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**ITEM 9.2.2
APPENDIX 1**

Inabam ✓

**The Hon Tony Simpson MLA
Minister for Local Government; Community Services;
Seniors and Volunteering; Youth**

Our Ref: 49-03088

Cr Matthew Reid
President
Shire of York
PO Box 22
YORK WA 6302

SHIRE OF YORK	
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22 JAN 2014 1137148 -	
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20 JAN 2014

Dear Cr Reid

LOCAL GOVERNMENT ADVISORY BOARD – INQUIRY INTO THE PROPOSAL TO AMALGAMATE THE SHIRES OF CUNDERDIN, QUAIRADING, TAMMIN AND YORK

The Local Government Advisory Board has completed its inquiry into the proposal to amalgamate the Shires of Cunderdin, Quairading, Tammin and York. The Board has recommended that the proposal be rejected in accordance with clause 6.1 of Schedule 2.1 of the *Local Government Act 1995*.

I have accepted the Board's recommendation and the amalgamation proposal will not proceed. A copy of the Board's Report is attached for your information.

I would like to acknowledge the efforts of the South East Avon Regional Transition Group (SEARTG), your Council and staff in developing the amalgamation proposal. I trust the experiences gained from the process will place all four local governments in a more favourable position to pursue reform in the future, and I encourage your Council to continue exploring resource sharing opportunities with your neighbouring local governments.

Yours sincerely

**HON TONY SIMPSON MLA
MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES;
SENIORS AND VOLUNTEERING; YOUTH**

cc Mr Ray Hooper, Chief Executive Officer, Shire of York

att



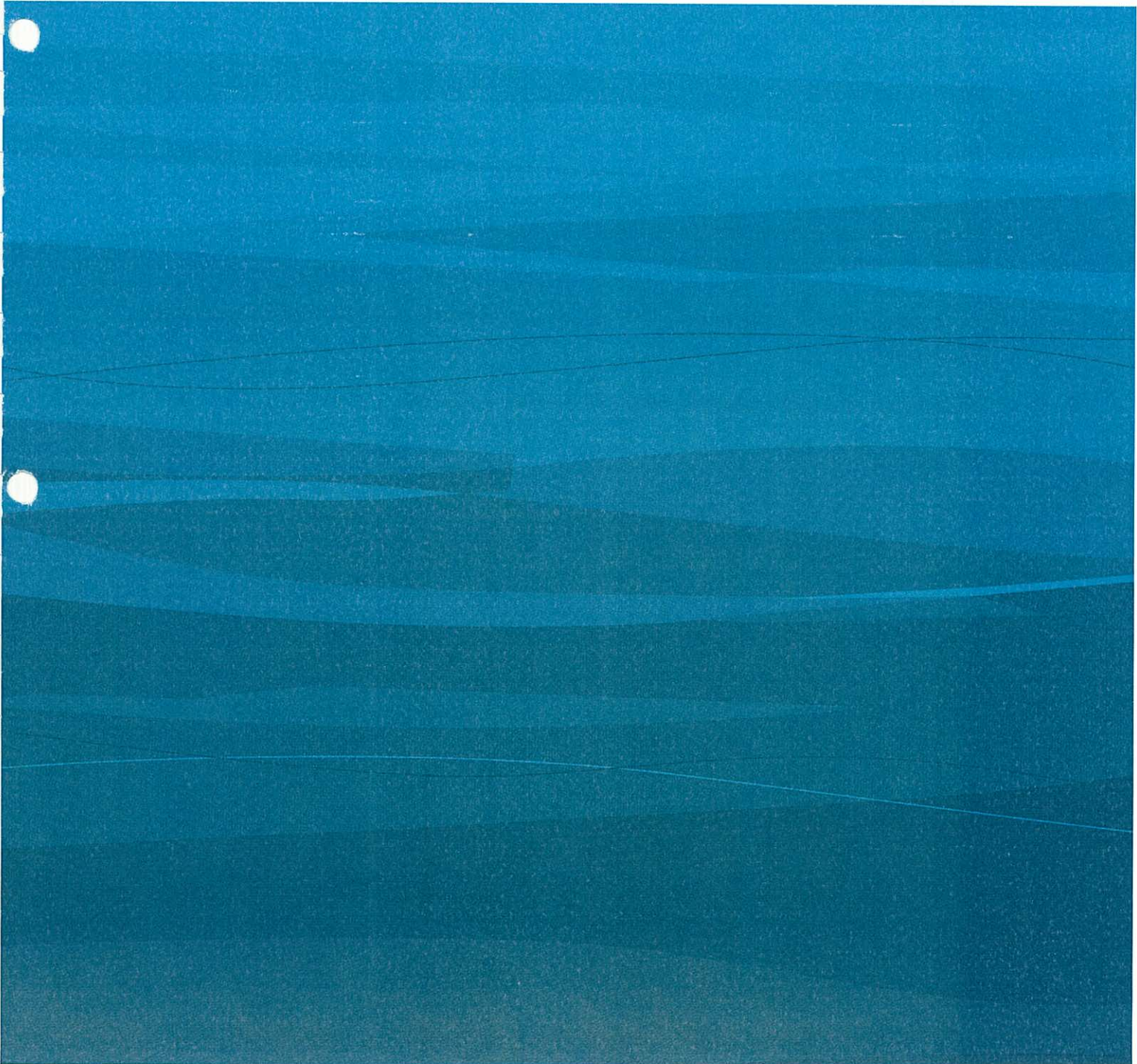


Government of **Western Australia**
Local Government Advisory Board

LOCAL GOVERNMENT ADVISORY BOARD

The Proposal to Amalgamate
the Shires of Cunderdin, Quairading, Tammin and York

July 2013



LOCAL GOVERNMENT ADVISORY BOARD

The Proposal to Amalgamate the Shires of Cunderdin, Quairading, Tammin and York

July 2013

Prepared by:

Local Government Advisory Board
Gordon Stephenson House
140 William Street
PERTH 6000

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The Proposal to Amalgamate the Shires of Cunderdin, Quairading, Tammin and York

This document has been prepared by the Local Government Advisory Board (the Board) and is intended as a guide to the range of issues to be considered as part of its inquiry into the above proposal.

The Board has received a joint proposal from the Shires of Cunderdin, Quairading, Tammin and York to amalgamate and form a new local government. A map illustrating the proposed boundary is included as an attachment to this paper.

The proposal was developed by the South East Avon Regional Transition Group (SEARTG) which was formed to investigate the potential benefits arising from amalgamation. The SEARTG comprises two elected members from each of the four member local governments. A comprehensive Regional Business Plan (RBP) was developed to inform members of the SEARTG whether a formal amalgamation proposal should proceed. Based on the information contained in the RBP the Councils of the respective local governments resolved to amalgamate and submit a proposal to the Board for consideration.

The RBP supports the view that the amalgamation will bring greater benefits to the residents of the proposed new local government, particularly new and improved service delivery.

The SEARTG has a dedicated website which contains substantial information about the proposed amalgamation, including a copy of the RBP and a facility for public comment and frequently asked questions about the proposed amalgamation. The web address is: www.securingourfuture.com.au

As part of the inquiry process the Board encourages members of the public (individuals and groups) to participate by attending public hearings. The dates and venues of the hearings are as follows:

Public Hearings:

Shire of Cunderdin	
Venue:	Cunderdin Golf Course, Watts St, Cunderdin
Date:	Tuesday, 23 July 2013
Time:	6.00 pm – 8.00pm

Shire of Quairading	
Venue:	Town Hall, Jennaberring Rd, Quairading
Date:	Wednesday, 24 July 2013
Time:	6.00 pm – 8.00pm

Shire of Tammin	
Venue:	Lesser Hall, Great Eastern Highway, Tammin
Date:	Monday, 22 July 2013
Time:	6.00 pm – 8.00pm

Shire of York	
Venue:	York Town Hall, 81 Avon Terrace, York
Date:	Thursday, 25 July 2013
Time:	6.00 pm – 8.00pm

Public hearings provide an opportunity for the public and other interested parties to express their views on the proposal and these will be treated by the Board as a formal submission. The hearings are not a forum for debate on the proposal.

The Board may also grant private hearings on request.

The Board welcomes community participation in its inquiry. A public submission form is included as an attachment to this paper. When completed it should be forwarded to the -

Local Government Advisory Board

GPO Box R1250, PERTH WA 6844

Fax: (08) 6552 1555

E-mail: advisory.board@dlg.wa.gov.au

Submissions will be received by the Board until 4pm on Thursday, 15 August 2013.

For further information on completing a submission or the inquiry process please contact:

Ross Earnshaw

Tel: (08) 6552 1510

ross.earnshaw@dlg.wa.gov.au

Emma Dickinson

Tel: (08) 6552 1447

emma.dickinson@dlg.wa.gov.au

Background Information

The Shires of Cunderdin, Quairading, Tammin and York submitted a joint proposal dated 22 January 2013 to the Board to amalgamate and establish a new local government from 1 July 2014.

The Board resolved on 4 April 2013 to conduct a formal inquiry into the proposal in accordance with the provisions of Schedule 2.1 of the *Local Government Act 1995* (the Act).

The Board is a statutory body established under section 2.44 of the Act and is responsible for making recommendations to the Minister for Local Government for changes to local government district boundaries and ward and representation structures.

Assessing the Proposal

Under the Act, the Board is required to take into account the following factors when assessing proposals for amalgamation and boundary changes:

- Community of interests
- Physical and topographic features
- Demographic trends
- Economic factors
- History of the area
- Transport and communication
- Matters affecting the viability of local governments, and
- The effective delivery of local government services.

The Board will consider these factors and any others it considers relevant to the inquiry including the name of the new local government, ward boundaries, names of wards, the number of elected members and the method of electing the Mayor or Shire President.

Guiding Principles

The following information is intended as a guide to the range of issues the Board will take into account in its assessment. However, public submissions need not be limited by these factors and can address any area of interest relevant to the inquiry.

Community of Interests

Community of interests includes parts of a district that share common interests, values, characteristics and issues giving rise to a separate sense of identity or community. Factors contributing to a sense of identity or community include shared interests and shared use of community facilities. For example, sporting, leisure and library facilities create a focus for the community.

The use of shopping areas and the location of schools also act to draw people together with similar interests. This can also give indications about the direction that people travel to access services and facilities. The external boundaries of a local government need to reflect distinct communities of interest wherever possible.

Neighbourhoods, suburbs and towns are important units in the physical, historical and social infrastructure and often generate a feeling of community and belonging. The Board believes that wherever possible, it is inappropriate to divide these units between local governments.

Physical and Topographic Features

Physical and topographic features may be natural or man-made and will vary from area to area. They may include:

- Water features (such as rivers)
- Catchment boundaries
- Coastal plains and foothills
- Parks and reserves, and
- Man-made features (such as railway lines or freeways).

These features can form identifiable boundaries and can also act as barriers to movement between adjoining areas. In many cases physical and topographical features are appropriate district and ward boundaries. The Board supports local government structures and boundaries that facilitate the integration of human activity and land use.

Demographic Trends

Local governments should consider the following characteristics when determining the demographics within its locality:

- Population size
- Population trends
- Distribution by age
- Gender, and
- Occupation.

Current and projected population factors will be relevant as well as similarities and differences between areas within the local government.

Economic Factors

Economic factors can include any factor that reflects the character of economic activities and resources in the area including:

- Industries within the local area
- Distribution of community assets, and
- Infrastructure.

History of the Area

The history of the area can be a relevant consideration, although the Board believes that in a majority of cases this will not be a primary justification for changing or retaining local governments and local government boundaries. The nature of historical ties between the communities is important to understand, irrespective of where the local government boundaries lie.

A community within a local government may have a strong historical identity; alternatively there may be a strong historical links between two or more communities in adjacent local governments. It is important to note that historical identity is not necessarily lessened if an area does not have its own local government.

Transport and Communication

The transport and communications linkages between towns and other areas may be a significant barrier to movement and therefore an appropriate boundary between local governments.

Consideration of the following factors is important in any assessment of local government boundaries:

- Port access
- Neighbouring towns

- Railways, and
- Major roads.

Matters Affecting the Viability of Local Governments

Local governments should have a significant resource base:

- To be able to efficiently and effectively exercise their proper functions and delegated powers and operate facilities and services
- To be flexible and responsive in the exercise of their functions and powers and operation of their facilities and services
- To employ appropriate professional expertise and skills, and
- To be capable of embracing micro-economic reform.

Each local government should have a diverse and sufficient rate base to ensure that general purpose grants do not represent the major revenue source.

Effective Delivery of Local Government Services

A broad range of factors can be relevant to the effective delivery of local government services and these are often directly relevant to those that also affect the viability of local governments. These include:

- The size and geographical spread of the population
- Management effectiveness and efficiency
- The availability of staff expertise, and
- Appropriate infrastructure and equipment.

Final Decision

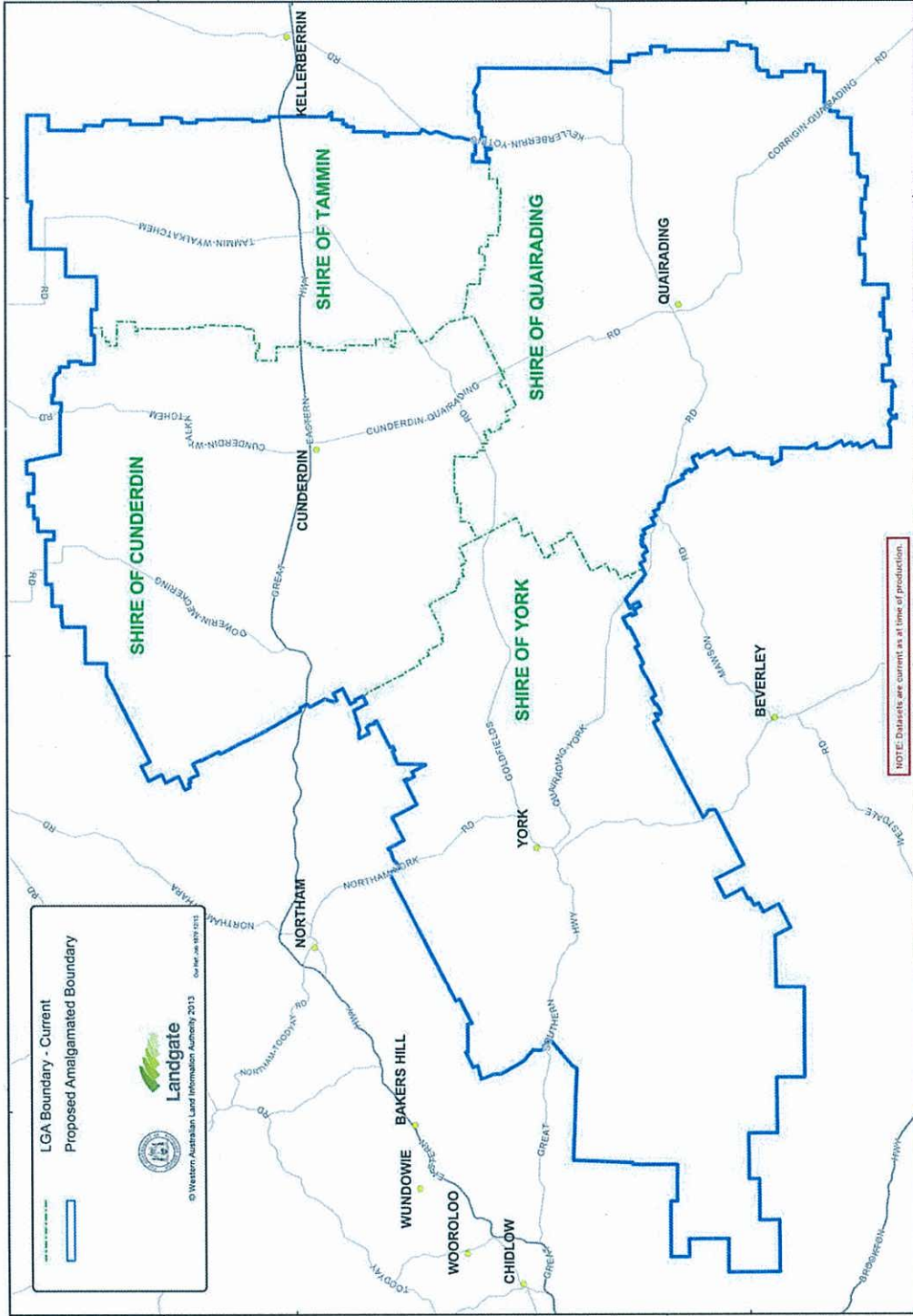
On completion of its inquiry the Board will submit its inquiry report with recommendations to the Minister for Local Government for consideration.

Should the Board recommend in favour of the proposal, the Minister can either reject or accept the recommendation subject to the Board notifying electors of the affected local governments of their right to petition the Minister for a poll on the recommendation.

If a poll returns a majority “no vote” the result is binding on the Minister and the amalgamation will not proceed.

If a poll is not requested, invalid or returns a majority “yes vote”, the Minister can either accept or reject the Board’s recommendation in favour of the amalgamation.

Attachment One: Map of the Proposal



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Public Submission Form

I/We

(Name)

Of

(Address)

Proposal to Amalgamate the Shires of Cunderdin, Quairading, Tammin and York

Do you agree with the proposal? (Please circle response) Yes No

Please provide reasons for your answer:

* Please attach further documentation if required.

