



Government of **Western Australia**
Western Australian Regional Development Trust

copy to all

ITEM 9.2.4
 APPENDIX A

24 August 2011

COPY SENT TO:	
1.	All councillors
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SHIRE OF YORK	
FILE: F.I. FAC. 8	
OFFICER: Ray	INITIALS: [initials]
30 AUG 2011	
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REFERRED TO COUNCIL	
DATE: 17/10/11	INITIALS: [initials]

Mr Ray Hooper
 Chief Executive Officer
 Shire of York
 PO Box 22
 YORK WA 6302

Dear Mr Hooper

The Minister for Regional Development and Lands has referred a review of the Country Local Government Fund (CLGF) to the Western Australian Regional Development Trust (Trust) pursuant to section 12(b) of the *Royalties for Regions Act 2009* (Act).

The Trust is an independent statutory body established under the Act that provides advice and recommendations on the allocation and management of funds from the Fund.

The CLGF was originally a four-year budget program. Section 5(1)(a) of the Act went beyond this timeframe, as it gave the CLGF permanence by entrenching it as a subsidiary account of the Royalties for Regions Fund.

The purpose of the Review is to determine whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

The Terms of Reference for the Review are attached to this letter and are also available on the Trust's website (see below).

The Issues Paper for the Review is available on the Trust's website at:

<http://www.rdl.wa.gov.au/aboutus/partners/RegionalDevelopmentTrust/Pages/Review-of-the-Country-Local-Government-Fund.aspx>

The Trust is writing to every country shire seeking submissions, as the views of this sector on the CLGF are of particular importance. Written evidence will be of great assistance. I encourage you to take the time to make a submission to the Review. Your views and experiences will be important to the Trust in forming its conclusions. Submissions are requested as soon as practicable, but not later than 31 October 2011.

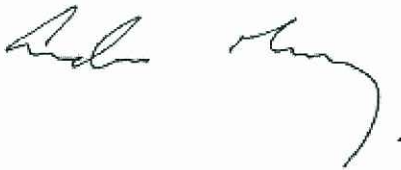
The Trust will attempt to consult with as many shires as it can. The consultation process for country local governments will be held after the 31 October closing date for submissions, and will be concluded by the end of December to enable report-writing in January 2012.

The Review report will be presented to the Minister by the end of January 2012.

If you have any queries about the Issues Paper or the consultation process, please contact Ms Michele Howard, Executive Officer – Western Australian Regional Development Trust on 08 6552 4498 or at Michele.howard@rdl.wa.gov.au.

Please note that from Monday the 29 August 2011 the physical address for the Trust will change, it will be Level 2, 140 William Street, Perth. The postal address will remain the same.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Murray', with a long, sweeping underline.

Andrew Murray
Chair

Att:



SHIRE OF YORK

SUBMISSION

TO

**WESTERN AUSTRALIAN REGIONAL
DEVELOPMENT TRUST**

ON

**THE REVIEW OF THE COUNTRY LOCAL
GOVERNMENT FUND**

LOCAL GOVERNMENT INFRASTRUCTURE BACKLOG AND ASSET MANAGEMENT

There is a large range of empirical data identifying the need for funding assistance to rural local governments in particular to address infrastructure and asset needs to retain at least existing standards and to address sustainability issues across this sector of government.

Asset preservation of roads is currently at less than 70% of the requirements, a figure of over \$2 billion has been identified as the infrastructure shortfall, there is no certainty on the future of programmes such as Roads to Recovery and financial assistance grants are below the assessed needs of fully functional local governments.

LOCAL GOVERNMENT PLANNING FOR THE FUTURE

As part of the COAG agreements and the State Government requirements for Local Government to have forward capital plans, plans for the future, asset management plans, 10 year financial plans, community strategic plans, emergency management plans and a range of other compliance requirements it is imperative that funding certainty and opportunity are factored into the determinations on the future of local governments.

The Country Local Government Fund is one component, albeit an important one in planning, programming and funding future directions.

COUNTRY LOCAL GOVERNMENT FUND

The initial allocation of \$100 million per year for four years has enabled local governments the opportunity to plan for and finance community infrastructure which is required and meets current and future needs.

The use of direct allocations to individual local government gives a high degree of autonomy to shires to assess and meet local and regional needs.

The reduction from 100% to 50% allocations over the first three operating years of the fund has reduced the ability to resource community requirements at the appropriate levels.

The regional component allocation of \$46 million has a reduced impact and effect as the local government industry is resistant to change and structural reform and many regional groupings are unrealistic and opportunistic rather than being genuine collaborative and resource sharing efforts.

