

## 14.2 CURRENT STATE VERSUS FUTURE STATE STRENGTHS AND WEAKNESSES ANALYSIS

The following table provides a comparison between the current state and future state Strengths and Weaknesses analysis.

CURRENT STATE STRENGTHS	FUTURE STATE STRENGTHS
<p><b>Community Overview</b></p> <ul style="list-style-type: none"> <li>Each local government has a town that acts as the central hub for the provision of services to the community.</li> <li>There are community connections across the local governments for employment, health, education, commerce in rural equipment sales and sporting activities.</li> </ul> <p><b>Strategic Direction</b></p> <ul style="list-style-type: none"> <li>All 4 local governments have similar community engagement techniques.</li> <li>All 4 local governments have similar reporting mechanisms.</li> <li>There are common themes across the 4 local governments in relation to goals, facilities and services.</li> </ul> <p><b>Services</b></p> <ul style="list-style-type: none"> <li>The use of volunteers to assist in the delivery of specific services.</li> <li>All 4 local governments are similar in the provision of services.</li> <li>All 4 local governments participate in shared service arrangements within the group where benefits have been identified.</li> </ul> <p><b>Systems</b></p> <ul style="list-style-type: none"> <li>All local governments have common core systems in place.</li> </ul>	<p><b>Community Overview</b></p> <ul style="list-style-type: none"> <li>The proposed new local government will have 4 towns that act as place centres, being the central hub for the provision of services to each community.</li> <li>There are shared connections across the communities of the proposed new local government for employment, health, education, commerce in rural equipment sales and sporting activities.</li> <li>The population of the proposed new local government will be approximately 6,500 persons, projected to increase to 7,530 persons by 2021.</li> </ul> <p><b>Strategic Direction</b></p> <ul style="list-style-type: none"> <li>The proposed new local government has an improved Councillor to Elector ratio of 1:485.</li> <li>The reduction in the number of elected members will result in cost savings.</li> <li>The proposed new local government's strategic direction will be based on a range of shared goals held by the 4 RTG member local governments.</li> </ul> <p><b>Services</b></p> <ul style="list-style-type: none"> <li>There will be no reduction in services, with existing services being retained and improved where identified, and new services being introduced.</li> <li>The proposed model for the delivery of services is designed on regional and place based delivery approaches.</li> <li>Estimated operational savings are \$134,908, inclusive of new service costs and improved service levels.</li> </ul> <p><b>Systems</b></p> <ul style="list-style-type: none"> <li>The proposed new local government will have an integrated corporate IT solution.</li> </ul>

CURRENT STATE STRENGTHS	FUTURE STATE STRENGTHS
<p><b><u>Operating Matters</u></b></p> <ul style="list-style-type: none"> <li>• All local governments have uniformity in operating structures and systems.</li> <li>• All local governments have current financial ratios that are better than the bench-marks.</li> <li>• All local governments adhere to legislative requirements.</li> </ul> <p><b><u>People</u></b></p> <ul style="list-style-type: none"> <li>• A risk management framework is in place for all local governments.</li> <li>• All local governments have a planning framework in place.</li> <li>• Each of the local governments have a stable workforce.</li> </ul> <p><b><u>Plant Fleet and Depot</u></b> Nil.</p>	<ul style="list-style-type: none"> <li>• The IT Service Delivery Plan provides for a combination of weekly on-site and remote IT support.</li> <li>• The corporate IT solution for the proposed new local government will reduce the level of IT risk exposure and will also introduce new online services.</li> </ul> <p><b><u>Operating Matters</u></b></p> <ul style="list-style-type: none"> <li>• The proposed new local government's organisational structure will ensure it has sufficient capacity to perform its functions and meet its statutory obligations.</li> <li>• Rating parity is achievable within a 4 year period and complies with the legislative requirements.</li> <li>• Financial Assistance Grants will be preserved at levels immediately prior to amalgamation and increase by the percentage increase in pool funds.</li> <li>• As a larger local government, the proposed new local government will have greater capacity to attract grant funding.</li> <li>• The proposed new local government will have a certain level of uniformity with fees and charges levied for similar services.</li> </ul> <p><b><u>People</u></b></p> <ul style="list-style-type: none"> <li>• The organisational structure will allow employees in the proposed new local government to specialise.</li> <li>• The proposed new local government will have greater capacity to attract more specialised staff due to its size and complexity.</li> <li>• The organisational structure and place based model for the proposed new local government has assisted in minimising the displacement of employees.</li> <li>• The proposed organisational structure will better reflect the horizontal and vertical alignment of positions.</li> </ul> <p><b><u>Plant Fleet and Depot</u></b> Nil.</p>