Any other comments:

Do you wish this information to remain private and confidential: Yes No

Signed: _____ Date: _____

Please return submissions by 4pm on Thursday, 15 August 2013 to:

Local Government Advisory Board, GPO Box R1250, PERTH WA 6844

Fax: 6552 1555 Email: advisory.board@dlg.wa.gov.au

Appendix 2: Notice of Inquiry



Notice of Formal Inquiry into the Proposal to Amalgamate the Shires of Cunderdin, Quairading, Tammin and York

The Local Government Advisory Board (the Board) has received a proposal from the Shires of Cunderdin, Quairading, Tammin and York to amalgamate and form a new local government. The Board has resolved to conduct a formal inquiry into the proposal. The Board is a statutory body established under section 2.44 of the *Local Government Act 1995* (the Act) and is responsible for inquiring into proposals for amalgamations and boundary amendments in accordance with the provisions of Schedule 2.1 of the Act.

In undertaking a formal inquiry into this proposal, the Board will take into consideration the following factors when making its assessment of the proposal: Communities of interest; physical and topographic features; demographic trends; economic factors; the history of the area; transport and communication; matters affecting the viability of local governments; effective delivery of local government services and any other matter considered relevant to the inquiry.

Public Hearings

The Board invites public participation in this inquiry and has developed an information paper to assist interested parties in understanding the inquiry process and how to prepare submissions on the proposal. The Board will be conducting public hearings on the dates, times and venues listed below:

Shire of Tammin

Monday 22 July 2013, 6.00pm – 8.00pm
Lesser Hall, Great Eastern Highway,
Tammin

Shire of Cunderdin

Tuesday 23 July 2013, 6.00pm – 8.00pm
Cunderdin Golf Course, Watts Street,
Cunderdin

Shire of Quairading

Wednesday 24 July 2013, 6.00pm – 8.00pm
Town Hall, Jennaberring Road, Quairading

Shire of York

Thursday 25 July 2013, 6.00pm – 8.00pm
York Town Hall, 81 Avon Terrace, York

The Board may also grant private hearings on request. The public hearings provide an opportunity for the public and other interested parties to express their views on the proposal. The hearings are not a forum for debate on the proposal.

For More Information, Submission Forms and Closing Date

For more information on public or private hearings, making a written submission or to request an information paper, please contact:

Ross Earnshaw on (08) 65521510 and ross.earnshaw@dlg.wa.gov.au or Emma Dickinson on (08) 65521447 and emma.dickinson@dlg.wa.gov.au

Alternatively, you can contact the Department of Local Government and Communities on Freecall 1800 620 511.

The information paper and public submission forms are available on the Board's website at: www.dlg.wa.gov.au/AdvisoryBoard

Written and email submissions must be forwarded to the Local Government Advisory Board: GPO Box R1250, PERTH WA 6844 Fax: (08) 65521555 or Email: advisory.board@dlg.wa.gov.au

The **closing date** and time for receipt of submissions is 4.00pm on Thursday, 15 August 2013.

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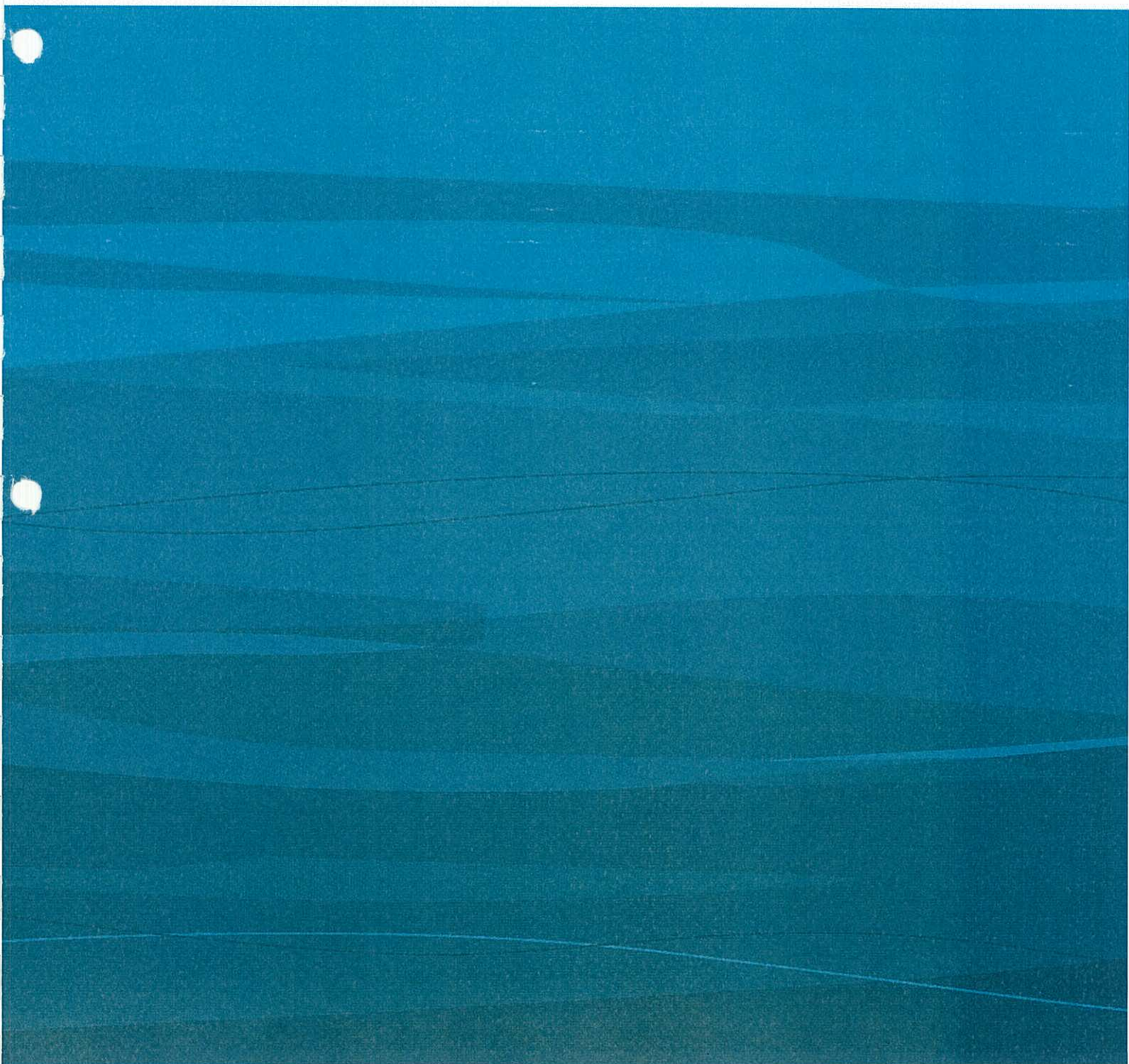


Government of **Western Australia**
Local Government Advisory Board

Local Government Advisory Board

**Assessment of the Proposal
to Amalgamate the Shires
of Cunderdin, Quairading, Tammin and York**

January 2014



Local Government Advisory Board

Assessment of the Proposal to Amalgamate the Shires of Cunderdin, Quairading, Tammin and York

January 2014

Prepared by:

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1. Introduction

The South East Avon Regional Transition Group (SEARTG) was established in September 2010 under a formal agreement to explore the possibility of amalgamation between the Shires of Cunderdin, Beverley, Quairading, Tammin and York. The Shire of Beverley withdrew from the SEARTG in August 2012 leaving the four remaining local governments to pursue amalgamation.

The Board acknowledges the effort and commitment of the SEARTG in developing the amalgamation proposal submitted to the Local Government Advisory Board (the Board) on 22 January 2013.

1.1 The Proposal

Clause 2(b) of Schedule 2.1 of the *Local Government Act 1995* (the Act) allows local governments to submit proposals for amalgamations and boundary amendments to the Board.

Clause 2(2) of Schedule 2.1 requires that a proposal:

- (a) *set out clearly the nature of the proposal, the reasons for making the proposal and the effects of the proposal on local governments;*
- (b) *be accompanied by a plan illustrating any proposed changes to the boundaries of a district; and*
- (c) *comply with any regulations about proposals.*

The proposal was assessed as compliant with the provisions of clause 2(2) of Schedule 2.1 of the Act. The Regional Business Plan (RBP) prepared by Dominic Carbone and Associates sets out the nature of the proposal and the effects on the local governments which include:

- Improved efficiencies through greater economies of scale;
- Greater financial strength and stability;
- Increased capacity to provide a higher standard and more varied range of services;
- Reduce the cost of local government and stimulate growth in the private sector;
- More equitable distribution of public goods;
- Increased professional expertise within the local government;
- Lower representation costs;

- More efficient use of plant and equipment; and
- Logical jurisdictional boundaries.

The Board met on 4 April 2013 to consider the proposal and resolved to conduct a formal inquiry in accordance with clause 3(4) of Schedule 2.1 of the *Local Government Act 1995* (the Act).

1.2 Key Statistical and Demographic Data

The following information has been extracted from the ABS QuickStats 2011 Census data for the existing local governments.

Table 1

Statistic	Local Government			
	Cunderdin	Quairading	Tammin	York
Population	1310	1043	404	3396
Male	696	505	232	1696
Female	614	538	172	1700
Median Age	38	48	41	47
Families	342	296	106	969
Average children per family	1.9	2.2	1.7	1.9
All Private Dwellings	628	557	194	1789
Average people per household	2.4	2.3	2.5	2.4
Median weekly household income	\$947	\$850	\$957	\$908
Median monthly mortgage repayments	\$997	\$738	\$272	\$1404
Median weekly rent	\$114	\$75	\$50	\$200
Forecast population 2021	750	1100	320	4900
Number of Electors	895	800	244	2455
Area	1872 km2	2040km2	1087km2	2010km2
Employees	30	26	16	42

Table 2

Statistic	Proposed New Local Government
Population	6153
Male	3129
Female	3024
Median Age	43
Families	1713
Average children per family	1.9
All Private Dwellings	3160
Average people per household	2.4
Median weekly household income	\$915
Median monthly mortgage repayments	\$852
Median weekly rent	\$110
Forecast population 2021	7070
Number of Electors	4394
Area	7009km²
Employees	117*

* This number of employees reflects the new organisation structure contained in the RBP.

2. Local Government Advisory Board

2.1 Role and Function

The Local Government Advisory Board is a statutory body established under the *Local Government Act 1995* (the Act) to provide advice to the Minister for Local Government (the Minister) on local government constitutional matters. The Board's major function is to assess proposals to change local government boundaries and their systems of representation and then make recommendations to the Minister.

Clause 12 of Schedule 2.5 of the Act sets out the Board's powers of inquiry and they are as follows:

Powers of Inquiry

- (1) *For the purposes of carrying out an inquiry under this Act, the Advisory Board may –*
 - (a) *by summons signed on behalf of the Advisory Board by its executive officer, require –*
 - (i) *the attendance before the Advisory Board of any person;*
 - (ii) *the production before the Advisory Board of any document;*
 - (b) *inspect any document produced before it, and retain it for such reasonable period as it thinks fit, and make copies of the document or any of its contents;*
 - (c) *require any person to swear to truly answer all questions relating to a matter being inquired into by the Advisory Board that are put by or before the Advisory Board (and for that purpose a member of the Advisory Board or its executive officer may administer any oath or affirmation);*
 - (d) *require any person appearing before the Advisory Board to answer any relevant question.*
- (2) *A person is not excused from complying with a requirement under subclause (1) on the ground that the answer to a question or the production of a document might be incriminating or render the person liable to a penalty, but an answer given by a person that was required under subclause (1) to be given is not admissible in evidence against the person in any civil or criminal proceedings other than proceedings for perjury or for an offence against this Act arising out of the false or misleading nature of the answer.*

2.2 Membership of the Board

Clause 2 of Schedule 2.5 of the Act makes provision for the membership of the Board and reads as follows:

Membership of Advisory Board

The Advisory Board consists of 5 members appointed by the Governor of whom -

- (a) one person is nominated by the Minister;*
- (b) 2 persons are to be persons having experience as a member of a council appointed from a list submitted to the Minister by WALGA under clause 4(1);*
- (c) one person is to be a person having experience as the chief executive officer of a local government appointed from a list submitted to the Minister by the Local Government Managers Australia WA Division under clause 4(2); and*
- (d) one person is to be an officer of the Department nominated by the Minister.*

The current membership of the Board is included in the table below:

Table 3

Board Members	
Chair	Cr Melvyn Congerton JP
WALGA Nominees	Cr Helen Dullard AM Mayor Ron Yuryevich AM RFD Cr Richard Smith (Deputy) Cr Karen Chappel (Deputy)
LGMA Nominees	Dr Shayne Silcox Mr Mark Chester (Deputy)
Department of Local Government	Ms Mary Adam Mr Tim Fowler (Deputy)

3. Conducting the Inquiry

A proposal for amending local government district boundaries may be made by electors, local governments or the Minister.

Clause 2(2) of Schedule 2.1 of the Act sets out the requirements for proposals for amalgamations and boundary amendments and reads as follows:

Making a proposal

- (1) *A proposal may be made to the Advisory Board by —*
 - (a) *the Minister;*
 - (b) *an affected local government;*
 - (c) *2 or more affected local governments, jointly; or*
 - (d) *affected electors who —*
 - (i) *are at least 250 in number; or*
 - (ii) *are at least 10% of the total number of affected electors.*
- (2) *A proposal is to —*
 - (a) *set out clearly the nature of the proposal, the reasons for making the proposal and the effects of the proposal on local governments;*
 - (b) *be accompanied by a plan illustrating any proposed changes to the boundaries of a district; and*
 - (c) *comply with any regulations about proposals.*

Provisions for dealing with proposals are set out in clause 3 of Schedule 2.1 of the Act and reads as follows:

Dealing with proposals

- (1) *The Advisory Board is to consider any proposal.*
- (2) *The Advisory Board may, in a written report to the Minister, recommend* that the Minister reject a proposal if, in the Board's opinion —*
 - (a) *the proposal is substantially similar in effect to a proposal on which the Board has made a recommendation to the Minister within the period of 2 years immediately before the proposal is made;*
 - (aa) *where the proposal was made by affected electors under clause 2(1)(d), that the majority of those electors no longer support the proposal; or*
 - (b) *the proposal is frivolous or otherwise not in the interests of good government.*

** Absolute majority required.*

- (3) *If, in the Advisory Board's opinion, the proposal is —*
- (a) *one of a minor nature; and*
 - (b) *not one about which public submissions need be invited, the Board may, in a written report to the Minister, recommend* that the Minister reject the proposal or that an order be made in accordance with the proposal.*
- * Absolute majority required.*
- (4) *Unless it makes a recommendation under subclause (2) or (3), the Advisory Board is to formally inquire into the proposal.*

The Board met on 4 April 2013 and resolved to conduct a formal inquiry into the proposal. All four local governments were informed of the Board's decision in a letter dated 5 April 2013.

As part of conducting a formal inquiry the Board is required to give notice to affected electors and affected local governments about the inquiry.

Clause 4 of Schedule 2.1 of the Act contains provisions relating to a Notice of Inquiry and reads as follows:

Notice of inquiry

- (1) *Where a formal inquiry is required the Advisory Board is to give —*
- (a) *notice to affected local governments, affected electors and the other electors of districts directly affected by the proposal; and*
 - (b) *a report to the Minister.*
- (2) *The notice and report under subclause (1) are to —*
- (a) *advise that there will be a formal inquiry into the proposal;*
 - (b) *set out details of the inquiry and its proposed scope; and*
 - (c) *advise that submissions may be made to the Board not later than 6 weeks after the date the notice is first given about —*
- the proposal; or*
 - (i) *the scope of the inquiry.*
- (3) *If, after considering submissions made under subclause (2)(c), the Advisory Board decides* that the scope of the formal inquiry is to be significantly different from that set out in the notice and report under subclause (1), it is to give —*
- (a) *another notice to affected local governments, affected electors and the other electors of districts directly affected by the proposal; and*
 - (b) *another report to the Minister.*
- (4) *The notice and report under subclause (3) are to —*
- (a) *set out the revised scope of the inquiry; and*

- (b) *advise that further submissions about the proposal, or submissions about matters relevant to the revised scope of the inquiry, may be made to the Board within the time set out in the notice.*

** Absolute majority required.*

The Notice of Inquiry appeared in *The West Australian* on 3 July and 10 July 2013; the Avon Valley Advocate on 3 July and 7 July 2013; the Merredin Wheatbelt Mercury on 3 July and 7 July 2013; York and District Community Matters on 3 July 2013; Banksia Bulletin on 5 July 2013 and the Bandicoot Express on 5 July 2013.

A copy of the Notice is included at Appendix 2.

The six week public submission period closed at 4.00pm on 15 August 2013. The Board met with all four Councils individually between 22 and 25 July 2013 to discuss issues and concerns relating to the inquiry process and the amalgamation proposal.

In carrying out a formal inquiry the Board is required to consider submissions made to it under clause 4(2)(c) of Schedule 2.1 of the Act and have regard, where applicable, to:

- Community of interests
- Physical and topographic features
- Demographic trends
- Economic factors
- The history of the area
- Transport and communication
- Matters affecting the viability of local governments, and
- The effective delivery of local government services.

The Board may also take into account any other matter it considers relevant as part of its inquiry.

The Board has developed the following guiding principles for each of the above factors:

3.1 Community of Interests

Community of interests refers to parts of a district that share common interests, values, characteristics and issues giving rise to a separate sense of identity or community. Factors contributing to a sense of identity or community include shared interests and shared use of community facilities. For example sporting, leisure, religious and library facilities create a focus for the community.

The use of shopping areas and the location of schools also act to draw people together with similar interests. This can also give indications about the direction that people travel to access services and facilities. The external boundaries of a local government need to reflect distinct communities of interest wherever possible.

Neighbourhoods, suburbs and towns are important units in the physical, historical and social infrastructure and often generate a feeling of community and belonging. The Board believes that wherever possible, it is inappropriate to divide these units between local governments.