TERMS OF REFERENCE

The specific matters detailed in the Terms of Reference are referred to as follows:

"Overall whether there is a continuing need for the CLGF, and if so, in what form, with what budget, parameters and with what purpose"

1. The extent to which the stated aims of the CLGF are being met, in particular, have the objectives of the CLGF been materially achieved.

(a) How the CLGF is addressing, local governments' infrastructure backlogs and enhancing local governments' capacity building.

Response: The allocation of significant funding to individual local governments' has allowed rural local governments to meet deferred community needs for infrastructure in realistic and planned processes.

Without this direct funding the sustainability of many rural towns would be reduced significantly as existing infrastructure deteriorates and new infrastructure is beyond the local government and community resource capacity.

The requirement to prepare forward and capital plans has forced the local government industry to assess current and future infrastructure needs on a controlled and planned process rather than on a one year balanced budget approach.

Asset management planning has also required local government to analyse current and future needs across all assets from a whole of life cost perspective rather than an annual balanced budget approach.

(b) How the financial sustainability of country local governments is being improved through improved asset management.

Response: Without the CLGF and with the exceptional circumstances condition across much of the rural Western Australia the financial sustainability of many Shires would be in question if the funding was not available.

The compliance requirements in forward capital planning to access the grants beyond the 2008/09 allocations is an important control mechanism forcing local governments to seriously consider their financial situations.

Proper asset management planning is considered to be imperative for the future of local government. Asset management planning should be a core component and requirement of future funding through the CLGF.

(c) The effectiveness of funds directed to voluntary amalgamation.

Response: As an involved member of a fully functional Regional Transition Group the Shire of York is appreciative of the funds directed to voluntary amalgamation processes.

The South East Avon Regional Transition Group (York, Beverley, Quairading, Cunderdin and Tammin) could not and would not have proceeded beyond the collaborative effort of SEAVROC without this funding component to move into the quantification and assessment of a voluntary merger of all or some members of the transition group.

The funding for this purpose has provided individual as well as collective benefit as single entity business, asset management and community strategic plans have been developed and adopted in addition to the overarching joint plans.

(d) How CLGF is assisting groups of country local government to fund larger scale infrastructure projects.

Response: The regional component of the CLGF has been a support mechanism for large scale infrastructure projects and it has been of particular importance in the recreation area where department of Sport and Recreation funding has not been provided or only partly funded for staged projects.

The opportunity to consider larger scale projects through the use of regional allocations is of huge benefit to local governments, particularly as there are the attendant requirements to prepare and adopt business plans, undertake community consultation and assess whole of life costs.

There are concerns that funds are available to non-aligned or committed local government groups external to regional transition groups which allows for opportunistic and fluid funding applications for which not all signatories will be committed into the future.

It is difficult to see how the current regional allocation system will continue into the future unless there are restrictions or conditions imposed to lock in long term commitment projects which multiple local governments endorse.

(e) The effect or impact of funds allocated under the CLGF.

Response: For rural residents the effect/impact of allocations and expenditure under the CLGF is extremely high and these will particularly apply to the final three years of the current commitment as projects are planned and programmed as opposed to next year funding which generally met small level community needs eg. public toilets etc.

2. Whether country local government or the Department of Regional Development and Lands has experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF.

Response: Difficulties have occurred at the local government level where realistic assessment of needs and priorities have resulted in changes to nominated projects.

The approval process through the Department of Regional Development have been very well managed and undertaken, staff have been very supportive.

Acquittal and reporting processes and requirements are considered to be satisfactory from a local government perspective.

3. The efficacy of the current formula in allocating funds to individual and groups of local governments, including whether this approach should be retained reformed or replaced.

Response: It is not considered appropriate or equitable for 2007 (FAGS) population figures to be used in the distribution of allocations, and it is proposed that Australian Bureau of Statistics figures be used in future determinations on two yearly cycles.

The use of WA Grants commission factors including needs equalisation criteria and roads components is not considered appropriate or equitable for future allocations as it does not take into account minimum grant factors, selective road funding to specific local government under the road/rail grain freight scheme, it is based on five year averages, population changes are not brought into the equations quickly and regional road funding criteria in Wheatbelt North region which is solely based on road length and not population.

4. The appropriate proportional allocation of funding between individual, group and regional components over time.

Response: It is considered that 50% of future Country Local Government fund allocations should be retained for direct funding to individual local governments for a further minimum period of four years from the end of the current cycle. A minimum grant of \$250,000 should be imposed to protect smaller shires and to allow for larger scale projects to be funded than could be achieved using normal municipal funds.