CURRENT STATE STRENGTHS	FUTURE STATE STRENGTHS
<p><u>Infrastructure Assets</u> Nil.</p> <p><u>Internal Capability</u> Nil.</p> <p><u>Transitional Costs</u> Nil.</p> <p><u>Rate Setting Statement</u> Nil.</p>	<p><u>Infrastructure Assets</u></p> <ul style="list-style-type: none"> <li>The identification of potential operational savings may allow the proposed new local government to address some of its infrastructure backlog, and therefore reduce its funding gap.</li> </ul> <p><u>Internal Capability</u></p> <ul style="list-style-type: none"> <li>The majority of internal capability weaknesses identified in the current state assessment have been addressed in the future state.</li> </ul> <p><u>Transitional Costs</u> Nil.</p> <p><u>Rate Setting Statement</u></p> <ul style="list-style-type: none"> <li>The rate setting statement identifies the estimated operational savings that will result from amalgamation.</li> </ul>

**CURRENT STATE**

**WEAKNESSES**

Community Overview

- All 4 local governments include a larger proportion of their population in the 65 and over range than the State average of 11.9%.
- The small populations of each local government may impact on the degree of influence at political level, particularly when compared to metropolitan local governments and regional centres.

Strategic Direction

- There is a low Councillor to Elector ratio across the 4 local governments, with the average being currently 1:156.

Services

- All 4 local governments are reliant on contractors and external professional for the provision of specific services.

Systems

- All 4 local governments rely on remote support for Information Technology.
- All 4 local governments have outgrown their IT systems and are in need of major upgrades.
- All 4 local governments have a high exposure to IT security risks.

Operating Matters

- There are significant variances in the range, type and quantum of fees and charges levied.
- The local banking industry is underpinned by the banking activities of each local government.

**FUTURE STATE**

**WEAKNESSES**

Community Overview

- The proposed local government will have a larger proportion of its population in the 65 and over range, which is estimated at 18.26%, when compared to the State average of 11.9%.

Strategic Direction

Nil.

Services

Nil.

Systems

- The cost of optic fibre may prohibit the consideration of this infrastructure. This will affect the communication capabilities of the proposed new local government between remote sites.

Operating Matters

- Financial Assistance Grants are anticipated to decrease after the expiration of the preservation period by approximately \$680,840.
- The proposed new local government will experience a reduction in Regional Road Group grants, due to the maximum grant restrictions imposed through the Wheatbelt Regional Road Group.
- Insurance data provided by LGIS indicates that insurance premiums will increase for the proposed new local government.
- Banking services in each Place may be affected by the change in banking practices that will result from amalgamation.

**CURRENT STATE  
WEAKNESSES**

**FUTURE STATE  
WEAKNESSES**

<p><u>People</u></p> <ul style="list-style-type: none"> <li>• There are no governance frameworks in place at any local government.</li> <li>• There is no fraud control plans in place at any local government.</li> <li>• Potential loss of exempt status in relation to Housing Fringe Benefit.</li> </ul> <p><u>Plant Fleet and Depot</u></p> <p>Nil.</p> <p><u>Infrastructure Assets</u></p> <ul style="list-style-type: none"> <li>• Unless all 4 local governments take action to address their Buildings and Structures asset backlog, the funding gap will increase beyond their capacity in the short to medium term.</li> <li>• The funding gap in relation to road infrastructure is currently beyond the financial capacity of all 4 local governments.</li> </ul> <p><u>Internal Capability</u></p> <ul style="list-style-type: none"> <li>• The ABEF assessment undertaken identified a number of weaknesses in relation to internal capability common to all local governments.</li> </ul> <p><u>Transitional Costs</u></p> <p>Nil.</p> <p><u>Rate Setting Statement</u></p> <p>Nil.</p>	<ul style="list-style-type: none"> <li>• The cash reserve funds inherited from the RTG member local governments may be impacted in relation to their purposes resulting from an amalgamation.</li> </ul> <p><u>People</u></p> <ul style="list-style-type: none"> <li>• There is a risk of loss of corporate knowledge held by existing CEO's.</li> <li>• Some employees may be affected by being required to relocate to a new place of work under the place management model.</li> </ul> <p><u>Plant Fleet and Depot</u></p> <ul style="list-style-type: none"> <li>• An additional 10 light vehicles will be required to facilitate the delivery of services under the place management model.</li> </ul> <p><u>Infrastructure Assets</u></p> <ul style="list-style-type: none"> <li>• The projected funding gap in relation to road infrastructure is beyond the financial capacity of the proposed new local government in the short term.</li> </ul> <p><u>Internal Capability</u></p> <p>Nil.</p> <p><u>Transitional Costs</u></p> <ul style="list-style-type: none"> <li>• There is a level of risk that all the transitional costs identified will not be funded under the Local Government Structural Reform Program.</li> </ul> <p><u>Rate Setting Statement</u></p> <p>Nil.</p>
---	--