3.2 Physical and Topographic Features

Physical and topographic features may be natural or manmade and will vary from area to area. They may include:

- Water features (such as rivers)
- Catchment boundaries
- Coastal plains and foothills
- Parks and reserves, and
- Manmade features (such as railway lines or freeways).

These features can form identifiable boundaries and can also act as barriers to movement between adjoining areas. In many cases physical and topographic features are appropriate district and ward boundaries. The Board supports local government structures and boundaries that facilitate the integration of human activity and land use.

3.3 Demographic Trends

Local governments should consider the following characteristics when determining the demographics within its locality:

- Population size
- Population trends
- Distribution by age
- Gender, and
- Occupation.

Current and projected population factors will be relevant as well as similarities and differences between areas within the local government.

3.4 Economic Factors

Economic factors can include any factor that reflects the character of economic activities and resources in the area including:

- Industries within the local area
- Distribution of community assets, and
- Infrastructure.

3.5 History of the Area

The history of an area can be a relevant consideration, although the Board believes that in the majority of cases this will not be a primary justification for changing or retaining local governments and local government boundaries. The nature of historical ties between communities is important to understand, irrespective of where the local government boundaries lie.

A community within a local government may have a strong historical identity; alternatively there may be strong historical links between two or more communities in adjacent local governments. It is important to note that historical identity is not lessened if an area does not have its own local government.

3.6 Transport and Communication

The transport and communication linkages between towns and other areas may be a significant barrier to movement and therefore an appropriate boundary between local governments.

Consideration of the following factors is important in any assessment of local government boundaries:

- Port access
- Neighbouring towns
- Railways, and
- Major roads.

3.7 Matters Affecting the Viability of Local Governments

Local governments should have a significant resource base:

- To be able to efficiently and effectively exercise its proper functions and delegated powers and operate facilities and services

- To be flexible and responsive in the exercise of its functions and powers and operation of its facilities and services
- To employ appropriate professional expertise and skills, and
- To be capable of embracing micro-economic reform.

Each local government should have a diverse and sufficient rate base to ensure that general purpose grants do not represent the major revenue source.

3.8 The Effective Delivery of Local Government Services

A broad range of factors can be relevant to the effective delivery of local government services and these are often directly relevant to those that also affect the viability of local governments. They include:

- The size and geographical spread of the population
- Management effectiveness and efficiency
- The availability of staff expertise
- Appropriate infrastructure and equipment, and
- Customer satisfaction and feedback.

4. Consultation

4.1 Meetings with Affected Local Governments

As part of the Board's inquiry, meetings were convened with the affected local governments to discuss any issues or concerns about the inquiry process and the proposal. The CEO's of the four local governments were also present at the meetings. The meetings were held during the period 22 July to 25 July 2013 and provided the Board with a greater insight into the operations and circumstances of each local government and how these impact on the proposal.

Meeting with the Shire of Cunderdin

The meeting with the Shire of Cunderdin was held at the Shire offices on 23 July 2013.

The Council drew the Board's attention to its recent trip to South Australia, to gain an insight into their local government reform experiences. The Council's view is that significant changes are needed in WA as many local governments are not viable long term and this proposal provides a way forward for the four local governments.

The Board was advised that other local governments were approached to consider amalgamation but were not interested in entering into a Regional Transition Group (RTG).

The Council were supportive of the Regional Business Plan (RBP) but did comment that some decisions about the proposed new entity's structure should have been left to the new Council.

The Council advised that the Shire has limited capacity to raise rates and has been proactive in looking at reform options which includes amalgamation with neighbouring Shires to achieve sustainability.

The Council said that if the proposed amalgamation did not go ahead, the RBP provides a framework for any future amalgamation planning. It is also of the view that an amalgamation which might exclude the Shire of York would not succeed due to economies of scale.

The Council indicated that any future ward and representation options for the new entity would need to be explained to residents. Many Cunderdin residents believe that after the initial eight year period the new district will abolish wards and the

majority of councillors will be based in York. If this were to occur the belief is that the towns of Cunderdin, Quairading and Tammin would be afforded less of a priority.

The Board explained that under the Local Government Act 1995 (the Act) every local government with wards is required to undertake a review of its ward and representation structure every eight years, which includes a six week community consultation period.

It was further explained that the new entity's Council would be required to make a recommendation to the Board after a review and the Board would consider this before making any recommendation to the Minister.

The Council advised that while the RBP provides a lot of useful information about the amalgamation proposal there needs to be more information provided to the community.

The Council is of the view that regardless of the outcome of the Board's inquiry, all four Shires should consider sharing human resource and information technology resources in the future to reduce costs.

The Council asked if it was possible to have five Commissioners made up of each of the former Shire Presidents and an independent Chair. The Board advised that it was possible, however the appointment of Commissioners is a matter for the Minister.

The Board sought comment on how the Shire's employees were dealing with the proposal. The Council advised that staff had been informed on a regular basis how the proposal was proceeding and they understood that their jobs were secure in the short term.

The Council asked the Board if the amalgamated entity would they be in a better position to attract grants. The Board advised that there are many different grant programs and all have different criteria but population can be a major determinant in assessing eligibility for some grants.

The Council raised the issue of Financial Assistance Grants (FAGS) and the forecast reduction after the five year grant maintenance period. The Board explained that after five years the WA Grants Commission could review the new entity's grant reduction and make a determination to phase in the reduction. It was also explained that the FAGS pool generally increases by 5 -7% each year so it was possible that this would offset some of the projected reduction in the FAGS for the new entity.

Meeting with the Shire of Quairading

The meeting with the Shire of Quairading was held at the Shire offices on 24 July 2013.

The Council opened the discussion by addressing community concerns about consultation on the proposal. The Council said it had undertaken a comprehensive community consultation process to explain the proposal. This included regular updates in the local newsletter, the Banksia Bulletin and on the Securing Our Future website. It was also pointed out that a substantial amount of documentation relating to the proposal was publically available and the view that there was a lack of public consultation was unfounded.

The Council advised that all publications about the proposal included contact numbers for residents who had issues or concerns, however there had been very few enquiries. Public meetings about the proposal were held in February and April 2013 had attracted 100 and 180 people respectively.

The Council asked if Cunderdin, Quairading and Tammin's residents' expressed significant dissatisfaction with the proposal due to York's involvement would the Board consider recommending an amalgamation between Cunderdin, Quairading and Tammin. The Board advised that it had to deal with the current proposal however it could make a recommendation to the Minister that was different to the proposal but this would require the publication of a notice about the recommendation and a further community consultation period.

The Council asked whether it would be possible for the community to submit a proposal if the current proposal was recommended and defeated at a poll. The Board advised that this was possible.

The Council sought clarification about the possibility of the new entity abolishing wards eight years after its establishment. The Board explained that under the Local Government Act 1995 (the Act) every local government with wards is required to undertake a review of its ward and representation structure every eight years, which involves a six week community consultation period. It was further explained that the Council will be required to make a recommendation to the Board after the review. This would then be considered by the Board and a recommendation made to the Minister.

The Council advised that it had explained to residents that any cost savings would be allocated to asset management and services. A number of residents have expressed

concern that their rates may rise given the situation that occurred following the establishment of the City of Greater Geraldton.

The Board asked whether there were any concerns expressed by the Shire's staff regarding the amalgamation. The Council advised that staff had been consulted about the merger and they understood their employment situation if the amalgamation proceeded.

The Board advised that the issue of York allegedly handing over control of its bush fire brigades had been raised with the Board. The Board understands that overtures from the Department of Fire and Emergency Services (DFES) were only exploratory. The Council said that the issue surrounding the fire brigades had been exaggerated and that they were not under threat in the current climate.

The Board advised that residents had raised concerns about Quairading's reserve funds being spent in York should the amalgamation proceed. The Board had explained to the residents that reserve funds are subject to a statutory process which requires public consultation if the funds are to be used for alternate purposes.

The Council raised the issue of Financial Assistance Grants (FAGS) and the forecast reduction after the five year grant maintenance period. The Board explained that after five years the WA Grants Commission could review the new entity's grant reduction and make a determination to phase in the reduction. It was also explained that the FAGS pool generally increases by 5 -7% each year so it was possible that this would offset some of the projected reduction in the FAGS for the new entity.

The Council alerted the Board to the possibility that it would receive a poll request before it had even made a recommendation on the proposal to the Minister. The Board explained that any poll request must be sent to the Minister but was only relevant if the Board recommends to the Minister that the amalgamation proceed and the Minister contemplates accepting that recommendation.

Meeting with the Shire of Tammin

The meeting with the Shire of Tammin was held at the Shire offices on 22 July 2013. The Council advised that it had received a lot of questions from the community regarding the proposed amalgamation.

The Board asked whether in the Council's opinion there had been adequate public consultation. The Council advised that in its view the level of consultation had been adequate however it accepted that this was not the view of some residents who continue to express concern about this issue.

The Council advised the Board that asset maintenance remains a constant challenge. Adding to this is the demand to maintain service delivery levels which puts added pressure on the Council to raise rates.

The Council is firmly of the view that if the current amalgamation proposal does not proceed it will have to consider further resource sharing with other Shires.

The Council is concerned that it is unable to give residents any guarantees on the future sustainability of the Shire.

The Board asked whether the Shire had spoken to staff about the proposal. The Council advised that staff have been consulted about the proposal and understand their employment situation.

The Council accepts that local government reform is necessary and sees amalgamation for many small regional local governments as inevitable.

The Board asked whether the proposed representation structure sits comfortably with the Council and they advised that they were satisfied.

The Council advised that they are happy with the Shire's position in regard to debt, however they have reservations about the level of debt in some of the other three Shires.

The Council advised that it is aware of public concern surrounding the operations of the Shire of York. The public perception is that the new entity could inherit some of the governance issues which have been problematic in York.

The Council raised the issue of Financial Assistance Grants (FAGS) and the forecast reduction after the five year grant maintenance period. The Board explained that after five years the WA Grants Commission could review the new entity's grant reduction and make a determination to phase in the reduction. It was also explained that the FAGS pool generally increases by 5 -7% each year so it was possible that this would offset some of the projected reduction in the FAGS for the new entity.

Meeting with the Shire of York

The meeting with the Shire of York was held at the Shire offices on 25 July 2013.

The Council said the biggest problem it faced was the perception by the residents of Cunderdin, Tammin and Quairading that a merger with York would result in a loss or diminution of their community identity. The Board said that this was a normal community reaction and it had explained at the previous three public hearings that community identity wouldn't be affected by the amalgamation. All four towns would

continue on as they always have and while there might be some changes to the way local government services are delivered it was unlikely that the social and commercial circumstances of the towns would be adversely impacted.

For the Board's benefit the Council provided some background on how the four Shires decided to go down the path of a Regional Transition Group (RTG) after working collaboratively over a number of years in the South East Avon Voluntary Regional Organisation of Councils (SEAVROC).

The Council advised that the RBP had been developed after a number of years of hard work by the RTG and the place management model proposed in the RBP has yet to be implemented anywhere in WA. The Council believes it is possible that the place management model may produce greater cost savings than those currently identified in the RBP. The Council advised that a presentation on the place management model had been provided to residents but the feeling was that they found it difficult to understand.

The Council acknowledged that it should have done more from a consultation perspective to provide better information to the community about the proposal.

The Board advised that during its visit it had observed that communications between the Council and residents demonstrated a lack of willingness by some residents to communicate their concerns about the proposal to elected members.

The Board sought clarification from the Council regarding the proposed rotation of council meetings outlined in the RBP. The Council advised that this would not present a problem as it currently rotates its monthly meetings between York, Talbot and Greenhills and also uses video conferencing so that residents in its other localities can participate in public question time.

The Council said that a number of residents were opposed to the merger believing that a population of at least 20,000 was required if the new local government was to receive more favourable consideration for grant funding. The Board advised that there are many different grant programs and all have different criteria, but it was acknowledged that population can influence eligibility for some grants.

The Board advised that it had received questions about ward and representation structures during its visits and had explained that the new local government will be required to conduct a review of its wards and representation after the eight year transition period.

The Council sought clarification from the Board about the inquiry process after the public submission period ended and specifically when the Minister would act on the Board's final report and recommendations. The Board indicated that the report should be finished before the end of the year. It was explained that there is no legislative timeframe that the Minister must follow after receiving the Board's final report and recommendations, however he must make a decision in a reasonable amount of time.

The Council inquired as to whether the Minister could change the Board's recommendations. The Board advised that the Minister cannot change a recommendation made by the Board.

4.2 Public Hearings

The Board decided to conduct public hearings in accordance with clause 5(1) of Schedule 2.1 of the Act.

The Act requires that any hearing for the purpose of an inquiry is to be conducted in a way that makes it as easy as possible for interested parties to participate fully in the process. The public hearings provide an opportunity for any interested party to express their views and ask questions about the proposal.

The venues and times for the public hearings were organised to ensure that affected residents and other interested parties were able to attend a hearing within close proximity to their place of residence. The hearings were held in the evening to ensure maximum participation and minimal conflict with people's work commitments.

The issues raised at the public hearings were treated as submissions and the issues raised are included in section 4.4 (Analysis of Public Submissions).

The venues, dates and attendance numbers for the hearings are detailed in the following table:

Table 4

Public Hearings		
Location	Date	Attendance
Shire of Tammin	22 July 2013	57
Shire of Cunderdin	23 July 2013	49
Shire of Quairading	24 July 2013	93
Shire of York	25 July 2013	110

4.3 Private Hearings

The Board granted private hearings to four groups during its stay in the South East Avon from 22 July to 25 July. The following is a summary of the issues raised during the hearings:

Hearing 1

The issues raised were as follows:

- The RBP does not explain what will happen to cash reserves.
- York has a much larger debt liability than the other three local governments and this will work to the detriment of these local governments.
- The RBP should be audited by the Department of Local Government and Communities as part of the current inquiry process.
- The amalgamation proposal should exclude York and be replaced with a local government based on broad acre farming.
- The public will lose their existing relationships with local councillors and CEOs under the proposed new entity.
- Due to the socio-economic circumstances in Quairading it would be harder for the new entity to repay debt.
- If the amalgamation does go ahead the Quairading community fear that they will lose their doctor.

Hearing 2

The issues raised were as follows:

- Research indicates that local government amalgamations do not appear to achieve economies of scale.
- There was not enough community consultation prior to the Shire Councils voting to submit the proposal to the Board.
- There is concern that the ward and representation structure for the new entity will be abolished after eight years.
- It was suggested that the State Government need to have a detailed review of regional local governments similar to the recent review of metropolitan local governments.
- There is a belief that the place management model will eventually disappear with all services being provided out of York.
- There is concern about the future of Quairading's medical and old age facilities under a new entity.

- There was doubt expressed about the actual remuneration and transition costs.
- Clarification was sought on the poll provisions and whether they would apply to the current proposal.

Hearing 3

The issues raised were as follows:

- Concerns were expressed in relation to the future of the Quairading Volunteer Fire Brigade based on the belief that the Department of Fire and Emergency Services (DFES) may change current arrangements. Of the four local governments only York supported a takeover of their brigade by DFES.
- Concern was also raised about all fire fighting equipment being located in York which would make fire fighting in outlying areas more difficult.
- Reserve funds held by the Shire of Quairading will not be spent in accordance with their current purpose.

Hearing 4

The issues raised were as follows:

- The proposed organisation structure will have an adverse impact on service delivery, especially roads.
- Resource sharing has proven benefits in the region and there doesn't appear to be any reason why this shouldn't continue.
- There is a strong view in the community that the push for amalgamation is coming from Government rather than the community.
- There is confusion in the community about the ward structure and whether it will continue after the eight year period.
- There has been insufficient community consultation about the proposal.
- The Shires of Cunderdin and Tammin would better placed amalgamating with eastern wheatbelt communities.
- There is a strong feeling that history will be lost.
- Representation levels are unacceptable.
- A larger local government will not guarantee better performances and better services.
- The RBP hasn't adequately identified any advantages in amalgamating the four local governments.

4.4 Analysis of Public Submissions

The submission period concluded at 4.00pm on the 15 August 2013.

The Board received 195 submissions in total. Of these, 21 supported the proposal, 161 opposed the proposal and 13 were undecided.

The following table provides a breakdown of the submissions forwarded to the Board.

Table 5

Submissions				
Source	Support	Oppose	Undecided	Total
Quairading	10	102	2	114
York	3	18	3	24
Cunderdin	5	7	7	16
Tammin	3	34	1	39
Other				2
Total	21	161	13	195

Opposition to the proposal was predicated on the following views:

- The Shire of York is different to the other three Shires.
- There is no benefit to Quairading in a merger.
- The proposed corporate structure for the new entity has an unnecessary increase in bureaucracy.
- Quairading will suffer a reduction in local government services.
- Amalgamation will result in an increase in costs.
- There is no community of interest between the four Shires.
- The proposed representation structure is undemocratic.
- Quairading will lose its bank, doctor, jobs and shops.
- The proposed uniform rating after five years disadvantages York.
- A loss of identity for all the communities.
- Process change rather than structural change would be a more effective model.
- A larger bureaucracy will lose flexibility and this will have a negative impact on services.
- A merger would see Tammin last in line for services and infrastructure.
- The difference in debt liability amongst the four local governments is cause for concern.

- If all towns are going to retain their offices and staff numbers, where will the savings come from?
- Community consultation has been intimidating.
- There is no guarantee that wards will continue after eight years.
- The benefits of amalgamation have not been explained to the communities.
- The York Council has had a number of governance issues over the years and they still continue today.
- York has more in common with Northam and Toodyay.
- The community should be treated as a stakeholder and be involved in determining the future of the new local government.
- The RBP does not identify any financial benefits flowing from a merger.

