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

LOCAL GOVERNMENT ADVISORY BOARD

Assessment of the Proposal to Amalgamate the Shires of Cuballing, Narrogin and the Town of Narrogin

December 2012

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1. Introduction

The Shires of Cuballing, Narrogin and the Town of Narrogin submitted a proposal for amalgamation (the Proposal) to the Local Government Advisory Board in September 2012.

A map illustrating the Proposal is included with the Information Paper prepared by the Board in October 2012. A copy of the Information Paper is included at Appendix 1.

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 met the above requirements.

1.1 LOCAL GOVERNMENT REFORM

In February 2009, the Minister announced wide-ranging local government reform strategies. These strategies included, amongst other things, voluntary amalgamations.

The Local Government Reform Steering Committee's (the Committee) Structural Reform Guidelines of February 2009 identified strong, sustainable local governments as one of the outcomes of the reform process. The Committee outlined that the benefits of sustainable local government included:

- increased capacity for local government to better plan, manage and deliver services to their communities with a focus on social, environmental and economic sustainability
- increased capacity for local government to have financial and asset management plans in place
- enhanced efficiency in the processing of planning, building and other licence applications made by business and the community
- greater ability to attract and retain staff including the provision of further career development opportunities
- greater competition for positions on council and, in conjunction with other reforms, potential for enhanced government capacity, and

- larger local governments with greater capacity to partner with State and Federal Government, and the private sector, to further improve services to the communities.

1.2 THE PROPOSAL

The Proposal submitted by the three local governments was the result of an extensive collaborative exercise initiated under the State Government's local government reform agenda.

1.3 CUBALLING NARROGIN REGIONAL TRANSITION GROUP

The Shires of Cuballing, Narrogin and Wickepin together with the Town of Narrogin signed an agreement to form a Regional Transition Group (RTG) in November 2010. The Shire of Wickepin withdrew from the RTG in April 2012.

The current RTG Board comprises two representatives from each of the three local governments and was responsible for overseeing the development of a Regional Business Plan (RBP) and the submission of a formal amalgamation proposal to the Local Government Advisory Board.

Cr Richard Chadwick, President- Shire of Narrogin, was elected by the RTG Board to the position of Chairman with Mayor Don Ennis - Town of Narrogin, serving as deputy.

The Cuballing Narrogin RTG Board has met regularly since December 2010 with meetings normally occurring on a monthly basis.

The Shire of Narrogin provided secretarial support to the RTG and administered funding from the Department of Local Government to develop the RBP.

1.4 REGIONAL BUSINESS PLAN

During 2011 and 2012 the Regional Transition Group engaged consultants to develop the RBP to determine whether amalgamation would benefit the communities of the affected local governments. The RBP comprises three components:

- current state
- amalgamated state, and
- transitional considerations.

The Amalgamated State document deals with the proposed amalgamated local government. This was revised as a result of the withdrawal of the Shire of Wickepin and provides the Shires of Cuballing, Narrogin and the Town of Narrogin with information to assist their decision making process about the

benefits of amalgamation. Copies of the RBP are available on the RTG's website at www.cnwrtg.wa.gov.au

The RBP enabled the affected local governments to identify the issues impacting on a proposed merger and the best governance and operational structures for the new entity.

The RBP provides a high level comparative analysis of the following key operational areas:

- governance
- strategic planning
- asset management
- service delivery, and
- financial management.

The RBP was integral in the decision making processes of the RTG and ultimately led to a decision by the RTG and respective Councils to submit a proposal for amalgamation to the Local Government Advisory Board.

Key Messages from the Current State Component

- All three local governments are similar in demographic composition and community aspirations.
- All RTG member local governments face a very difficult financial position with a history of operating deficits and a high reliance on grant funding.
- Rates levied by the current local governments have not kept pace with costs.
- Regardless of amalgamation, rates will need to increase to narrow the gap between the cost of delivering services and the revenue required to maintain operations.
- Each local government has ageing infrastructure, a lack of previous asset management planning, and insufficient funds to maintain, upgrade or replace assets including the road network to required standards. If not managed now, this will be a significant financial burden for the next generation.
- The local governments deliver a high level of service at a relatively low cost; however, there is a lack of resources to plan and fund expanded services into the future.
- All local governments experience difficulties in attracting and retaining appropriately skilled staff.