### 14.3 DRIVERS OF STRUCTURAL REFORM

The following primary and secondary drivers were identified as being present in the amalgamation proposed for the SEARTG.

PRIMARY MOTIVATIONAL FACTORS	PRESENT	SECONDARY MOTIVATIONAL FACTORS	PRESENT
Economies of Scale	✓	Increased specialist professional expertise	✓
Greater financial strength and stability	✓	Reduced administrative costs	✓
Increased capacity to offer a wider range and higher quality of services.	✓	Lower costs of representation	✓
Efficiency gains	✓	Greater purchasing power	–
Reduce the cost of local government and stimulate growth in the private sector	✓	More efficient use of plant and equipment	✓
Equitable distribution of public goods	–	Logical jurisdictional boundaries	–

### 14.4 RECOMMENDATION TO SEARTG BOARD

The Regional Business Plan – Future State was prepared based on the following guiding principles-

1. There be four wards based on existing district boundaries.
2. The period for transitional councillor representation shall be up to two full electoral cycles (8 years).
3. Each ward shall have at least one service centre.
4. A commitment to review the performance of the new local government after an optimum period of time.
5. Progression of a preferred service subsidiary model under the *Local Government Act 1995*.

Key decision making principles agreed to by the SEARTG Board at its meeting on 13 July 2011 were-

1. Flexible, adaptable services open to change.
2. Minimal displacement of workforce.
3. Local staff to make local decisions.
4. Local community input and governance.
5. Local plans and priorities.

Based on the information contained in the Regional Business Plan, supplementary reports, the Findings listed in Section 14.1 and the Strengths and Weaknesses analysis detailed in Section 14.2, the following advantages and disadvantages will be realised from amalgamation-

### Advantages

1. New and improved service delivery as detailed in Service Delivery Plans.
2. Protection of local identity through the Place Management model, detailed in the Service Delivery Plans.
3. The retention and delivery of local services through Place Centres.
4. Estimated operational savings have been identified.
5. The incorporation of modern technology in the way the proposed new local government will conduct its functions.
6. Greater capacity to attract and retain more specialised staff.
7. The governance model provides for local communities to have input into what occurs in their area through the use of Place Plans and the establishment of Consultative Committees in each Place.
8. An opportunity to create a more efficient and effective local government.
9. Greater capacity to address infrastructure backlog and reduce the funding gap.
10. Increased internal organisational capability resulting from improved systems and procedures.

### Disadvantages

1. Reduction in capital road grant funding from Regional Road Group sources.
2. Financial Assistance Grants will decrease at the end of the 5 year preservation period.
3. Transitional costs associated with amalgamation may not be fully funded under the Local Government Structural Reform Program.
4. Potential loss of exempt status in relation to Housing Fringe Benefits.

Whilst it is understood that the amalgamation of the 4 local governments will have its challenges, the information in the Regional Business Plan supports the view that amalgamation will bring greater benefits to the residents of the proposed new local government.

### **RECOMMENDATION:**

It is recommended that the SEARTG Board-

1. Receive the Revised Regional Business Plan; and
2. Refer the Revised Regional Business Plan to the 4 RTG member local governments for consideration and determination on whether a formal amalgamation proposal to the Local Government Advisory Board should proceed.