Support for the proposal was predicated on the following views:

- A merger will produce better economies of scale.
- Amalgamation is inevitable so the Shires should develop the best model for the four local governments.
- The four local governments have worked cooperatively for a number of years and the proposal they have developed is in the best interests of the community.
- The local governments have a choice of who they amalgamate with rather than being forced.
- The RBP is comprehensive and provides protection of services.
- The merger may create new employment opportunities.
- The place management model provides the Shire with a future.
- The community should have faith in the Shire Councillors and commend them for working together to develop the RBP.
- The consequences of not amalgamating are bigger than the petty issues being debated in the communities.
- The proposal is the best option for the future.
- It is better for the local governments to amalgamate on their own terms.

5. South East Avon Regional Transition Group

The South East Avon Regional Transition Group (SEARTG) was established in September 2010 under a formal agreement to explore the possibility of amalgamation between the Shires of Cunderdin, Beverly, Quairading, Tammin and York. The Shire of Beverly withdrew from the SEARTG in August 2012.

The SEARTG is administered by a Board which comprises two elected members from each of the four member local governments. The SEARTG meets on a monthly basis or more frequently if required with each of the four CEO's attending in an advisory capacity only.

The Department of Local Government and Communities provided support and assistance to the SEARTG during the development phase of the Regional Business Plan (RBP) and ultimately, the amalgamation proposal.

The SEARTG engaged Dominic Carbone and Associates and DL Consulting to develop the RBP.

In December 2012 the four local governments resolved to amalgamate and submit a proposal to the Local Government Advisory Board for consideration.

The proposal was formally submitted to the Board on 22 January 2013.

The Board met on 4 April 2013 to consider the proposal and resolved to conduct a formal inquiry in accordance with clause 3(4) of Schedule 2.1 of the Act.

6. Regional Business Plan

The RBP was complemented by Service Delivery Plans, a Rating Study, IT Report and a Human Resource and Change Management Report. All of these documents with the exception of the Human Resource and Change Management Report are available on the SEARTG website; www.securingourfuture.com.au.

The RBP consists of a “current state” document which addresses the current circumstances of the original five local governments and a “future state” document which addresses the circumstances of the proposed new local government comprising the four local governments (excluding Beverley).

The RBP was constructed under the following set of guiding principles:

- Four wards based on existing district boundaries;
- The period for transitional councillor representation to be two full electoral cycles;
- Each ward to have at least one service centre;
- A commitment to review the performance of the new local government after an optimum period of time; and
- Progression of a preferred service subsidiary model under the *Local Government Act 1995*.

The RBP provides a detailed analysis of what the new local government will need to consider and the issues it will need to address before, during and after transition.

Section 14 of the RBP contains a summary position which is essentially a comparison of the current state and future state local governments.

The findings in the RBP have been categorised under the following headings:

- Community overview;
- Strategic direction;
- Services;
- Systems;
- Operating matters;
- People;
- Plant fleet and depot;
- Infrastructure asset management;
- Internal baseline capability; and

- Transitional costs.

Section 14.2 contains a strengths and weaknesses (SWOT) analysis of the current state and future (amalgamated) state. The RBP supports a case for the amalgamation given the many similarities between the four local governments. It does however acknowledge that there are challenges ahead should the amalgamation proceed.

The RBP identifies that the future state strengths outweigh the future state weaknesses and these have been identified in terms of the following advantages and disadvantages:

Advantages –

- New and improved service delivery as detailed in Service Delivery Plans;
- Protection of local identity through the Place Management model, detailed in the Service Delivery Plans;
- The retention and delivery of local services through Place Centres;
- Estimated operational savings have been identified;
- The incorporation of modern technology in the way the proposed new local government will conduct its functions;
- Greater capacity to attract and retain more specialised staff;
- 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;
- An opportunity to create a more efficient and effective local government;
- Greater capacity to address infrastructure backlog and reduce the funding gap; and
- Increased internal organisational capability resulting from improved systems and procedures.

Disadvantages –

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

The RBP (both current and future state) is a comprehensive document which provides a highly detailed analysis and assessment of the many issues associated with the establishment of the new entity. The Board accepts that some of the information contained in the report, specifically the future state is subject to projections and assumptions which may be subject to conjecture but this is to be expected given that the new entity is yet to be established. Notwithstanding, the future state document provides an effective blueprint for the new local government moving forward.

The Board received some comments during the submission period that the RBP was inaccessible and difficult to understand. The Board is of the view that these claims are generally without foundation. The Board accepts that there is a lot of information contained in the RBP, however it does not accept the view that the information is hard to understand. The information is voluminous rather than complex and may seem a little daunting to the reader, however this is a complex issue and warrants such an approach.

7. Rating Study

The Rating Study provides a highly detailed rating analysis based on three options aimed at achieving rating parity, by:

- (1) analysing the current rating systems of the Shires of Cunderdin, Quairading, Tammin and York;
- (2) assessing the rating capacity of each local government; and
- (3) making recommendations on an appropriate rating approach that will achieve rating parity for the proposed new local government, should amalgamation occur.

In order to achieve rating parity it is proposed that the provisions of regulation 52A of the *Local Government (Financial Management) Regulations 1996* will be applied to the phasing in of rates over a five year period. This provision allows a differential rate to be applied in the former districts even though the land use classification is the same. This provision can only be applied where an order is made amending the boundaries of a district.

Further information on rating can be found in section 12.2 (Rating) of this report.

8. Information Technology Report – Future State

Focus Networks were engaged by the SEARTG to prepare reports on the current IT state of each of the four local governments and a conceptual design and cost estimate of the future IT for the new local government. The findings of the latter report were incorporated into the RBP.

The major findings were –

- The cost estimate for a new IT solution is between \$1.4m and \$9m.
- A new accounting platform is required.
- An electronic records management system is required.
- A new corporate website needs to be developed.

9. Human Resources and Change Management Report

Equipe Solutions were engaged by the SEARTG in association with Dominic Carbone and Associates to undertake the following:

- Develop and supply employee change management initiatives.
- Document mechanisms for dealing with employee grievances.
- Develop recruitment strategies.
- Develop redundancy/displacement processes.
- Review industrial agreements.

The Report identified minimal human resource, OH&S or industrial relations in house expertise within any of the four member local governments of the proposed new local government.

There are few current strategic or other human resource plans available for referral.

Practices for fundamental processes such as recruitment, vary across the local governments and the individual instruments are inconsistent with each other. The current payroll officers provide wage and salary information to employees. Limited workforce planning is undertaken at a strategic level. Employees do have access to training in their regional areas.

10. Assessment of the Proposal – Matters Considered by the Board

10.1 Community of Interests

The Board received a number of submissions which expressed the view that York does not have a community of interest with the other three Shires. This view is based on the contention that York is focused on tourism and a greater part of its economy is tourism based whereas the other three local governments are focussed on rural/agricultural activities. There was also strong support for the contention that the Shires of Cunderdin and Tammin share a community interest and would be better placed considering an amalgamation with Kellerberrin.

The Board accepts that community of interest is not a significant factor in its deliberations on the proposal. With the exception of Cunderdin and Tammin the distance between the four local governments is considered an impediment to supporting or developing closer community ties in the short term, however there is no identifiable reason why this could not change in a positive way in the longer term.

10.2 Physical and Topographic Features

The current boundaries of the four local governments do not follow any physical or topographic features. Based on the Biophysical “Attributes of Local Government” a publication produced by the Commonwealth Department of Home Affairs a description of each of the four local governments topography is described below.

Shire of Cunderdin	60% flat, 40% undulating
Shire of Quairading	60% flat, 40% undulating
Shire of Tammin	60% flat, 40% undulating
Shire of York	20% flat, 80% undulating

The proposed boundary is an amalgam of the existing boundaries. The Board does not consider that the physical or topographic features of the four local governments will present as an issue in the event of amalgamation.

10.4 Demographic Trends

There are several demographic characteristics that the Board considers relevant when considering boundary amendment proposals and they are; population growth, occupation and age.

The projected population growth (or decline) has been sourced from the Western Australian Planning Commission's Report; Western Australia Tomorrow, published in February 2013. The following information has been extracted from the Band C projections contained in the Report for the period 2013 to 2021:

Shire of Cunderdin	25 % decline
Shire of Quairading	No change
Shire of Tammin	18% decline
Shire of York	22.5% growth

It should be noted that the Band C projections have been used as they compare favourably with the projections included in the previous WA Tomorrow Report published in 2005.

The population projections should be treated as an indicator only and the above projections for Shires of Cunderdin and Tammin are considered somewhat excessive given the Regional Population Growth Statistics produced by the ABS which show a growth rate of 3.9% for Cunderdin from 2007 to 2012 while the same statistics for Tammin indicate a decline of .2%.

The projections for the Shires of Quairading and York appear reasonable based on the ABS statistics which indicate a decline in Quairading's population of .4% from 2007 to 2012 and an increase in York's population of 7% for the same period.

The following table provides an analysis of the workforce of each of the Shires by number and percentage.

Table 6

Occupation by Classification				
Occupation	Shire of Cunderdin	Shire of Quairading	Shire of Tammin	Shire of York
Managers	162 (26.8%)	150 (34.8%)	77 (45.5%)	322 (22%)
Professionals	52 (8.5%)	43 (9.9%)	10 (5.9%)	184 (12.6%)
Technicians and Trade Workers	96 (15.9%)	49 (11.4%)	11 (6.6%)	209 (14.3%)
Community and Personal Service Workers	41 (6.8%)	38 (8.8%)	7 (4.2%)	135 (9.2%)
Clerical and Administrative Workers	69 (11.4%)	36 (8.3%)	12 (7.2%)	157 (10.7%)
Sales Workers	39 (6.4%)	22 (5%)	6 (3.5%)	121 (8.4%)
Machinery Operators and Drivers	51 (8.5%)	45 (10.4%)	17 (10%)	141 (9.6%)
Labourers	84 (13.8%)	43 (9.9%)	29 (17.1%)	178 (12.2%)
Other	12 (1.9%)	6 (1.5%)	0	15 (1%)
Total	606	432	169	1462

Information source – ABS 2011 Census Community Profiles

The above table shows the diverse workforce that exists in each of the four Shires. The most prevalent occupations are those with predominantly managerial responsibilities followed by labourers and technicians and trade workers.

It is difficult to predict how any change in population estimates to 2021 might impact on the various categories of occupation. A major determinant would be the changes in the economic and commercial activities within the four Shires.

The following table provides an analysis of the population of each of the four Shires based on five year tranches up to the age of 74. The age demographic of a local government will impact on the services it provides now and into the future.

It is significant that all four local governments have a relatively high proportion of residents over the age of 50. In particular the Shires of Quairading and York have 47% and 46% respectively of their resident population over the age of 50. The Shires of Cunderdin and Tammin both have 36% of their resident population over the age of 50. This age demographic will impact on the provision of health services and aged housing. An ageing population also means that people in this age demographic are more likely to eventually move to the metropolitan area or larger regional towns to improve their access to health care and aged housing.

Table 7

Population By Age				
Age	Shire of Cunderdin	Shire of Quairading	Shire of Tammin	Shire of York
0-4	91	67	32	175
5-9	83	69	44	214
10-14	76	67	29	228
15-19	143	22	11	190
20-24	58	28	18	110
25-29	74	41	16	125
30-34	78	48	24	147
35-39	69	54	16	165
40-44	79	77	34	230
45-49	86	82	39	251
50-54	95	94	36	296
55-59	91	108	29	292
60-64	87	64	22	318
65-69	49	64	14	223
70-74	55	62	14	178
75 and Over	96	97	31	253
Total	1310	1044	409	3395

Information source – ABS 2011 Census Community Profiles

There are some minor differences in the aggregate figures compared to the table included in section 1.2 of this report.

10.5 Economic Factors

The table below provides a detailed breakdown of the workforces by industry in each of the four local governments.

Table 8

Employed By Industry	Shire of Cunderdin %	Shire of Quairading %	Shire of Tammin %	Shire of York %
Agriculture, Forestry And Fishing	24.5	37.5	48.2	17.7
Mining	2.8	2.8	1.8	4.6
Manufacturing	11.9	0.7	7.1	3.4
Electricity, Gas, Water And Waste	2.5	0.7	0	1.8
Construction	3.5	5.8	0	7.1
Wholesale Trade	5.5	5.3	1.8	4
Retail Trade	8.3	6.9	6.8	11.1
Accommodation And Food Services	3.5	2.6	3	6.4
Transport Postal And Warehousing	5	5	3	5
Information Media And Telecommunications	0.5	0	1.8	0.5
Financial And Insurance Services	0.5	0.7	0	1.2
Rental Hiring And Real Estate Services	0.7	0.7	0	1.7
Professional Scientific And Technical Services	0.7	0.9	1.8	4.7
Administrative And Support Services	0.7	1.4	0	1.3
Public Administration And Services	5.1	6	8.9	5.6

Employed By Industry	Shire of Cunderdin %	Shire of Quairading %	Shire of Tammin %	Shire of York %
Education And Training	13.4	12.3	10.1	7.5
Health Care And Social Assistance	7.3	6.7	3	10.5
Arts And Recreation Services	0.5	0	0	0.8
Other Services	1.8	2.3	0	3.1

Information source – ABS National Regional Profiles (Local Government Areas)

The agricultural industry employs the largest percentage of each workforce across the four local governments. As expected, the Shire of York has its population more evenly spread across the industry classifications due to its more diverse economy supported by significant tourist activity.

In early 2011 the four local governments embarked on a strategic planning process to develop strategic community plans. From an economic perspective the shared risks and challenges identified were:

- Reliance on farming.
- Need to grow economic base and employment opportunities.
- Need to grow population.
- Sustainability is an issue along with a reliance on a narrow economy.
- Need to improve local business viability.

As part of this process the identified economic goals (collectively) are as follows:

- Increase commercial capacity by supporting and building local businesses and services.
- Capitalise and build on the regional locations and regional transport hub.
- Support and encourage sustainable business growth.

The four local governments face the same economic challenges as many other small regional local governments however they are perhaps better placed to answer these challenges given their relative location to main regional centres such as Northam and Midland.

10.6 History of the Area

Local Government History

The table below outlines changes to the local government structures in the four local governments since their establishment.

Table 9

Boundary History of the Local Governments	
Shire of Cunderdin	<p>Originally the Meckering Road District and changed to the Cunderdin Road District in 1944. Up until 1996 when the name again changed to the Cunderdin Road District there were a total of eight boundary adjustments involving the relevant entities in Kellerberrin, Dowerin, Tammin and Wyalkatchem.</p> <p>In 1996 the Cunderdin Road District became the Shire of Cunderdin. There has only been a single boundary amendment since this time involving the Shire of Quairading.</p>
Shire of Quairading	<p>Originally the Avon Road District and changed to the Quairading Road District in in 1922. Up until 1998 when the name changed to the Shire of Quairading there were four boundary amendments involving the relevant entities in Beverley, Cunderdin and Brookton.</p> <p>In 1998 the Quairading Road District became the Shire of Quairading. There has only been one boundary adjustment which involved the Shires of Beverley, Corrigin and Cunderdin and that occurred in 2001.</p>
Shire of Tammin	<p>Originally the Tammin Road District, it was changed to the Shire of Tammin in 1998. There have only been two amendments to its district boundary and these involved Cunderdin in 1949 and 1951.</p>
Shire of York	<p>Originally the York Road District and changed to the Shire of York in 1961. The York Municipal District became the Town of York in 1961. In 1965 the Shire of York and the Town of York amalgamated to form the Shire of York. There have been a substantial number of boundary amendments dating back to 1895 involving adjacent entities.</p>

Cunderdin

The search for pastoral lands east of Perth led explorer Charles Hunt to Cunderdin, a town he named in 1864. Its name is derived from the Noongar Aboriginal language and is said to mean 'place of the bandicoot' but also translates as 'place of many flowers'.

Settlement in Cunderdin by Europeans started to progress following the building of the railway in 1884. Charles Hillman established the first farmlet in 1898. By 1901 following construction of the Goldfields Water Supply more people settled in the area. By 1902 Cunderdin boasted a small general store, a restaurant, hotel and a school.

In 1903 when the pipeline to Kalgoorlie was completed, the No 3 Pumping Station in Cunderdin was opened. The building which housed the powerful steam engines responsible for pumping water down the line is now home to the Cunderdin Museum.

In 1906 Cunderdin was officially declared a townsite. There were 22 farms in the district, most of them spread south of the railway line from Youndegin (the earliest settlement in the area) which is approximately 19 kilometres away.

Thanks to the rail service and water supply the next three decades were periods of rapid development with farms expanding in every direction. Services in Cunderdin continued to grow and during the 1920's a Cottage Hospital with a resident doctor was established.

The Cunderdin Road District was formed in 1944 following a renaming of the Meckering Road District. The Cunderdin Road District was then renamed the Shire of Cunderdin in 1961.

The Cunderdin Airstrip was built during the Second World War and was designed as a bomber and RAAF flying school base. By 1941 the Elementary Flying Training School was a considerable institution with 34 officers, 500 airmen and 51 aircraft. After the Second World War the Flying Training School was disbanded and the area was used as an Operational Base Unit, until 1947 when it was disbanded.

In 1945 the residents of Cunderdin bought the local hotel making it the first community owned hotel in Western Australia. Debentures were issued for the purchase price and investors received a fixed dividend with the balance being used for community and recreational projects.

In 1948 a new high school was opened and an agricultural wing was added later taking over the facilities previously used by the Flying School.

In 1950 the Cunderdin Road District resumed 27 hectares of farmland bordering the townsite to develop a sports ground and sporting complex with facilities for many sporting activities. The building of the Memorial Swimming Pool in the mid 1950's set the standard for surrounding areas as it was the first rural swimming pool for many hundreds of miles.

In 1968 the community owned hotel venture ended when an earthquake struck Meckering causing irreparable damage to the building. The property was later sold to the Swan Brewery which built a modern hotel on the original site which was later destroyed by fire in 2000 and replaced with the current Hotel.