Key Messages from the Amalgamated State Component

- The new local government would cover an area of approximately 2900km2, with a population of approximately 6200 people.
- The number of Councillors would reduce from 23 to 7 and the new local government would have a councillor to elector ratio of 1:885.
- Whilst the new local government would inherit the challenges faced by the existing local governments, it would have greater capacity to address these challenges.
- By eliminating duplication, the new local government could redirect savings to address current weaknesses in road construction and maintenance, asset management, planning, grants, HR, and financial management.
- The new local government would have a specialised works crew to better manage roads and important community assets; dedicated staff to build the local economy and officers focused on securing grants for business and community.
- The new local government would have the staff available to monitor and report on the long term financial impacts of its decisions.
- The new local government would phase in a rating system over five years that would fairly and appropriately distribute rates across rural, residential and commercial/industrial land.
- Whilst an administration centre could be located in Narrogin, local hubs will ensure that residents can still contact local government staff, submit applications, pay rates, licences and make other general enquiries.
- A larger local government would be better positioned to partner with State and Commonwealth Governments and lobby for improved community services.
- Permanent staff affected by the amalgamation would be guaranteed a job for at least 2 years in the new amalgamated local government.
- The State Government will contribute funding to transition to a new single local government.

1.5 KEY STATISTICAL AND DEMOGRAPHIC DATA

The following data is included to assist the reader in gaining a better understanding of the geographic and demographic makeup of the three local governments.

Under the Australian Classification of Local Governments the Shires of Cuballing and Narrogin are both classified as Rural Agricultural Small and the Town of Narrogin as Urban Rural Small.

Table A

KEY STATISTICAL DATA			
STATISTICS	Cuballing	Narrogin (S)	Narrogin (T)
Area (sq km)	1250km2	1618km2	12.6km2
Population	884	897	4357
Number of Electors	776	626	2765
Number of Councillors	7	7	9
Number of Employees	16	19	104
Number of Dwellings	342	314	1825

2. Local Government Advisory Board

2.1 ROLE OF THE BOARD

The Board is a statutory body established under section 2.44 of the Act. Its role is to provide advice to the Minister on amalgamations, district and ward boundary amendments and councillor representation.

The Board's major function is to assess proposals to change local government boundaries and their system of representation and make recommendations to the Minister about these proposals.

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 Table B below:

Table B

BOARD MEMBERS	
CHAIR	Cr Melvyn Congerton JP
MEMBERS	
WALGA Nominees	Cr Helen Dullard AM Mayor Ron Yuryevich AM RFD Mayor Terence Kenyon JP (Deputy) Cr Karen Chappel (Deputy)
LGMA Nominees	Dr Shayne Silcox Mr Jonathan Throssell (Deputy)
Department of Local Government	Mr Mark Glasson 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.

On 26 September 2012, the Board determined that the Proposal should not be dealt with under the provisions of clause 2 and 3 above, and as such, the provisions of clause 4 would apply and the Board would conduct a formal inquiry into the Proposal.

When a formal inquiry is conducted, 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 —

(i) the proposal; or

(ii) 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* and the *Narrogin Observer* on 10 September 2012.

A copy of the Notice is included at Appendix 2.

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 includes part 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 VIABIILITY 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

The Board met with the Councils of the three local governments to allow councillors the opportunity to present their views and discuss any issues or concerns relating to the proposed amalgamation and the associated inquiry process.

Details of the meetings are as follows:

Shire of Narrogin – 3.00pm, 29 October 2012

Councillors and staff were asked to comment or ask questions about the inquiry process and raise any concerns or issues about the amalgamation proposal.

The Council queried whether the time frame for obtaining ministerial approval on the Board's final recommendation would be problematic given the proposed 1 July 2013 amalgamation date. It was explained that the Board was working towards presenting its report to the Minister for Local Government by mid-December. Should the Board recommend in favour of the amalgamation and the Minister contemplate accepting the Board's recommendation, the Minister must inform electors of their right to request a poll on the recommendation.

It was explained that arrangements are already in place with the WA Electoral Commission (WAEC) to hold a poll on Saturday 13 April 2013, should one be requested. The time frame for the 2013 State election may impact on the statutory process given that the election writs will be issued on 6 February 2013.

The Board advised the Council that it should commence planning for the amalgamation regardless of the outcome of any poll but stipulated that this should only involve planning for the merger rather than actually implementing any initiatives. The Council raised the issue of Commissioners and the inaugural election. The RTG has requested five commissioners and an election date to coincide with the 2013 ordinary election date.

