reg 14 – Compliance audit return to be prepared. The Working Group recommends that the Act and regulations clarify that, rather than covering all statutory requirements each year, compliance audit returns should focus on particular, targeted areas of risk only.	Majority support
35. <i>Local Government (Audit) Regulations 1996</i> Reg. 7- Audit agreements. The Working Group recommends that the Audit Working Group consider whether this Regulation is superfluous and should be removed.	Majority support
36. Reg. 9 - Performance of the audit. The Working Group recommends that the Audit Working Group consider whether this regulation should be removed on the basis that a registered company auditor would operate according to defined practices and standards.	Majority support
37. SEAVROC proposed to amend the Act to allow for the establishment of a regional subsidiary as permitted under the South Australian local government legislation. The Working Group recommends that the Department, or an Implementation Committee Working Group, prepare a model constitution under the <i>Associations Incorporation Act 1987</i> . The model constitution would be for a not-for-profit entity that would provide for service delivery models based on the SEAVROC proposal, whilst maintaining appropriate levels of governance provisions. In preparing this model constitution, the constitution of the Warren Blackwood Strategic Alliance (Inc) should be taken into account.	Majority support
38. SEAVROC proposed legislative amendments. The Working Group considered a range of compliance issues raised by the SEAVROC group. As a result of that analysis, the Group recommends the following:- - that statutory monthly reporting should not be required in the case of Regional Councils; - that Regional Councils should be exempted from the requirement for notification of land disposals to be lodged with them (s9.68).	Majority support

39. S4.17 – outlines cases in which vacant offices can remain unfilled. The Working Group recommends that s4.17 be amended to allow extraordinary vacancies in the position of councillor to remain unfilled, if they occur while the LGAB is considering, or has progressed but not rejected, a local government's proposal that its number of elected members be reduced.	Majority support
40. Reg 7(1)(d) of the <i>Local Government (Long Service Leave) Regulations</i> prohibits employees taking long service leave in more than three separate periods. To reflect contemporary practice, the Working Group recommends that Reg 7(1)(d) be reworded to allow employees to take their long service leave in more than three separate periods, subject to the agreement of their employer. This would provide greater flexibility for both employer and employees. Also, whilst this matter is being reviewed it would also be timely to review any other practical matters in these regulations.	Majority support

Legislative Issues Raised By Other Working Groups Corporate and Strategic Planning Working Group

<p>40. (a) That the <i>Local Government Act 1995</i> be amended to require that each local government develop and adopt:</p> <ul style="list-style-type: none"> • A <i>Strategic Community Plan</i>, a principal planning document for the local government establishing community aspirations and priorities; and • A <i>Corporate Business Plan</i>, a financial planning instrument that would demonstrate the capacity to deliver and/or achieve the key focus areas and objectives identified within the Strategic Community Plan <p>(b) That the <i>Local Government Act 1995</i> be amended to require that uniform lead performance indicators be developed as part of the Corporate Business Planning process and that these indicators be used to measure corporate performance potential.</p> <p>(c) That the <i>Local Government Act 1995</i> be amended to require that local governments be audited externally and best practice financial management principles be used in determining the financial performance, capacity, capability and sustainability of the organisation.</p> <p>(d) That the <i>Local Government Act 1995</i> be amended to require that a minimum uniform standard of Strategic Community Plan and Corporate Business Plan be developed and prescribed in regulations and that the layout, form and functionality of the documents be of a standard that can be understood by the general community.</p> <p>(e) That a new set of Local Government regulations [possibly called the <i>Local Government (Corporate Performance) Regulations</i>], be created, to provide details about the proposed Business and Strategic Plans requirements.</p> <p>The Working Group recommends that these proposals be put on hold until the outcome of the State's submission for funding under the Commonwealth Local Government Reform Fund (CLGRF) is known.</p> <p>That submission seeks funding for an extensive project to implement Integrated and Strategic Planning across the sector. The project includes a segment on legislative change.</p> <p>Subject to the outcome of that submission, the Working Group recommends that the Strategic Planning and Community Engagement Working Group should develop these proposals.</p>	Majority support
<p>Training and Capacity Building Working Group</p> <p>41. (a) The Working Group proposes that there be a requirement for local governments to include line items in the setting of their annual budgets for training and development for both elected members and employees.</p> <p>(b) The Working Group proposes that elected member training in core competency areas be made compulsory</p> <p>or</p> <p>(c) The Working Group proposes that there be a legislative requirement for a local government to prepare and adopt a training and development policy for its members and to include details of activities in its annual report. (Approach taken in South Australia) <i>(Alternative view as the first recommendation was not supported by all members of the working group)</i></p> <p>The Working Group supports Item 3 and recommends that legislation should require local governments to have a training policy for staff and elected members.</p> <p>The Working Group recommends that the Department should prepare a model policy in association with WALGA and LGMA.</p> <p>Commercial Enterprise and Urban Development Working Group</p>	Majority support Majority support Majority support

42. (a) That the <i>Local Government Act 1995</i> be amended to eliminate exemptions for commercial (non-charitable) business activities of charitable organisations; or, a compensatory fund be established by the State Government for local governments to cover the revenue shortfall, similar to the pensioner discount provisions. The Working Group recommends that the <i>Local Government Act 1995</i> be amended to clarify that Independent Living Units should only be exempt from rates where they qualify under the <i>Commonwealth Aged Care Act 1997</i> .	Majority support
42. (b) That the <i>Western Australian Land Authority Act 1992</i> is amended so LandCorp is required to pay rates to local government rather than to the State Government. This item (Item 2) needs to go to the Steering Committee for direction.	Majority support
42. (c) That the Legislative Reform Working Group consider the amendments to the <i>Local Government Act 1995</i> proposed in the WALGA-commissioned discussion paper, (drafted by Conway Davy Pty Ltd), entitled, <i>Enterprise Models as a Means of Improving Local Government Efficiency</i> . Those proposed amendments aim to enable local governments to form 'arms-length' bodies to undertake development and more commercial activities. The key elements of this proposal should first be considered by the LG Reform Steering Committee. It needs to determine its support or otherwise to this recommendation's underlying principles, prior to any reference to the Legislative Reform Working Group or other Working Group to investigate appropriate legislative changes. For example, key areas of principle that are likely to be controversial and need to be considered include: Does the Committee support the principle of local governments - a) forming Local Government Enterprises (LGEs) to operate under general corporations law (as Companies); b) using LGEs to fund risky property developments, (local governments can do this now under the Act but under the full accountability provisions of the legislation and must go public with a business plan for public comment); and c) mortgaging council assets to obtain the funds to invest in these property developments?	Majority divided

6. ATTACHMENTS

- 6.1 Local Government Reform Steering Committee Terms of Reference
- 6.2 Local Government Reform Working Group Reports
- 6.3 Local Government Capability Assessments Summary
- 6.4 Local Government Regional Model Response
- 6.5 Local Government Reform Submission Summary



Government of **Western Australia**
Department of **Local Government**