Cunderdin is an agricultural community which boasts a high level of community involvement with a strong social fabric.

Quairading

The Dangin town site was established in 1902 and by 1914 boasted 5 shops, a bank, post office, agricultural hall, Methodist Church, Temperance Hotel and 12 dwellings. It was declared that no alcohol license was to be held within five miles of Dangin which ultimately led to the establishment of the Quairading town site to the east.

In the early 1900's the State Government opened up new areas of land to accommodate those looking for work and somewhere to settle permanently.

Quairading was one such area, and during the period 1903 to 1908, many new settlers moved into the area and commenced clearing the land. Settlers were given a homestead block of 160 acres free of charge on the condition they lived on it and improved it over a period of seven years.

By 1892 the district had advanced sufficiently to warrant the formation of the Greenhills Road District. The Quairading Road District was renamed the Shire of Quairading in 1922. The town of Quairading was officially Gazetted on the 7th August 1907 and the railway extension from Greenhills to Quairading was built in 1908 with Quairading as the terminus.

A small settlement quickly evolved and by 1909 there was a hotel, general store, blacksmith, baker, carpenter and two banks. The Quairading district developed quickly and by 1950 significant farming land had been cleared and brought into production.

Improvements in technology and farming methods have resulted in a steady increase in production over the years and today Quairading is a productive farming district.

Tammin

Tammin was first settled in 1893 with more settlers arriving in the 1900's. The town of Tammin was Gazetted in 1899.

The name "Tammin" means grandmother or grandfather according to the "Descriptive Vocabulary of Aborigines of WA" by G F Moore. Other theories are that Tammin was named after the Tamma, a small animal that once inhabited the area or the Tamma bush which grows throughout the district.

European settlement in the area continued to grow and with the completion of the Goldfields Water Supply and the railway line to Kalgoorlie, the township grew along with shops and other community facilities.

In 1948 Tammin became a Road District in its own right, having previously been part of the Meckering Road District and later the Cunderdin, Meckering, Tammin Road Districts. The Shire of Tammin was established in 1961.

York

York is the oldest inland town in Western Australia, situated approximately 97 kilometres by road east of Perth in the Avon Valley, one of the most fertile areas of the State.

With the increasing population of the Swan River Settlement in 1829 it became evident that suitable land would have to be found for growing various crops to provide food for a growing population.

Robert Dale was assigned the task of making the first exploratory journey over the Darling Ranges during the winter months of 1830 into what was later to become known as the Avon Valley.

Following these explorations, Governor Stirling decided that the new district would be made available to interested parties and this was done by Government Notice on 11 November 1830.

These first explorers saw a resemblance with the area and their own town of Yorkshire and it was decided by the Governor that Yorkshire would be the name given to the district and that York would be the name of the first town.

The first settlers in the district settled in 1831 and immediately set about the construction of accommodation and preparation for stock and the cultivation of their new land.

The first decade of settlement in the Avon Valley was steady and paved the way for the whole district to develop into a productive farming area.

10.7 Transport and Communications

The four districts are serviced by a comprehensive and generally well maintained road network. The main roads include the Great Southern Highway, Great Eastern Highway and the Brookton Highway.

The area is well serviced by rail however much of this is part of the three tier network and is integral to the grain handling operations in the area. The future of this network remains somewhat uncertain and if it is decommissioned it will have a significant impact on the road networks connecting the four local governments.

Air services are restricted. While both Cunderdin and Quairading have airfields these are only available to privately owned or charter aircraft.

Internet and mobile telephone services are available although total coverage does not extend to the entire region. Mobile telephone coverage is available in approximately 70% of the combined local government area.

10.8 Matters Affecting the Viability of Local Governments

In terms of considering the matters which will impact on the viability of local governments, the strengths and weaknesses analysis included in the RBP is considered appropriate tool for this purpose.

After reviewing this section of the RBP it was decided that these matters could be addressed effectively by extracting the current state weaknesses and future state strengths from the RBP where it is considered that they impact on the viability of the existing local governments and that of the proposed new local government.

Current State Weaknesses

The small populations of each local government do not facilitate political influence and the advantages that flow to local governments with larger populations.

All the existing local governments are reliant on contractors and service providers to provide various technical and other services.

IT support in all four local governments is outsourced.

IT infrastructure in all four local governments is in need of significant upgrade.

IT systems in all four local governments have been assessed as high risk in terms of security.

There are no governance frameworks in place in any of the four local governments.

There is no fraud control in place in any of the four local governments.

The asset funding gap for all four local governments is likely to keep increasing.

Future State Strengths

The new local government will have four towns that act as place centres for the provision of local government services.

There will be greater integration and collaboration in the provision of services across the former districts.

The population of the new local government will be approximately 6500.

The reduction in the number of elected members will reduce operating costs.

Service provision will be improved and expanded.

The new local government will have a fully integrated IT system.

The proposed organisational structure will ensure the new local government has the capacity to carry out its functions in an effective and efficient manner.

Rating parity will be achieved within a four year period.

Financial Assistance Grants will be maintained at pre-amalgamation levels for a period of five years.

The new entity will have greater capacity to attract grant funding.

The proposed organisational structure will allow greater specialisation amongst staff.

10.9 The Effective Delivery of Local Government Services

Section 4.0 of the RBP includes a comprehensive analysis of the services to be provided by the proposed new entity. The service delivery model provides a description and frequency of each service for the current state and future state.

The service delivery plans have been developed around the following framework:

- Strategic overview
- Strategic alignment
- Alignment of needs of different communities
- Aims of the service
- Services offered
- Operating locations
- Personnel
- Plant and equipment requirements
- Information and communications technology
- Interdependence with other council services
- Marketing and promotion
- Financial analysis
- Transitional requirements
- Issues
- Cost benefit analysis
- Performance measures
- Assessment

The RBP proposes a place management model which will maintain a local government presence in each of the four towns. It is proposed that York will be the administrative centre from which the CEO, Financial Services, Human Resources, Information Technology, Records Management, Public Relations and Communication Services will operate.

The service delivery plans included in the RBP have been developed with the objective of ensuring that all current services will continue as well as the provision of new and improved services.

Table 43 provides a detailed estimate of operating expenses and revenue under the proposed service delivery model. The costings included in the table produce an estimated saving on the delivery of services of approximately \$135,000 while also introducing a raft of new services.

11. Other Matters Considered by the Board

As part of its inquiry process, the Board makes recommendations to the Minister for Governor's Orders under sections 2.1, 2.2, 2.3 and 2.18 of the Local Government Act 1995. It can also recommend that the Minister consider other matters raised by the affected local governments during the course of its inquiry.

11.1 Wards and Representation

The RTG has requested that the ward structure for the new local government reflect the current district boundaries of the four local governments for two election cycles (8 years) and the ward names reflect the district names of the former local governments.

The ratio deviations are substantially outside the Board's +/- 10% policy and a review of wards and representation will need to be undertaken prior to 8 years after the new local government is established.

Table 10

Wards and Representation				
Ward	Number of Councillors	Number of Electors	Councillor to Elector Ratio	% Ratio Deviation
Cunderdin	2	848	1:424	14.40%
Quairading	2	769	1:385	22.38%
Tammin	1	251	1:251	49.33%
York	4	2590	1:648	30.72%
Total	9	4458	1:495	

The RTG has proposed a ward structure that would serve as a transition model for a period of two electoral cycles, after which a review would be required to balance representation within the ward system or the local government may consider moving to a district ward.

11.2 Name of the New Local Government

The name proposed for the new local government is the Shire of South East Avon.

11.3 Method of Electing the Shire President

The RTG has proposed that the Shire President of the new local government be elected by the council.

11.4 Appointment of Commissioners

The Minister for Local Government is responsible for appointing commissioners. The number of commissioners that can be appointed is one, three or five. Where three or five commissioners are appointed, one must be appointed as the Chair of Commissioners.

The local governments have requested that should an amalgamation proceed, five commissioners be appointed until the inaugural election. The local governments have requested that the current Shire Presidents of each local government be appointed as commissioners with an independent chair.

12. Financial Analysis

The following financial analysis is based on actual financial data extracted from the financial reports and other financial information prepared by the four local governments.

The analysis examines the financial situation of the current state (four local governments) and the future state (proposed new local government).

In relation to the future state, the Board conducted a thorough analysis of the RBP which was developed by the SEARTG in accordance with a framework developed and supported by the Group. The Board acknowledges the time and effort the SEARTG has committed to developing a model to facilitate the merging of the four existing local governments into a new local government entity.

The methodology adopted by the consultants in developing the RBP is considered robust and provides a detailed operational and strategic planning resource should the proposal proceed. The Board accepts that assumptions had to be made in compiling the document given the number of transitional considerations involved. To this end the SEARTG was reliant on the knowledge and experience of the consultants and its members to develop a document which it could use moving forward.

The Board is firmly of the view that the RBP has achieved this objective notwithstanding that there is some level of conjecture over the findings contained in the RBP, particularly by those opposed to the amalgamation.

Given the time and effort that went into developing the RBP and also the level of detail, the Board regards the document as integral to its deliberations on the amalgamation proposal.

12.1 Current State

Rating

As with all amalgamation proposals moving forward, the differences in rating regimes is generally a sensitive issue and one which can produce both positive or negative results from a ratepayers perspective.

The Rating Study completed by the consultants assisting the SEARTG was a comprehensive document and is supported by detailed calculations for each of the three rating options.

There are differences in general rates and minimum rates across the four local governments. The average GRV and UV valuations in York are substantially higher than the other three local governments. Minimum rates for GRV and UV properties are also substantially higher in York than the other three local governments.

The following tables illustrate the difference in current rating regimes between the four local governments in 2011-12.

Table 1

Rating – Shire of York					
RATE CODE	No of Properties	Valuations \$	2011/12 Rate Revenue	Rate In Dollar (RID)	Average Rate per Property
General Rates - UV	413	252,365,849	1,337,539	0.00530	3,239
General Rates - GRV	1054	15,830,839	1,190,116	0.07510	1,129
Minimum Rates - UV	239	29,549,814	246,170	1,030	1,030
Minimum Rates - GRV	864	0	699,840	810	810
Discounts/ Ex Gratia/ Interim & back rates			18,370		
Total Rate Revenue	2,570	297,746,502	3,492,035		

The Shire of York unlike the other three local governments derives most of its rate revenue from GRV assessments. In 2011-12, GRV rates comprised 54% of total rate revenue while UV rates comprised 45% of total rate revenue. The balance comprised discounts/ex gratia and interim and back rates.

Table 2

Rating – Shire of Tammin					
Rate Code	No of Properties	Valuations \$	2011/12 Rate Revenue	Rate In Dollar (RID)	Average Rate per Property
General Rates - UV	170	63,465,017	627,859	0.00989	3,693
General Rates - GRV	77	403,020	60,606	0.15037	787
Minimum Rates - UV	16	267,961	6,160	385	385
Minimum Rates - GRV	56	28,956	21,560	385	385
Discounts/ Ex Gratia/ Interim & back rates			-18,165		
Total Rate Revenue	319	64,164,954	698,020		

The Shire of Tammin derives most of its rate revenue from UV assessments. In 2011-12, UV rates comprised 89% of total rate revenue while GRV rates comprised 11% of total rate revenue. The balance comprised an adjustment for discounts/ex gratia and interim and back rates.

Table 3

Rating – Shire of Cunderdin					
Rate Code	No of Properties	Valuations \$	2011/12 Rate Revenue	Rate In Dollar (RID)	Average Rate per Property
General Rates - UV	370	164,307,706	1,043,814	0.00635	2,821
General Rates - GRV	500	2,716,404	320,006	0.11781	640
Minimum Rates - UV	66	2,325,596	33,000	500	500
Minimum Rates - GRV	122	184,484	61,000	500	500
Discounts/ Ex Gratia/ Interim & back rates			-363		
Total Rate Revenue	1,058	169,534,190	1,457,457		

The Shire of Cunderdin derives most of its rate revenue from UV assessments. In 2011-12, UV rates comprised 74% of total rate revenue while GRV rates comprised 26% of total rate revenue. The balance comprised an adjustment for discounts/ex gratia and interim and back rates.

Table 4

Rating – Shire of Quairading					
Rate Code	No of Properties	Valuations \$	2011/12 Rate Revenue	Rate In Dollar (RID)	Average Rate per Property
General Rates - UV	386	130,795,000	1,234,052	0.00944	3,197
General Rates - GRV	327	2,419,638	273,139	0.11288	835
Minimum Rates - UV	90	501,503	38,160	424	424
Minimum Rates - GRV	27	122,956	11,428	424	423
Discounts/ Ex Gratia/Interim & back rates			-48,678		
Total Rate Revenue	830	133,839,097	1,508,101		

The Shire of Quairading derives most of its rate revenue from UV assessments. In 2011-12, UV rates comprised 82% of total rate revenue while GRV rates comprised 18% of total rate revenue. The balance comprised an adjustment for discounts/ex gratia and interim and back rates.

The following table shows the percentage rate increases for each of the four local governments from 2009-10 to 2012-13 (budget) and the average yearly increases over the same period.

The variation in rate increases vary across the four local governments and is generally considered minor. The Shire of York has the greatest average yearly increase which is not unexpected given its significantly higher population and asset base.

Table 5

Rate Revenue	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013 Budget	Average Yearly Increase
York	2,877,169	3,048,721	3,277,297	3,492,035	3,764,540	
Yearly % increase	0.00%	5.96%	7.50%	6.55%	7.80%	6.95%
Tammin	613,111	636,646	659,635	698,020	723,457	
Yearly % increase	0.00%	3.84%	3.61%	5.82%	3.64%	4.23%
Cunderdin	1,249,273	1,321,218	1,374,935	1,457,457	1,534,081	
Yearly % increase	0.00%	5.76%	4.07%	6.00%	5.26%	5.27%
Quairading	1,300,112	1,376,799	1,471,293	1,508,101	1,617,373	
Yearly % increase	0.00%	5.90%	6.86%	2.50%	7.25%	5.63%

As mentioned earlier, the consultants appointed to develop the RBP also undertook a comprehensive rating review to determine an appropriate solution for the new local government to achieve rating parity in a manner which would allow transition in a reasonable amount of time and not place too great of a burden on ratepayers.

The option recommended by the consultant is a five year phase-in to achieve rating parity in accordance with Section 6.33 of the *Local Government Act 1995* and Regulation 52A of the *Local Government (Financial Management) Regulations 1996*. This Regulation allows a differential rate to be applied for properties of like characteristics where an order is made to amend the boundaries of neighbouring districts.

Section 7 of this Report also contains Information on the Rating Study. The proposed phase-in does not make allowance for changes in UV's which are reviewed each year and GRV's which are reviewed on a four to five year cycle. Where changes in valuations do occur these will be taken into consideration when calculating an appropriate differential rate.

The proposed model will achieve rating parity in under five years and while it will deliver mixed results to the ratepayers located in the current districts it is considered a generally positive solution to a achieving a uniform rating regime.

Further analysis on the rating outcome is contained in the future state analysis contained in section 12.2 of this Report.

Income (Including Non-Operating)

The following tables provide a detailed breakdown of income for each of the four local governments for the period 2009-10 to 2012-13 (budget).

With the exception of the Shire of York, all the other local governments rely on grants, subsidies and contributions as their prime source of operating income. This is not an unusual characteristic of small regional local governments which normally have a small rating base and rely heavily on grants to supplement their income stream.

Table 6

Income – Shire of York					
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Rates	3,048,721	3,277,297	3,492,035	3,764,540	33%
Operating Grants, Subs, Contrib.	1,839,937	1,820,863	1,851,966	1,668,005	18%
Fees & Charges	896,806	1,337,391	1,413,283	1,643,889	13%
Interest Earnings	188,544	216,219	179,766	209,700	2%
Other Revenue	148,865	319,105	594,003	175,636	6%
Sub Total	6,122,873	6,970,875	7,531,053	7,461,770	71%
Non-Operating Grants, Subs, Contrib.	2,022,685	1,630,326	2,921,696	2,933,596	28%
Profit on Disposal of Assets	80,821	-13,717	93,200	844,578	1%
Sub Total	2,103,506	1,616,609	3,014,896	3,778,174	29%
Total Income	8,226,379	8,587,484	10,545,949	11,239,944	100%

The Shire's main source of operating income is rates. In 2010-11, 47% of operating income was derived from rates and in 2011-12, 46% was derived from rates.

Operating grants, subsidies and contributions comprised 26% of operating income in 2010-11 and 25% in 2011-12. Fees and charges comprised 19% of operating income in 2010-11 and 2011-12.

The table also includes an analysis of each of the income categories for 2011-12 as a percentage of total income.

Table 7

Income – Shire of Tammin					
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Rates	636,646	659,635	698,020	723,457	24%
Operating Grants, Subs, Contrib.	878,499	1,037,297	1,302,264	659,043	46%
Fees & Charges	217,777	229,405	285,842	361,296	10%
Interest Earnings	59,762	63,460	54,830	52,200	2%
Other Revenue	13,540	29,654	14,468	15,000	1%
Sub Total	1,806,224	2,019,451	2,355,424	1,810,996	82%
Non-Operating Grants, Subs, Contrib.	559,885	313,336	265,748	2,206,462	9%
Profit on Disposal of Assets	21,841	9,162	236,297	303,000	8%
Sub Total	581,726	322,498	502,045	2,509,462	18%
Total Income	2,387,950	2,341,949	2,857,469	4,320,458	100%

The Shires main source of operating income is grants. In 2010-11, 51% of operating income was derived from grants and in 2011-12, 55% was derived from grants.

Rates comprised 33% of operating income in 2010-11 and 30% in 2011-12. Fees and charges comprised 12% of operating income in both 2010-11 and 2011-12.

The table also includes an analysis of each of the income categories for 2011-12 as a percentage of total income.