The Council sought clarification on the terms of reference for the Board's financial analysis which will form part of the Report to the Minister. It was explained that the Act contains the relevant provisions for conducting inquiries and there are no specific provisions as to how the financial analysis is to be conducted.

The Council advised that the RTG had used a variety of communication techniques to keep all stakeholders informed. This included regular press articles in local newspapers, regular website updates, television commercials and public meetings.

The Council expressed concern at the cost of the amalgamation and the potential impost on ratepayers. It also identified the need for a new administration building as neither the Shire's or the Town's current buildings were suitable. The Board referred to correspondence from the Minster to the RTG in which he offered to fund a feasibility to assess accommodation options for the new local government as opposed to funding a new administration building.

The ward structure was discussed and the Council was advised that it would need to determine names for the wards and advise the Board as soon as possible.

The Council referred the Board to the Amalgamated State document of the RBP expressing concern that it did not identify any significant cost savings for the new entity. It did, however identify a substantial number of benefits and efficiencies which could be achieved through an amalgamation of the three local governments.

The Board advised that it would consider the information contained in the RBP prior to preparing its report to the Minister. The 'Current State' document painted a less than positive picture, with all three local governments dependent on grants and coping with other financial issues which impacts on their sustainability in the long term. The Council acknowledged that the Shire and Town of Narrogin was the only "doughnut shire" structure left in Australia and amalgamation in the future is considered inevitable.

The Council expressed concern that the administrative workload associated with the proposed amalgamation was not being equally shared by the RTG members and sought the Board's advice on how this could be addressed. It was suggested that each local government's contribution should be relative to their size and resources.

The Board reiterated that strong leadership was crucial to the success of the amalgamation proposal.

The Council queried the impact on its town planning scheme should the amalgamation proceed. It was confirmed that the existing town planning schemes would still be applicable as in the former local government boundaries and any existing contracts would also continue under the new local government. It was recommended that a due diligence process be undertaken as part of the transition process.

Town of Narrogin – 10.00am, 30 October 2012

Councillors and staff were asked to comment or ask questions about the inquiry process and raise any concerns or issues about the amalgamation proposal.

The Council advised that there had been some disagreement between the local governments in relation to representation and the name of the new local government. The Board advised that this was an issue normally left to the amalgamating local governments to resolve.

Council expressed concern at the 1 July 2013 amalgamation date and the further pressure on the local governments in the event of a poll. The Board encouraged the Council and the RTG to do as much as possible in preparation for the amalgamation notwithstanding the possibility of a poll.

A possible implementation date of 1 January 2014 for the amalgamation was discussed and the Board advised that this date would be problematic and would present the new and former local governments with a host of administrative complications.

The Council informed the Board that the Town had to make some major organisational changes due to a number of operational issues. In spite of this the Town fully supported the amalgamation and believed it was the best outcome for the region.

The Board acknowledged the Council's concerns in relation to the timeframe for amalgamation and encouraged the Council, through the RTG to increase its communications within the community. The meeting closed with the Council agreeing that the amalgamation would benefit all communities in the region.

Shire of Cuballing – 3.00pm, 30 October 2012

Councillors and staff were asked to comment or ask questions about the inquiry process and raise any concerns or issues about the amalgamation proposal.

The Council expressed some concern about the effectiveness of the communication strategies and initiatives used to inform residents and ratepayers about the amalgamation. The Board confirmed that it was the role of the RTG to implement an effective communication strategy to complement the amalgamation process. The Council was of the view that the three local governments had all taken a different approach to communicating with residents and ratepayers about the amalgamation process and this probably accounted for the differing views within the respective communities about the amalgamation.

The Council sought the Board's advice on the issue of Commissioners and whether it was possible for them to remain in place longer than the proposed appointment period which is prior to the inaugural elections in October 2013. The Board informed the Council that the Commissioners can only be appointed until the inaugural election which must be held no later than twelve months after establishment of the new local government. It was also pointed out that Commissioners can be appointed prior to the establishment of the

new local government, however all the positions of councillor in these circumstances must be declared vacant.

The Council queried whether the Board's Inquiry Report would be made available to the public. The Board advised that when the Report was complete and following consideration by the Minister for Local Government, it would be made available to the public.

The Council sought the Board's advice on the poll provisions and how these might impact on the proposed amalgamation. It was explained that the poll provisions only apply should the Board recommend to the Minister that the amalgamation proceed. Before the Minister can accept the recommendation he is required to allow electors of the affected districts to request a poll on the recommendation.