Arguments could be raised why regional and outer metropolitan local governments such as Serpentine-Jarrahdale, Mandurah, Bunbury, Geraldton and Kalgoorlie are funded as they are high population, high growth areas and have access to developer contributions and other additional fund sources eg. Airports.

At the completion of a further four year funding arrangement there may be scope to further refine funding to a municipal budget ceiling of say \$60 million and to take into account allocated funding to "Super Towns".

One factor which must be considered in the context of future funding is the need for certainty for amalgamating shires. Financial assistance grants are guaranteed to remain at current individual grant allocations at the time of amalgamation for a minimum period of five years.

As one of the stated aims is to foster voluntary amalgamation of rural local governments this surety needs to be a priority (in the case of the South East Avon Regional Transitional Group funding for an amalgamated Shire at 2011/12 allocations equated to \$1,812,954 per annum direct grants and \$1,812,954 group regional grants and this is not an insignificant amount to a newly formed local government).

A further four year funding period from 2011/12 will flow into the next state and a federal election cycles and the future structural reform in Western Australia is also expected to be clearly known.

The fate of the mining tax and the associated federal rural and regional Australia infrastructure fund and its fund distribution or application processes will also be known.

Roads to Recovery federal funding is only current to 2013/14 and new guidelines and funding levels are not known at this time. The state road funding agreement system in 2011 will also be reviewed in the next four year period.

5. The scope of initiatives that should be funded and in particular, whether the existing focus on infrastructure and capacity building should be retained, narrowed, broadened or otherwise changed.

Response: It is contended that the infrastructure backlog and asset preservation and management are vital for the future sustainability of rural local government irrespective of structural reform processes and directions and ongoing funding is required.

At this stage road infrastructure, excluding drainage, should not be funded through the CLGF as these should be federal, state and local government responsibilities.

Planning and development costs for large scale projects eg. Architect, engineering, quantity surveyor, business plans should be legitimate expenditure under CLGF as these are necessary components of the planning and resourcing of a project.

Similarly project management costs outside of normal salary allocations should be allowable expenditure.

It may be preferable and of economic benefit for future projects approvals under CLGF to be based on a minimum cost value of \$100,000 to concentrate expenditure on larger rather than multiple small projects.

The Shire of York does not consider that country local government funds, direct or group allocations should be used for service provision such as power, water, sewer or telecommunication infrastructure as these are and should be a state or federal level responsibility and or a community service allocation.

It would be of benefit if the Country Local Government Fund documents clearly stipulated areas of responsibility between the tiers of government commonwealth, state and local to prevent overlap and confusion and also minimise the opportunities for political point scoring at any level.

CLGF should not be used for the provision of infrastructure and services for police, education, health as these are direct state roles responsibilities.

6. Matters that would improve the efficiency and effectiveness of the Fund's implementation including the existing processes for forward capital works development, and business plan development.

Response: Forward capital and business plans should remain mandatory under the CLGF as it forces local governments to plan for the future, to assess needs against wants and to not enter into budget by budget or electoral cycle actions.

The Roads to Recovery electronic entry and reporting systems may be a suitable delivery model for the CLGF as a small dedicated team can monitor and follow up on issues at various stages. The R2R audit process also appears simple but robust.

7. Any other relevant matters.

Response: All Country Local Government Fund projects should have all relevant and appropriate approvals and licences in place eg. Planning, building, septic, native vegetation clearance etc prior to commencement.

A staged project approach may be applicable to some projects and a funding system similar to Road Blackpot Projects may be suitable e.g.:

Year 1 – planning approvals system, business plan, service quotes, tenders, etc.
Year 2 – Construction

Royalties for Regions – CLGF signage is considered appropriate for projects with signage to be in place one month prior to commencement and to remain in place for a minimum two year period.

GENERAL

The Country Local Government Fund component of Royalties for Regions is a high value, high return investment in rural Western Australia and it should be continued for a minimum four year period from 2011/12 at the 2011/12 direct allocation level and system.

Provision may need to be made in the group funding (regional) component of 50% to meet or assist with specific infrastructure needs for amalgamating local governments to ensure viability and sustainability from inception.

Overall the Country Local Government Fund is seen as being highly beneficial for rural communities to give some lifestyle parity with metropolitan areas and it should be above politics in assessing its impact and effect.

The Shire of York is firmly in favour of the retention of a 50% direct allocation to individual local governments for a minimum extension of four years and for appropriate guidelines and criteria to be developed for the 50% regional level component.

If further information is required please contact Ray Hooper on 08-9641 2233 or my email on ceo@york.wa.gov.au. The Shire of York agrees to the publication of this information.

R P HOOPER
CHIEF EXECUTIVE OFFICER