Table 8

Income – Shire of Cunderdin					
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Rates	1,321,218	1,374,935	1,457,457	1,574,928	22%
Operating Grants, Subs, Contrib.	1,152,240	1,501,084	1,901,696	793,750	28%
Fees & Charges	287,265	273,450	330,793	348,017	5%
Interest Earnings	63,192	64,326	84,340	57,188	1%
Other Revenue	170,143	183,906	99,069	307,911	1%
Sub Total	2,994,058	3,397,701	3,873,355	3,081,794	58%
Non-Operating Grants, Subs, Contrib.	704,134	2,265,366	2,759,369	4,779,855	41%
Profit on Disposal of Assets	-4,261	16,474	72,389	12,343	1%
Sub Total	699,873	2,281,840	2,831,758	4,792,198	42%
Total Income	3,693,931	5,679,541	6,705,113	7,873,992	100%

The Shires main source of operating income is grants. In 2010-11, 44% of operating income was derived from grants and in 2011-12, 49% was derived from grants.

Rates comprised 40% of operating income in 2010-11 and 38% in 2011-12. Fees and charges comprised 8% of operating income in 2010-11 and 9% in 2011-12.

The table also includes an analysis of each of the income categories for 2011-12 as a percentage of total income.

Table 9

Income – Shire of Quairading					
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Rates	1,376,799	1,471,293	1,508,101	1,617,373	22%
Operating Grants, Subs, Contrib.	1,617,486	1,800,280	2,350,058	1,162,178	35%
Fees & Charges	842,386	1,180,605	721,133	925,194	11%
Interest Earnings	118,769	156,630	124,983	140,100	2%
Other Revenue	41,629	64,868	52,465	50,308	1%
Sub Total	3,997,069	4,673,676	4,756,740	3,895,153	71%
Non-Operating Grants, Subs, Contrib.	822,382	1,345,118	1,971,678	4,701,787	29%
Profit on Disposal of Assets	-25,110	-28,291	-20,572	0	0%
Sub Total	797,272	1,316,827	1,951,106	4,701,787	29%
Total Income	4,794,341	5,990,503	6,707,846	8,596,940	100%

The Shires main source of operating income is grants. In 2010-11, 38% of operating income was derived from grants and in 2011-12, 49% was derived from grants.

Rates comprised 31% of operating income in 2010-11 and 32% in 2011-12. Fees and charges comprised 25% of operating income in 2010-11 and 5% in 2011-12.

The table also includes an analysis of each of the income categories for 2011-12 as a percentage of total income.

Expenditure (Operating)

The following tables provide a breakdown of operating expenditure by category for the period 2009-10 to 2012-13 (budget) and also show the percentage increase/decrease in expenditure by local government and the percentage expenditure by classification for each local government.

Table 10

Operating Expenditure - Shire of York

Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Employee Costs	1,662,441	2,427,958	2,821,695	3,077,667	38%
Materials and Contracts	1,673,567	3,076,101	2,193,175	2,945,516	29%
Utility Charges	199,693	300,219	284,718	370,122	4%
Depreciation on Non- Current Assets	1,103,167	1,383,660	1,492,181	1,624,293	20%
Interest Expenses	4,380	11,962	105,533	130,656	1%
Insurance Expenses	172,170	203,230	235,203	259,793	3%
Other Expenditure	780,161	124,502	324,406	198,619	4%
Total Operating Expenditure	5,595,579	7,527,632	7,456,911	8,606,666	100%
Yearly % increase / (decrease)	0%	34.53%	-0.94%	15.42%	0%

The Shire's cost of materials and contracts decreased from \$3.07m (41%) in 2010-11 to \$2.19m (29%) in 2011-12. Employee costs increased from \$2.42m (32%) in 2010-11 to \$2.82m (38%) in 2011-12. The other significant expenditure item in 2011-12 was depreciation (20%).

Table 11**Operating Expenditure - Shire of Tammin**

Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Employee Costs	599,756	695,638	901,338	1,014,238	46%
Materials and Contracts	386,844	557,423	329,389	676,086	17%
Utility Charges	100,577	97,002	94,655	106,867	5%
Depreciation on Non-Current Assets	435,410	478,077	491,246	481,691	25%
Interest Expenses	21,483	17,464	18,234	20,888	1%
Insurance Expenses	52,342	61,897	75,166	76,843	4%
Other Expenditure	21,257	5,339	59,407	106,358	3%
Total Operating Expenditure	1,617,669	1,912,840	1,969,435	2,482,971	100%
Yearly % increase / (decrease)	0%	18.25%	2.96%	26.08%	0%

The Shire's materials and contracts costs decreased from \$.56m (29%) in 2010-11 to \$.32m (17%) in 2011-12. Employee costs increased from \$.7m (36%) in 2010-11 to \$.9m (46%) in 2011-12. The other significant expenditure item in 2011-12 was depreciation (25%).

Table 12

Operating Expenditure - Shire of Cunderdin					
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Employee Costs	939,525	941,810	765,150	1,721,952	21%
Materials and Contracts	958,115	807,489	618,105	677,223	17%
Utility Charges	158,766	168,415	139,163	209,843	4%
Depreciation on Non-Current Assets	1,305,193	1,282,113	1,331,087	1,414,811	37%
Interest Expenses	76,273	67,897	58,826	52,261	2%
Insurance Expenses	118,044	125,224	176,929	136,092	5%
Other Expenditure	248,403	157,666	520,846	147,923	14%
Total Operating Expenditure	3,804,319	3,550,614	3,610,106	4,360,105	100%
Yearly % increase / (decrease)	0%	-6.67%	1.68%	20.77%	0%

The Shire's materials and contracts costs decreased from \$.81m (23%) in 2010-11 to \$.62m (17%) in 2011-12. Employee costs decreased from \$.94m (27%) in 2010-11 to \$.77m (21%) in 2011-12. The other significant expenditure item in 2011-12 was depreciation (37%).

Table 13

Operating Expenditure – Shire of Quairading					
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Employee Costs	1,435,624	1,661,445	1,653,817	2,109,875	35%
Materials and Contracts	624,737	1,056,248	856,293	1,267,356	18%
Utility Charges	146,444	185,842	175,624	204,850	4%
Depreciation on Non-Current Assets	1,535,390	1,609,325	1,704,863	1,798,483	36%
Interest Expenses	21,022	19,402	17,697	16,762	0%
Insurance Expenses	161,810	170,973	192,534	177,752	4%
Other Expenditure	149,099	99,869	78,617	95,600	2%
Total Operating Expenditure	4,074,126	4,803,104	4,679,445	5,670,678	100%
Yearly % increase / (decrease)	0%	17.89%	-2.57%	21.18%	0%

The Shire's materials and contracts costs decreased from \$1.05m (22%) in 2010-11 to \$.85m (18%) in 2011-12. Employee costs decreased from \$1.66m (35%) in 2010-11 to \$1.65m (35%) in 2011-12. The other significant expenditure item in 2011-12 was depreciation (36%).

Table 14

Net Operating Result (including Capital Grants)				
Local Government	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Shire of York	2,630,800	1,059,852	3,089,038	2,633,278
Shire of Tammin	770,281	429,109	888,034	1,837,487
Shire of Cunderdin	-110,388	2,128,927	3,095,007	3,513,887
Shire of Quairading	720,215	1,187,399	2,028,401	2,926,262

Table 14 shows the net operating result for each of the four local governments for the period 2009-10 to 2012-13 (budget).

Table 15**Net Operating Result (not including Capital Grants)**

Local Government	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Shire of York	608,115	-570,474	167,342	-300,318
Shire of Tammin	210,396	115,773	622,286	-368,975
Shire of Cunderdin	-814,522	-136,439	335,638	-1,265,968
Shire of Quairading	-102,167	-157,719	56,723	-1,775,525

Table 15 shows the net operating result for each of the four local governments for the period 2009-10 to 2012-13 (budget) after deducting capital grants.

Tables 16-19 show the net surplus/deficit position for each of the four local governments for the period 2009-10 to 2012-13 (budget) and how much each local government was required to raise from rates to fund their operations.

These tables should be read in conjunction with Tables 1-5 to gain a better understanding of the rating position of each of the four local governments over this period.

Table 5 in particular provides a breakdown of the annual percentage increases for each local government for the period 2008-09 to 2012-13 (budget) together with an average increase over this period for each local government.

Table 16**Net Surplus/Deficit – Shire of York**

Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Net Change Excluding Rates	-417,922	-2,217,446	-402,997	-1,131,262
Non Cash Expenditure and Revenue				
(Profit)/Loss on Disposal of Assets	-80,821	13,717	-93,200	-844,578
Revaluation of Assets	0	0	0	0
Movements/Adjustments	3,108	30,146	43,406	42,664
Depreciation Written Back	1,103,167	1,383,660	1,492,181	1,624,293
Capital Expenditure and Revenue				
Land for Resale	0	0	0	0
Land and Buildings	-464,795	-352,074	-513,885	-1,558,451
Infrastructure	-2,976,189	-3,508,900	-4,063,566	-3,323,679
Property, Plant and Equipment	-841,949	-676,825	-980,884	-1,231,311
Proceeds from Disposal of Assets	251,866	205,514	397,728	1,389,900
Principal Payment on Borrowings	0	-8,968	-55,673	-94,292
Proceeds from new Debentures	0	1,330,500	935,623	0
Self Supporting Loan (Principal Income)	8,363	8,968	0	10313
Loans to Community Groups	0	0	0	0
Loans repayments by Community Groups	-8363	0	0	0
Transfer to Reserves	-796,682	-447,117	-379,845	-1,448,463
Transfers from Reserves	775,188	1,607,046	750,871	1,107,362
	-3,445,029	-2,631,779	-2,870,241	-5,457,504
Net Surplus/(Deficit) B/Fwd	1,146,781	750,473	1,395,991	1,692,964
Net Surplus/(Deficit) C/Fwd	750,473	1,395,991	2,017,785	0
Actual amount required from rates	-3,048,721	-3,277,297	-3,492,035	-3,764,540

Table 17**Net Surplus/Deficit – Shire of Tammin**

Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Net Change Excluding Rates	111,799	-239,687	-46,284	811,030
Non Cash Expenditure and Revenue				
(Profit)/Loss on Disposal of Assets	21,841	9,162	236,297	303,000
Revaluation of Assets	0	0	0	0
Movements/Adjustments	12,596	-6,729	5,175	70,500
Depreciation Written Back	435,410	478,077	491,245	481,691
Capital Expenditure and Revenue				
Land for Resale	0	0	0	0
Land and Buildings	-253,319	-93,327	-475,369	-1,986,810
Infrastructure	-723,018	-672,088	-477,495	-747,152
Property, Plant and Equipment	-2,178	-407,558	-558,577	-239,350
Proceeds from Disposal of Assets	0	43,111	148,579	0
Principal Payment on Borrowings	-72,596	-64,265	-74,173	-92,745
Proceeds from new Debentures	0	0	250,000	0
Self Supporting Loan (Principal Income)	0	0	0	0
Loans to Community Groups	0	0	0	0
Loans repayments by Community Groups	0	0	0	0
Transfer to Reserves	-16,209	-21,253	-39,135	-261,000
Transfers from Reserves	0	0	193,150	60,000
	-485,674	-974,557	-346,587	-1,600,836
Net Surplus/(Deficit) B/Fwd	605,471	840,288	525,365	877,379
Net Surplus/(Deficit) C/Fwd	756,443	525,365	876,798	0
Actual amount required from rates	-636,645	-659,635	-698,020	-723,457

Table 18**Net Surplus/Deficit – Shire of Cunderdin**

Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Net Change Excluding Rates	1,436,059	619,608	1,637,809	1,955,119
Non Cash Expenditure and Revenue				
(Profit)/Loss on Disposal of Assets	-24,403	-16,474	-72,389	12,343
Revaluation of Assets	0	0	0	0
Movements/Adjustments	-13,481	-28,076	19,805	0
Depreciation Written Back	1,305,194	1,282,113	1,331,087	1,414,811
Capital Expenditure and Revenue				
Land for Resale (include purchase of Investment)	0	0	-174,603	0
Land and Buildings	-109,878	-120,728	-868,322	-4,190,089
Infrastructure	-1,402,890	-1,694,286	-2,202,172	-4,030,232
Property, Plant and Equipment	-129,663	-539,969	-286,660	-49,000
Proceeds from Disposal of Assets	66,677	143,367	129,545	19,000
Principal Payment on Borrowings	-135,343	0	-143,190	-148,598
Proceeds from new Debentures	0	0	0	1,000,000
Self Supporting Loan (Principal Income)	0	0	0	0
Loans to Community Groups	0	0	0	0
Loans repayments by Community Groups	0	0	0	0
Transfer to Reserves	-37,792	-110,723	-1,413,948	-74,688
Transfers from Reserves	100,000	148,693	30,000	1,799,633
	1,054,480	-316,475	-2,013,038	-2,291,701
Net Surplus/(Deficit) B/Fwd	829,654	562,916	1,621,376	757,619
Net Surplus/(Deficit) C/Fwd	562,916	1,621,376	1,065,795	
Actual amount required from rates	-1,321,218	-1,374,935	-1,457,457	-1,534,082

Table 19**Net Surplus/Deficit – Shire of Quairading**

Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Net Result Excluding Rates	- 656,584	-283,894	520,300	1,308,889
Non Cash Expenditure and Revenue				
(Profit)/Loss on Disposal of Assets	25,110	28,291	20,572	0
Revaluation of Assets	0	0	0	0
Movements/Adjustments	- 55,094	-75,226	37,105	0
Depreciation Written Back	1,535,390	1,609,325	1,704,863	1,798,483
Capital Expenditure and Revenue				
Land for Resale	-1 ,730	-2,102	-266	-63,000
Land and Buildings	- 457,866	-2,284,260	-532,862	-2,274,630
Infrastructure	- 910,143	-655,734	-1,167,632	-3,959,211
Property, Plant and Equipment	- 605,904	-260,707	-729,441	-946,520
Proceeds from Disposal of Assets	170,063	101,123	72,850	248,000
Principal Payment on Borrowings	- 23,340	-29,406	-24,459	-26,449
Proceeds from new Debentures	312,600	0	0	10,000
Self Supporting Loan (Principal Income)	17,283	22,983	24,459	26,449
Loans to Community Groups	- 312,600	0	0	-10,000
Loans repayments by Community Groups	0	0	0	0
Transfer to Reserves	- 518,504	-503,941	-999,689	-509,050
Transfers from Reserves	506,865	334,543	280,350	1,074,186
	- 974,454	-1,999,005	-793,850	-3,322,853
Net Surplus/(Deficit) B/Fwd	1,309,289	1,711,635	1,071,235	1,705,480
Net Surplus/(Deficit) C/Fwd	1,711,635	1,183,922	1,785,506	0
Actual amount required from rates	-1,270,736	-1,471,292	-1,508,121	-1,617,373

Capital Expenditure

Table 20

Capital Expenditure – Shire of York				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Capital Expenditure	4,282,933	4,537,799	5,558,335	6,113,441
Value of Capital Assets (Fair Value)	59,592,274	80,952,638	84,714,265	86,968,935
Percentage of Capital Expenditure to the Value of Assets	7.19%	5.61%	6.56%	7.03%

Table 21

Capital Expenditure – Shire of Tammin				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Capital Expenditure	978,515	1,172,973	1,511,441	2,973,312
Value of Capital Assets (Fair Value)	23,912,311	24,564,096	25,435,711	26,994,212
Percentage of Capital Expenditure to the Value of Assets	4.09%	4.78%	5.94%	11.01%

Table 22

Capital Expenditure – Shire of Quairading				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Capital Expenditure	1,975,643	3,202,803	2,430,201	7,243,361
Value of Capital Assets (Fair Value)	31,625,400	33,087,362	33,719,012	36,329,236
Percentage of Capital Expenditure to the Value of Assets	6.25%	9.68%	7.21%	19.94%

Table 23

Capital Expenditure – Shire of Cunderdin				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Capital Expenditure	8,126,679	11,268,558	13,031,734	24,599,435
Value of Capital Assets (Fair Value)	40,147,606	40,550,085	42,518,996	67,144,880
Percentage of Capital Expenditure to the Value of Assets	20.24%	27.79%	30.65%	36.64%

Capital Depreciation

Table 24

Capital Depreciation – Shire of York				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Annual Depreciation	1,103,167	1,383,660	1,492,181	1,624,293
Value of Capital Assets (fair value)	59,592,274	80,952,638	84,714,265	86,968,935
Capital Depreciation (percentage)	1.85%	1.71%	1.76%	1.87%

Table 25

Capital Depreciation – Shire of Tammin				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Annual Depreciation	435,410	478,077	491,246	481,691
Value of Capital Assets (Fair Value)	23,912,311	24,564,096	25,435,711	26,994,212
Value of Capital Assets (fair value)	1.82%	1.95%	1.93%	1.78%

Table 26

Capital Depreciation – Shire of Quairading				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Annual Depreciation	1,535,390	1,609,325	1,704,863	1,798,483
Value of Capital Assets (Fair Value)	31,625,400	33,087,362	33,719,012	36,329,236
Value of Capital Assets (fair value)	4.85%	4.86%	5.06%	4.95%

Table 27

Capital Depreciation – Shire of Cunderdin				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Annual Depreciation	1,305,193	1,282,113	1,331,087	1,414,811
Value of Capital Assets – (Fair Value)	40,147,606	40,550,085	42,518,996	67,144,880
Value of Capital Assets (fair value)	3.25%	3.16%	3.13%	2.11%

Loan Borrowings

Table 28

Loan Borrowings				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Shire of Cunderdin	1,115,573	981,189	837,999	689,401
Shire of Quairading	319,574	290,168	265,709	275,709
Shire of Tammin	64,264	68,272	92,745	71,932
Shire of York	58,066	1,335,336	2,259,548	2,165,255
Total	1,557,477	2,674,965	3,456,001	3,202,297