The Board also explained the potential impact of the impending State election in early March 2013. The Board envisages submitting its report to the Minister for consideration in mid-December 2012 to ensure the election has minimal impact on the statutory processes associated with the amalgamation.

The Board sought advice from the Council in relation to a perceived discrepancy in elector numbers. The Shire provided the Board with an updated elector roll. The Council sought clarification on how a poll request was authenticated. The Board advised that should a petition for a poll be received it would be checked against WAEC data to ensure that it was valid.

4.2 PUBLIC HEARINGS

The Board conducted public hearings in accordance with clause 4 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 Board held a public hearing in the Shire of Cuballing and also one in the Town of Narrogin for residents of the Shire and Town of Narrogin.

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

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

Table C

PUBLIC HEARING VENUES, DATES AND ATTENDANCE		
VENUE	Date	Attendance
John Higgins Centre, 6.00pm – 8.00pm	29 October 2012	Approx 40
Cuballing Hall, 6.00pm to 8.00pm	30 October 2012	Approx 70

The public hearing held in Cuballing attracted approximately twice the number of people as the hearing in Narrogin which was surprising given the combined population of the Shire and the Town is approximately 5300 compared to the Shire of Cuballing which is approximately 890. This result can largely be attributed to the opposition to amalgamation by a substantial number of residents within the town of Popanyinning and to a lesser extent, Cuballing.

Prior to the hearings there was some suggestion that the Board should have advertised the hearings more widely, however the Board followed normal procedures for advertising the hearings in relevant newspapers. The Board remains firmly of the view that the process for advertising the hearings was more than adequate.

In conjunction with the public hearings a public submission period was also held which allowed any interested party to lodge a formal submission with the Board.

Public Hearing – Narrogin

In all, nine people addressed the Board at the hearing. All expressed concern or opposition to the amalgamation proposal for the following reasons:

- The issues associated with the amalgamation are constantly changing.
- The RBP does not appear to be current.
- Inadequate number of councillors to service the proposed new local government.
- Debt levels of the new local government.

Public Hearing – Cuballing

In all, thirteen people addressed the Board at the hearing. All expressed concern or opposition to the amalgamation proposal for the following reasons:

- Inadequate communication about the proposal.
- Potential rate increase for ratepayers in the Shire of Cuballing.
- Loss of identity for the residents of Cuballing.
- No benefits for residents in Popanyinning.
- There is no data available which demonstrates the benefits of local government amalgamations.
- Debt levels of the new local government.
- The information provided to the community about the amalgamation was poor in quality.
- The Town of Narrogin's financial position is questionable.

The public hearing in Cuballing revealed concerns amongst residents that there had been insufficient information provided by the RTG about the amalgamation and this in part was fuelling opposition to the proposal.

The Board sought clarification on this issue from the RTG and is satisfied that the content and frequency of information made available to residents was substantial and constant.

The following communication activities were undertaken by the RTG to ensure residents were kept up to date with developments surrounding the proposed amalgamation:

- A website dedicated to the role and activities of the RTG was developed.
- A FAQ facility was included on the website.
- Fact sheets on the amalgamation were published and distributed to community members.
- A substantial number of media releases were put out by the RTG.
- Newsletters were mailed to residents in Cuballing and Narrogin.
- The Regional Business Plan was published on the RTG website as well as other supplementary information.
- Members of the RTG participated in radio interviews answering questions about the proposed amalgamation.
- Minutes of RTG meetings were published on its website.
- Community meetings were held to explain the content of the Regional Business Plan.

4.3 ANALYSIS OF PUBLIC SUBMISSIONS

The consultation period commenced on 10 October 2012 and concluded on 22 November 2012. In that time the Board received 166 submissions regarding the proposed amalgamation. Of these, 153 do not support the amalgamation proposal.

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

Table D

ANALYSIS OF SUBMISSIONS			
	Support	Oppose	Undecided
TOTAL	5	153	8

Support for the proposal was predicated on the following views:

- The local governments already work co-operatively to provide services to residents. Cuballing residents utilise many of the facilities of the other two local governments. By sharing the regions assets and resources, better services can be provided.
- The amalgamation will result in less administration costs as a whole and therefore there will be more funding to share around.
- Support the Shire of Cuballing's decision to amalgamate with Narrogin.
- There will be financial benefits as well as the development of better infrastructure and services to the community.