Reserve Funds

Table 29

Cash Backed Reserve Funds				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Shire of York	2,835,288	1,675,359	1,304,333	1,646,592
Shire of Tammin	370,031	391,284	237,270	438,240
Shire of Quairading	1,120,578	1,289,976	2,009,315	1,444,179
Shire of Cunderdin	829,382	791,413	2,175,361	450,416
Total	5,155,279	4,148,032	5,726,279	3,979,427

Forward Capital Works

Table 30

Forward Capital Works – Shire of York				
Description	2013-2014	2014-2015	2015-2016	2016-17
Land	260,000	0		
Building and Structures	347,000	260,000		
Roads Infrastructure	1,403,839	1,458,839		
Footpath Infrastructure	130,000	120,000		
Recreation Infrastructure	225,000	10,000		
Drainage	350,000	150,000		
Total Capital Works	2,715,839	1,998,839		

Table 31

Forward Capital Works – Shire of Tammin				
Description	2013-2014	2014-2015	2015-2016	2016-17
Land		20,000		
Building and Structures	20,000	305,000		
Roads Infrastructure	590,714	590,714		
Recreation Infrastructure	15,000	40,000		
Drainage				
Total Capital Works	625,714	955,714		

Table 32

Forward Capital Works – Shire of Quairading				
Description	2013-2014	2014-2015	2015-2016	2016-17
Land	150,000	10,000	10,000	10,000
Building and Structures	2,414,478	3,075,000	918,000	565,000
Roads Infrastructure	3,756,771	1,942,545	1,059,545	1,070,795
Footpath Infrastructure	50,000	50,000	0	50,000
Recreation Infrastructure	-	150,000	0	-
Drainage	90,000	-	42,000	-
Total Capital Works	6,461,249	5,227,545	2,029,545	1,695,795

Table 33

Forward Capital Works – Shire Of Cunderdin				
Description	2013-2014	2014-2015	2015-2016	2016-17
Land	260,000	0		
Building and Structures	347,000	260,000		
Roads Infrastructure	1,403,839	1,458,839		
Footpath Infrastructure	130,000	120,000		
Recreation Infrastructure	225,000	10,000		
Drainage	350,000	150,000		
Total Capital Works	2,715,839	1,998,839		

Capital Grants

Table 34

Capital Grants				
Local Government	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Shire of York	2,022,685	1,630,326	2,921,696	2,933,596
Shire of Tammin	559,885	313,336	265,748	2,206,462
Shire of Cunderdin	704,134	2,265,366	2,759,369	4,779,855
Shire of Quairading	822,382	1,345,118	1,971,678	4,701,787
Combined	4,109,086	5,554,146	7,918,491	14,621,700

Financial Position

Table 35

Financial Position – Shire of York			
Description	2009-2010	2010-2011	2011-2012
Current Assets	4,241,670	3,751,046	4,305,368
Current Liabilities	(764,713)	(880,732)	(1,264,692)
Net Current Assets/Liabilities	3,476,957	2,870,314	3,040,676
Non-Current Assets	59,671,045	81,039,280	84,785,387
Non-Current Liabilities	(89,493)	(1,365,777)	(2,193,207)
Equity	63,058,509	82,543,817	85,632,856

Table 36

Financial Position – Shire of Tammin			
Description	2009-2010	2010-2011	2011-2012
Current Assets	1,296,782	1,039,830	1,285,866
Current Liabilities	(173,845)	(214,637)	(288,197)
Net Current Assets/Liabilities	1,122,937	825,193	997,669
Non-Current Assets	23,917,111	24,568,962	25,441,053
Non-Current Liabilities	(278,088)	(203,089)	(359,619)
Equity	24,761,960	25,191,066	26,079,101

Table 37

Financial Position – Shire of Cunderdin			
Description	2009-2010	2010-2011	2011-2012
Current Assets	1,550,474	2,525,961	3,520,659
Current Liabilities	(390,361)	(358,595)	(540,788)
Net Current Assets/Liabilities	1,160,113	2,167,366	2,979,871
Non-Current Assets	40,328,752	40,731,231	42,874,744
Non-Current Liabilities	(1,024,487)	(848,790)	(709,542)
Equity	40,464,378	42,049,806	45,145,073

Table 38

Financial Position – Shire Of Quairading			
Description	2009-2010	2010-2011	2011-2012
Current Assets	3,273,582	2,800,329	4,226,612
Current Liabilities	(683,489)	(570,874)	(546,376)
Net Current Assets/Liabilities	2,590,093	2,229,455	3,680,236
Non-Current Assets	32,408,541	33,935,621	34,496,924
Non-Current Liabilities	(306,198)	(285,241)	(268,904)
Equity	34,692,436	35,879,835	37,908,256

Financial Ratios

Detailed in the tables below are the financial ratios extracted from the annual financial reports of the four local governments.

While the ratios are a meaningful indicator of financial performance, when viewed in isolation they are less meaningful. To obtain a clearer picture of the overall financial health of an entity, it is important to consider all the ratios to arrive at a more balanced view of the local government's financial position.

The *Local Government (Financial Management) Regulations 1996* were amended in April 2012 and new ratios were introduced. While the ratios included in this analysis include the ratios prior to the above amendment they still provide a reliable indication of the financial health of each of the four local governments.

What the Ratios Mean

Current Ratio – This ratio is a measure of short term liquidity and provides an indication of a local government's capacity to meet its liabilities when they fall due. The established benchmark is a score above 1.0 which indicates that a local government is capable of meeting current liabilities when they fall due.

Untied Cash to Trade Creditors Ratio – This ratio provides an indication as to whether a local government has sufficient untied or uncommitted cash to pay its trade creditors. The established benchmark is a score above 1.0 which indicates that a local government has sufficient liquidity to meet demands from trade creditors.

Debt Ratio – This ratio measures total liabilities as a percentage of its total assets. Generally the lower the ratio, the greater the capacity to borrow against assets. The established benchmark is a score below 0.1 which indicates that total liabilities do not adversely impact on a local government's capacity to borrow against assets.

Debt Service Ratio – This ratio measures a local government's ability to service debt from uncommitted or general purpose funds available for operations. The established benchmark is a score below 0.1 which indicates a local government has sufficient capacity to service debt from operating funds.

Gross Debt to Revenue Ratio – This ratio measures a local government's ability to service debt in any year out of total revenue. The established benchmark is a score below 0.6 which indicates a local government has sufficient liquidity to service debt from total revenue.

Gross Debt to Economically Realisable Assets Ratio – This ratio provides a measure of whether a local government has sufficient realisable assets to cover its total borrowings. The established benchmark is a score below 0.3 which indicates a local government has sufficient realisable assets to cover total borrowings.

Rates Coverage Ratio – This ratio is a measure of rates to total operating revenue and is an indicator of a local government's dependence on grants. The established benchmark is a score greater than 0.4 which indicates an acceptable level of dependency on grants.

Outstanding Rates Ratio – This ratio measures the effectiveness of the rate collection of a local government. The established benchmark is a score below 0.05 which indicates rate collection processes are effective.

In Tables 39 – 42 below, where ratios do not compare favourably with the established benchmark, they have been highlighted.

Table 39

Financial Ratios – Shire of York					
Description	Bench Mark	2012	2011	2010	2009
Current Ratio	> 1.0	1.97	2.36	1.97	2.49
Untied Cash to Unpaid Trade Creditors Ratio	> 1.0	1.43	3.03	0.51	3.31
Debt Ratio	< 0.1	0.04	0.03	0.01	0.03
Debt Service Ratio	< 0.1	0.02	0.02	0.02	0.018
Gross Debt to Revenue Ratio	< 0.6	0.30	0.30	0.01	0.01
Gross Debt to Economically Realisable Assets Ratio	< 0.3	0.19	0.13	0.01	0.01
Rate Coverage Ratio	> 0.4	0.33	0.39	0.38	0.40
Outstanding Rates Ratio	< 0.05	0.16	0.14	0.10	0.09

The Rates Coverage Ratio and the Outstanding Rates Ratio are unfavourable. Liquidity and debt ratios have remained strong over the four year period.

Table 40

Financial Ratios – Shire of Tammin					
Description	Bench Mark	2012	2011	2010	2009
Current Ratio	> 1.0	3.53	3.20	3.80	1.47
Untied Cash to Unpaid Trade Creditors Ratio	> 1.0	7.36	6.14	6.86	3.11
Debt Ratio	< 0.1	0.02	0.02	0.02	0.02
Debt Service Ratio	< 0.1	0.04	0.04	0.05	0.04
Gross Debt to Revenue Ratio	< 0.6	0.16	0.12	0.17	0.16
Gross Debt to Economically Realisable Assets Ratio	< 0.3	0.33	0.24	0.10	0.11
Rate Coverage Ratio	> 0.4	0.30	0.33	0.27	0.25
Outstanding Rates Ratio	< 0.05	0.06	0.04	0.02	0.03

The Rates Coverage Ratio, Outstanding Rates Ratio and Gross Debt to Economically Realisable Assets Ratio are unfavourable. Liquidity and debt ratios have remained strong over the four year period.

Table 41

Financial Ratios – Shire of Cunderdin					
Description	Bench Mark	2012	2011	2010	2009
Current Ratio	> 1.0	3.14	2.88	1.53	3.93
Untied Cash to Unpaid Trade Creditors Ratio	> 1.0	4.70	9.18	2.13	6.85
Debt Ratio	< 0.1	0.03	0.03	0.03	0.04
Debt Service Ratio	< 0.1	0.05	0.06	0.07	0.06
Gross Debt to Revenue Ratio	< 0.6	0.21	0.28	0.35	0.31
Gross Debt to Economically Realisable Assets Ratio	< 0.3	0.10	0.16	0.22	0.22
Rate Coverage Ratio	> 0.4	0.22	0.25	0.33	0.28
Outstanding Rates Ratio	< 0.05	0.06	0.05	0.05	0.09

The Rates Coverage Ratio and the Outstanding Rates Ratio are unfavourable. Liquidity and debt ratios have remained strong over the four year period.

Table 42

Financial Ratios – Shire of Quairading					
Description	Bench Mark	2012	2011	2010	2009
Current Ratio	> 1.0	4.45	2.88	2.27	1.37
Untied Cash to Unpaid Trade Creditors Ratio	> 1.0	3.66	2.76	3.83	2.82
Debt Ratio	< 0.1	0.02	0.02	0.03	0.02
Debt Service Ratio	< 0.1	0.01	0.01	0.01	0.02
Gross Debt to Revenue Ratio	< 0.6	0.06	0.06	0.08	0.01
Gross Debt to Economically Realisable Assets Ratio	< 0.3	0.02	0.02	0.03	0.00
Rate Coverage Ratio	> 0.4	0.23	0.25	0.35	0.22
Outstanding Rates Ratio	< 0.05	0.03	0.02	0.02	0.02

The Rates Coverage Ratio is unfavourable. Liquidity and debt ratios have remained strong over the four year period.

12.2 Future State

Expenditure and Income

Tables 43-45 provide an estimate of the future state expenditure and income and net operating result for the combined local governments for the period 2009-2010 to 2012-2013(budget). In order to calculate the income and expenditure, escalation factors have been applied to expenditure, income, depreciation and interest expense. The forecasts should be considered an estimate only and have been included to provide some perspective on the estimated expenditure and income levels of the new local government for the period 2013-2014 to 2015-2016. The information for the period 2009-2010 to 2012-2013(budget) is based on the expenditure and income results for the respective years.

Table 43

Future State – Expenditure

	Combined					Forecast		
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016	
Employee Costs	4,637,346	5,726,851	6,142,000	7,923,732	8,201,063	8,488,100	8,785,183	
Materials and Contracts	3,643,263	5,497,261	3,996,962	5,566,181	5,760,997	5,962,632	6,171,324	
Utility Charges	605,480	751,478	694,160	891,682	922,891	955,192	988,624	
Depreciation on Non- Current Assets	4,379,160	4,753,175	5,019,377	5,319,278	5,372,471	5,426,195	5,480,457	
Interest Expenses	123,158	116,725	200,290	220,567	230,493	240,865	251,704	
Insurance Expenses	504,366	561,324	679,832	650,480	673,247	696,810	721,199	
Other Expenditure	1,198,920	387,376	983,276	548,500	567,698	587,567	608,132	
Total Operating Expenditure	15,091,693	17,794,190	17,715,897	21,120,420	21,728,858	22,357,362	23,006,623	
Yearly % increase / (decrease)		17.91%	-0.44%	19.22%	2.88%	2.89%	2.90%	

Depreciation 1% increase used.

Loss on Disposal not forecast.

3.5% escalation factor to Operating Expenditures based on Local Government Cost Index (other than Depreciation).

Interest Expense calculated based on WATC 10 year lending rate of 4.5%.

Table 44

Future State – Income

	Combined						Forecast		
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016		
Rates	6,383,384	6,783,160	7,155,613	7,680,298	8,064,313	8,467,529	8,890,905		
Operating Grants, Subs, Contrib.	5,488,162	6,159,524	7,405,984	4,282,976	4,497,125	4,721,981	4,958,080		
Fees & Charges	2,244,234	3,020,851	2,751,051	3,278,396	3,393,140	3,511,900	3,634,816		
Interest Earnings	430,267	500,635	443,919	459,188	475,260	491,894	509,110		
Other Revenue	374,177	597,533	760,005	548,855	568,065	587,947	608,525		
Sub Total	14,920,224	17,061,703	18,516,572	16,249,713	16,997,902	17,781,250	18,601,437		
Non-Operating Grants, Subs, Contrib.	4,109,086	5,554,146	7,918,491	14,621,700	14,767,917	14,915,596	15,064,752		
Profit on Disposal of Assets	73,291	-16,372	381,314	1,159,921	0	0	0		
Fair Value Adjustment			0	0	0	0	0		
Sub Total	4,182,377	5,537,774	8,299,805	15,781,621	14,767,917	14,915,596	15,064,752		
Total Income	19,102,601	22,599,477	26,816,377	32,031,334	31,765,819	32,696,846	33,666,189		
Yearly % increase	18.3	18.7	19.4	-0.01	2.9	3.0			

5% annual increase for rate revenue. 5% annual increase for operating grants and subsidies.
 3.5% CPI increase for fees and charges. 3.5% CPI increase for interest earning.
 3.5% escalation factor on other revenue. Profit on Disposal not forecast.

Table 44 does not include the forecast reduction in Financial Assistance Grants (FAGS) in 2019-2020 estimated to be in the order of \$681,000. This remains an issue for each of the four local governments. The WA Local Government Grants Commission can review the impact of the eventual decrease in grants and phase in any decrease in the FAGS if it believes that the impact would have an adverse impact on the new local government.

Table 45

Future State – Net Operating Result (Including Capital Grants)

Combined			Forecast			
2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
4,010,908	4,805,287	9,100,480	10,910,914	10,036,961	10,339,485	10,659,566

Table 45 provides an indication of the net operating result for the proposed new entity based on current and projected expenditure and income.

Page 77 of the RBP contains a table that identifies the estimated cost savings using 2011-2012 budget information and based on the proposed organisational structure and service delivery model. The estimated projected operational cost savings are in the order of \$135,000 or .007% of total operating costs.

It should be noted that this figure has not been adjusted to allow for increases in elected members fees, expenses and allowances applying from 1 July 2013. It is not possible to estimate the impact on the projected savings as the new entity would be subject to a banding determination by the Salaries and Allowances Tribunal and a decision by Council on the level of fees, expenses and allowances. It is reasonable to assume that any cost savings resulting from the establishment of the new local government will be minimal in the short to medium term.

Net Surplus/Deficit

Table 46 shows the estimated net surplus/deficit position for the new entity based on the 2009-10 to 2012-13 (budget) financial data and how much the new local government would have been required to raise from rates to fund its operations during these years.

Table 46

Future State – Net Surplus/Deficit				
	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Change in Net Assets	-1,529,320	-2,121,419	1,708,828	2,943,776
Non Cash Expenditure and Revenue				
(Profit)/Loss on Disposal of Assets	-58,273	34,696	91,280	-529,235
Revaluation of Assets	0	0	0	0
Movements/Adjustments	-52,871	-79,885	105,491	113,164
Depreciation Written Back	4,379,161	4,753,175	5,019,376	5,319,278
Capital Expenditure and Revenue				
Land for Resale	-1,730	-2,102	-174,869	-63,000
Land and Buildings	-1,285,858	-2,850,389	-2,390,438	-10,009,980
Infrastructure	-6,012,240	-6,531,008	-7,910,865	-12,060,274
Property, Plant and Equipment	-1,579,694	-1,885,059	-2,555,562	-2,466,181
Proceeds from Disposal of Assets	488,606	493,115	748,702	1,656,900
Principal Payment on Borrowings	-231,279	-102,639	-297,495	-362,084
Proceeds from new Debentures	312,600	1,330,500	1,185,623	1,010,000
Self-Supporting Loans Principal Income	25,646	31,951	24,459	36,762
Loans to Community Groups	-312,600	0	0	-10,000
Loans repayments by Community Groups	-8,363	0	0	0
Transfer to Reserves	-2,008,949	-1,083,034	-2,832,617	-2,293,201
Transfers from Reserves	1,382,053	2,090,282	1,254,371	4,041,181
	-6,493,111	-5,921,816	-6,023,716	-12,672,894
Net Surplus/(Deficit) B/Fwd	3,891,195	3,865,312	4,613,967	5,033,442
Net Surplus/(Deficit) C/Fwd	3,781,467	4,726,654	5,745,884	0
Amount required from rates	-6,383,383	-6,783,158	-7,155,633	-7,639,452
Annual % increase in rates		6%	5%	7%

Financial Position

The above table shows the equity position of the new local government based on the amalgamated asset and liability position for each of the four local governments for the period 2009-2010 to 2011-2012.

Table 47

Future State – Financial Position			
Description	Combined		
	2009-2010	2010-2011	2011-2012
Current Assets	10,362,508	10,117,166	13,338,505
Current Liabilities	(2,012,408)	(2,024,838)	(2,640,053)
Net Current Assets/Liabilities	8,350,100	8,092,328	10,698,452
Non- Current Assets	156,325,449	180,275,094	187,598,108
Non -Current Liabilities	(1,698,266)	(2,702,897)	(3,531,272)
Equity	162,977,283	185,664,525	194,765,288

Financial Ratios

The *Local Government (Financial Management) Regulations 1996* were amended in April 2012 and new ratios introduced. This analysis relies on the ratios included in the financial reports of the four local governments from 2009 to 2012.

It should be borne in mind that while financial ratios are a useful indicator of financial performance, when assessed individually they only reveal part of the picture. In order to obtain a clearer picture of the overall financial health of an entity the recommended approach is to consider a range of ratios.

The financial ratios for the new entity have been calculated by averaging the 2011/12 ratios across the four local governments. The results should be regarded as indicative estimates only, given that there will be operational differences in the manner in which the new entity operates compared to the existing four local governments. Although the Own Source Revenue Coverage Ratio was not included in the 2011/12 financial reports of local governments it has been calculated to provide an additional indicator of the revenue raising capacity of the new entity given that the only ratio below benchmark is the Rate Coverage Ratio. The inclusion of these two ratios demonstrates that the new entity would still be dependent on grants to supplement its revenue base.

The future state ratios fall within acceptable benchmarks with the exception of the rate coverage ratio which is substantially below the benchmark of 0.4. This particular

ratio has now been replaced by “the own source revenue coverage” ratio which provides a more holistic assessment of a local government’s capacity to meet its operating expenditures through its own source revenue. There are three benchmarks; basic >0.4 <0.6, intermediate >0.6 <0.9, advanced >0.9.

The “own source revenue coverage” ratio for the new entity based on an averaging of the four local governments is .624 which means the new local government will need to improve this ratio if it hopes to maintain and improve the current service level of its asset base.

Table 48

Future State – Combined Financial Ratios		
Ratio	Bench Mark	Average (2012)
Current Ratio	> 1.0	3.27
Untied Cash to Unpaid Trade Creditors Ratio	> 1.0	4.26
Debt Ratio	< 0.1	0.03
Debt Service Ratio	< 0.1	0.03
Gross Debt to Revenue Ratio	< 0.6	0.18
Gross Debt to Economically Realisable Assets Ratio	< 0.3	0.16
Rate Coverage Ratio	> 0.4	0.27
Outstanding Rates Ratio	< 0.05	0.08
Own Source Revenue Coverage Ratio	> 0.9	0.624

Capital Expenditure

Capital expenditure as a percentage of assets has been calculated by aggregating the capital expenditure and value of capital assets of the four local governments and then calculating the percentage of capital expenditure to the value of assets for the period 2009-2010 to 2012-13(budget).

Table 49

Future State - Capital Expenditure				
Description	Combined			
	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Capital Expenditure	16,116,613	20,182,133	22,531,711	40,929,549
Value of Capital Assets – Fair Value	155,277,591	179,154,181	186,387,984	217,437,263
Percentage of Capital Expenditure to the Value of Assets	10.38%	11.27%	12.09%	18.82%

Capital Depreciation

The capital depreciation percentage for the new entity has been calculated by aggregating the annual depreciation and value of capital assets of the four local governments and then calculating the percentage depreciation for the period 2009-2010 to 2012-13(budget).

Table 50

Future State – Capital Depreciation				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Annual Depreciation	4,379,160	4,753,175	5,019,377	5,319,278
Value of Capital Assets (fair value)	155,277,591	179,154,181	186,387,984	217,437,263
Capital Depreciation (percentage)	2.82%	2.65%	2.69%	2.45%

Forward Capital Works

From 2015-2016 information has only been included for the Shire of Quairading as the other three Shires do not have forward plans beyond 2014-2015.

Table 51

Future State - Forward Capital Works				
Description	2013-2014	2014-2015	2015-2016	2016/17
Land	670,000	30,000	10,000	10,000
Building and Structures	3,128,478	3,900,000	918,000	565,000
Roads Infrastructure	7,155,163	5,450,937	1,059,545	1,070,795
Footpath Infrastructure	325,000	330,000	-	50,000
Recreation Infrastructure	450,000	170,000	-	-
Drainage	1,415,714	1,255,714	42,000	-
Total	13,144,355	11,136,651	2,029,545	1,695,795

Loan Borrowings

The issue of debt levels amongst the existing local governments is an issue of concern for many residents within the four communities, however the debt levels are considered manageable. This issue remains problematic for all local governments (particularly smaller regional ones) involved in amalgamations. The fear is that the ratepayers will be called upon to meet the accumulated debt of another local government through the imposition of substantial increases in rates.

The debt levels of the four local governments from 2009-2010 to 2012-2013 (budget) are manageable given their debt service ratios, all of which compare favourably with the established benchmarks. The debt service ratio for the newly constituted local government was calculated by averaging the debt service ratios of the four local governments and this produced a result of .03 which indicates the new local government would be able to service current debt commitments.

Table 52

Future State – Loan Borrowings				
Description	Combined			
	2009-2010	2010-2011	2011-2012	2012-2013
Principal Outstanding	1,557,477	2,674,965	3,456,001	3,202,297

Reserves

As with loan borrowings, reserves were also identified as an issue of concern. However all reserves are subject to statutory provisions contained in the Local Government Act 1995 which require that before the purpose or proposed use of a reserve account can be changed, a local government must give one month's local public notice before effecting any change. While this does not guarantee that the accumulated funds in reserves cannot be used for alternate purposes it does require notification to the public before the local government can effect such a change.

Table 53

Future State - Cash Backed Reserve Funds				
Description	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Cash Backed Reserves	5,155,279	4,148,032	5,726,279	3,979,427

Rating

The modelling below is a summary of the rating modelling extracted from the rating study which shows the impact of applying the phasing provisions under the Local Government (Financial Management) Regulations 1996 from year 1 culminating in year 5. It should be noted that the modelling does not include allowance for changes in valuations over the five year period but provides for indexation of 3% per annum (compounded) over the five year period.

In year five, the cells highlighted in navy indicate a favourable outcome compared to year 1. The cells highlighted in bold font indicate an unfavourable outcome in year 5 when compared to year 1.

As can be seen from the table below, the phase-in generally delivers a balanced rating outcome with minor increases and decreases across the four local governments in year 5 for the differential general rates (GRV and UV) and the differential minimum rates.

Table 54

Differential Rating – 5 Year Phase In					
Year 1			Year 5		
Rate Category	Differential General Rate	Differential Minimum Rate	Rate Category	Differential General Rate	Differential Minimum Rate
GRV			GRV		
Cunderdin	\$0.1156450	\$514.00	Cunderdin	\$0.105	\$570.00
Quairading	\$0.1088393	\$453.20	Quairading	\$0.105	\$570.00
Tammin	\$0.1428884	\$422.00	Tammin	\$0.105	\$570.00
York	\$0.0832726	\$762.00	York	\$0.105	\$570.00
UV			UV		
Cunderdin	\$0.006683300	\$550.00	Cunderdin	\$0.008	\$750.00
Quairading	\$0.008931800	\$489.20	Quairading	\$0.008	\$750.00
Tammin	\$0.009231580	\$458.00	Tammin	\$0.008	\$750.00
York	\$0.005961800	\$974.00	York	\$0.008	\$750.00

Transitional Costs

The following table provides an estimate of the total transition costs as included in the RBP. The estimate is considered a fair assessment of the transition costs which includes a contingency allowance of \$294,000 which has been deducted from the total along with a further \$121,000 for the costs associated with the appointment of commissioners.

The cost estimate also includes an amount of \$480,000 for the provision of an optic fibre communications solution. While this is the preferred option, the ADSL solution delivers a more cost effective option and will cost around \$468,000 less.

Assuming the contingency allowance, commissioner costs and optic fibre solution are deducted from the cost estimate that will reduce the transition costs to approximately \$2,950,000 which is equivalent to the funding allocated to implement the amalgamation should it proceed. Of this funding, \$295,000 has already been released as pre-planning funding which leaves a residual funding pool of \$2,655,000.

The revised transition costs are estimated to be \$2,952,078 and the residual funding pool \$2,655,000 which is a shortfall of \$297,078. Discussions with the consultant confirmed that the transition cost estimate was prepared using the maxima across the various costs. While the residual funding is less than the adjusted transitional cost estimate, this funding would still provide a substantial base for implementing the amalgamation should it proceed.

Table 55

Transitional Costs		
Service Delivery Plan/Transitional Issue	Associated Task	Transitional Cost
Office of the Chief Executive Services		
Appointment of Commissioners	Sitting Fees for Chair and Commissioners	\$114,000
	Travel Costs	\$7,200
Recruitment of new CEO	Recruitment process	\$20,000
	CEO start-up costs	\$10,000
CEO contract termination and severance	Termination of existing CEO contract	\$200,000
Project Management Officer	Engagement of project officer to assist transition	\$100,000
New Councillor Induction	New councillor induction course and manual	\$10,000
Public Relations and Communications Services		
Community Engagement	Implementation of community engagement strategy	\$20,000
Corporate Branding	Develop/Implement new corporate branding	\$80,000
Community Satisfaction Survey	Design/Implement satisfaction survey across all communities	\$15,000
Desktop Publishing Software	Software to produce in-house brochures, leaflets, etc.	\$2,500
Financial Services		
Administration Reporting	Develop financial management procedures, accounts, reports, etc.	\$20,000
New stationery and printing requirements	Printing of new stationery including letterheads, cheques, etc.	\$40,000

Transitional Costs (continued)

Human Resources and Payroll Services

Human Resources System	Implement system to facilitate HR function	\$40,000
Specialist HR/Industrial Relations Advice	Sourcing of specialist HR advice to assist transition	\$20,000
Change Management	Costs for Employee Assistance Program	\$35,000
Staff Training	Specific training programs for roles with significant change	\$44,000
Staff Uniforms	New uniforms for all Regional Services Staff	\$45,000

Information Technology and Records Management

Computer Hardware and Software	New hardware infrastructure and software licenses	\$626,580
Optic Fibre Connection	Connections to all depots and Centre in Quairading	\$479,736
Voice Communications	Voice Over Internet Protocol communications between locations	\$91,262
Data conversion and integration	Extraction and integration of all existing databases to new database	\$64,000
New Records Management System	Setup of new Electronic Document and Records Management System	\$66,000
Conversion of hard copy records to electronic format	Register high priority paper records to EDRMS	\$50,000
New Website	Design/Implement new corporate website	\$10,000
Web Based Development Application	Develop/Implement web based application portal	\$30,000

Planning Services

Desktop Mapping and GIS System	Implementation of desktop mapping and GIS system	\$31,000
Local Planning Scheme	Preparation of new Scheme to reflect proposed new district	\$150,000
Local Planning Strategy	Preparation of new Strategy to reflect proposed new district	\$150,000
Developer Contribution Plan	Preparation of Plan	\$100,000

Emergency Management Services

New Vehicle	Vehicle for Emergency Services Coordinator position	\$42,000
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Transitional Costs (continued)

Property Maintenance Services

New Vehicle	Vehicle for Property Maintenance Coordinator position	\$22,000
Cunderdin Place Centre	Alterations and Refurbishment	\$105,000
Quairading Place Centre	Alterations and Refurbishment	\$20,000
Tammin Place Centre	Alterations and Refurbishment	\$20,000
York Place Centre	Alterations and Refurbishment	\$50,000

Health Services

New Vehicle	Vehicle for Compliance Officer position	\$22,000
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Engineering and Road Services

New Vehicle	Vehicle for Engineering Technical Officer position	\$25,000
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Asset Management Services

New Vehicle	Vehicle for Asset Management Officer position	\$25,000
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Fleet Management Services

Workshop/Fleet Management System	Implementation of Management System	\$10,000
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Governance Services

Delegations and Authorisations Register	New Delegations and Authorisation Register for new entity	\$5,000
Policy Manual	New Manual for new entity	\$8,000
New Local Laws	Repeal existing local laws and implement new	\$50,000
Process Mapping and Procedure Manual	Map each process and document associated procedures	\$115,000
Land Titles and Leases/Management Order	Contract legal services to transfer land titles and management	\$15,000

Cunderdin Place Services

New signage	Showing new corporate branding and logo	\$40,000
Staff uniforms	For place based staff with new branding and logo	\$9,000
New vehicle	New light vehicle to facilitate place based service delivery	\$30,000

Transitional Costs (continued)		
Quairading Place Services		
New signage	Showing new corporate branding and logo	\$40,000
Staff uniforms	For place based staff with new branding and logo	\$8,000
New vehicle	New light vehicle to facilitate place based service delivery	\$30,000
Tammin Place Services		
New signage	Showing new corporate branding and logo	\$40,000
Staff uniforms	For place based staff with new branding and logo	\$5,000
New vehicle	New light vehicle to facilitate place based service delivery	\$30,000
York Place Services		
New signage	Showing new corporate branding and logo	\$40,000
Staff uniforms	For place based staff with new branding and logo	\$12,000
New vehicle	New light vehicle to facilitate place based service delivery	\$30,000
Youth Services		
New vehicle	New light vehicle to facilitate regional Youth service delivery	\$22,000
	Gross Transitional Costs	\$3,541,278
	Plus Contingency	\$294,000
	Total Transitional Costs	\$3,835,278
	Less Transitional Costs Not Eligible for Fundings	-\$121,200
	Net Transitional Costs For Funding Consideration	\$3,714,078
	Less Contingency Costs	-\$294,000
	Optic Fibre Connection	-\$468,000
	Revised Transitional Costs	\$2,952,078

13. Conclusion

The Board would like to acknowledge the efforts of the SEARTG and the four local governments for their support and assistance during the course of its inquiry, particularly during the public hearings and meetings with the respective Councils in July 2013. The SEARTG has been particularly diligent in its efforts to establish a new local government entity capable of providing new and improved services to communities in the South East Avon.

The number of people who attended the hearings and the amount of submissions received by the Board demonstrates the high level of community interest in the proposal. Throughout the inquiry the Board heard a wide range of views from both supporters and opponents of the proposal to amalgamate the four local governments. The public hearings attracted over 300 people, the majority of which expressed opposition rather than support for the proposal. In all, the Board received 195 submissions about the proposal with 83% opposing the proposal.

The greatest issue of concern expressed by residents of the four communities was the lack of public consultation. This issue dominated the public and private hearings which prompted the Board to request a schedule of consultation activities conducted by the SEARTG and the four Shires which were targeted at informing the public about the potential benefits of the proposal.

During the period between February and April 2013 there was a concerted consultative effort across the four Shires which included meetings, forums and written communications. The Board is of the view that the consultation initiatives may have been significantly more effective if there had been a more structured communication protocol adopted by the four local governments. Based on the feedback provided to the Board, it is clear that there was an inconsistency in the approach to dissemination of information about the proposal across the four communities.

The Board felt that the processes put into place by the SEARTG to develop the proposal were generally good but probably relied a little too much on the community to source their own information and unfortunately the longer the process went on, the more difficult it became for the SEARTG to garner community support for the proposal.

The RBP which formed the basis of the proposal attracted a degree of negative comment from the community however the Board found this document to be a

comprehensive and detailed plan to facilitate a considered and staged approach to amalgamating the four local governments in the event that it supported the proposal. The Board accepts that some of the financial data included in the RBP is based on assumptions, however this is a normal part of the process of assessing the viability of any amalgamation. The ancillary documents which were developed to complement the RBP are also valuable tools to facilitate the planning and implementation of the proposal.

The RBP establishes a positive case for the proposal to proceed but at the same time acknowledges that it will present challenges for the four local governments. The task of amalgamating the four entities is a significant exercise that requires all four local governments to be focussed on the same goals and objectives and the Board reiterated this view at each of the four meetings with the respective Councils. The Board does not believe that this critical element currently exists. While all four Councils support amalgamation they still have individual issues of concern that need to be addressed before an amalgamation can proceed.

The meetings between the Board and the Councils were particularly valuable and provided a greater understanding of the similarities and differences between the four communities and the local governments that serve them.

After meeting with each of the four Councils it was evident that they were still coming to terms with the complexities associated with bringing the four local governments together. It is fair to say that during the course of all four meetings the Board never felt that any of the local governments were adequately prepared at this point in time to drive the change management process.

Two of the Councils acknowledged during the meetings that their public consultation initiatives could have been better and they were frustrated by the level of community opposition to the proposal. The Board accepts that local government reform, particularly amalgamation is an issue of concern for many regional communities and hence the need to ensure that an effective communication program is in place leading up to, and during an amalgamation.

There was also concern expressed by the Councils of Cunderdin, Quairading and Tammin about issues relating to the operations of the Shire of York and how this was having a negative impact on community support for the proposal. The Board acknowledges that there have been some issues in York in the past which have fuelled this concern but is not aware of any ongoing issues which could be considered significant impediments to amalgamation.

On balance, the Board does not believe at this point in time that the current circumstances within the four local governments would facilitate an effective transition to a new local government entity. The Board is also cognisant of the level of funding required to effect the merger and felt that it was not in a position to recommend that the proposal proceed given its concerns about community consultation and the capacity of the four local governments to drive the change management process.

14. Recommendation

In accordance with clause 6 of Schedule 2.1 of the Local Government Act 1995, the Local Government Advisory Board recommends to the Minister for Local Government that the proposal for the Shires of Cunderdin, Quairading, Tammin and York to amalgamate, be rejected.

Appendix 1: Information Paper