Opposition to the proposal was predicated on the following views:

- "Big is not best" – a high percentage of submissions indicated that a smaller local government was better for their community spirit.
- Community Identity will be lost in a larger local government.
- Rates will increase and services will decrease.
- There is no social or economic benefit for the residents of Cuballing. There seems to be a lot of opposition to the "culture" in Narrogin.
- In an amalgamated local government there will be limited representation for Cuballing and even less for those residents in Popanyinning.
- The Town of Narrogin will receive all the funding, which will not be distributed to outlying areas in the "new local government".
- Cuballing is a strong, stable and financially sound local government – there seems to be no justification to change this.
- "If it ain't broke, don't fix it."

- Lack of community consultation has caused anxiety amongst the community.
- The Town of Narrogin's financial management has been poor.
- Cuballing will not be granted the same amount of 'attention' in a larger council.
- This proposal is too small – the local governments amalgamating should be Narrogin (Town and Shire), Cuballing, Pingelly, Williams and Wandering. To be named Dryandra Country Shire.
- Cuballing residents are more aligned with Pingelly than Narrogin.
- Cuballing will inherit the financial problems of Narrogin.
- Cuballing is a proud Shire and its history is based within the local government. An amalgamation will ruin this.
- Not in the best interests of any of the communities.

Those that were **undecided** cited the following reasons:

- There has been a significant lack of information to electors about the proposal.
- Uncertainty about why the proposal is being forced, why Wickepin has been removed as a party and also the role of the RTG.

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

5.1 COMMUNITY OF INTERESTS

The three local governments share a significant community of interest due in the main to their proximity to one another and their shared history. The Town of Narrogin is considered a regional Centre and provides a wide range of services to not only the residents of the Shires of Cuballing and Narrogin but also the surrounding Shires of Williams and Wickepin.

The RBP identifies a strong community of interest between the three local governments.

Should the amalgamation proceed, there is no apparent reason why the current strong community of interest between the three local government should be adversely affected. From a social perspective, community involvement in sporting and other interactions will remain unaffected by an amalgamation.

The amalgamations that have occurred in Western Australia in recent times have not had any impact on the social fabric of the former local governments. A number of residents in Cuballing provided submissions to the Board expressing concern that their community identity would be lost in the event of an amalgamation. While the Board understands these concerns, the experience borne out of previous amalgamations is that community identity is largely unaffected and people within the community will continue on as they always have.

The amalgamation proposal is constructed around a place management approach which will result in the continuance of a local government presence in the Shire of Cuballing.

5.2 PHYSICAL AND TOPOGRAPHIC FEATURES

The Board is of the view that there are no physical or topographic issues which impact on this proposal.

5.3 DEMOGRAPHIC TRENDS

There are several demographic characteristics that the Board considers relevant when considering amalgamation proposals and they are; population growth, age and occupation. These serve as indicators as to whether the current local government structure can provide an appropriate range of services to accommodate the demographic composition of the new local government.

The ABS comparative population statistics for the three local governments from 2001 to 2011 are as follows:

Table E

POPULATION CHANGE			
YEAR	Cuballing	Narrogin(S)	Narrogin(T)
2001	722	770	4750
2002	724	801	4747
2003	748	818	4737
2004	772	824	4575
2005	811	850	4559
2006	824	869	4506
2007	843	888	4486
2008	847	918	4462
2009	858	927	4435
2010	873	898	4383
2011	884	897	4357

The Current Australian Bureau of Statistics on Regional Population Growth indicates the following annual average growth rates for the three local governments from 2001 to 2011:

Shire of Cuballing 2.2%

Shire of Narrogin 1.6%

Town of Narrogin -.8%

The aggregate population of the three local governments decreases by 1.6% from 2001 to 2011.

The size of the populations of these local governments compared across Western Australia and the Wheatbelt is as follows:

Shire of Cuballing - Ranks 111 out of 138 in Western Australia and 30 out of 43 in the Wheatbelt.

Shire of Narrogin - Ranks 106 out of 138 in Western Australia and 27 out of 43 in the Wheatbelt.

Town of Narrogin - Ranks 57 out of 138 in Western Australia and 3 out of 43 in the Wheatbelt.

The following table of population by age is based on Australian Bureau of Statistics data and provides a detailed breakdown of the age demographic across both Shires.

Table F

POPULATION BY AGE			
AGE	Cuballing	Narrogin (S)	Narrogin (T)
0 to 4 years	61	56	347
5 to 9 years	62	57	319
10 to 14 years	61	54	345
15 to 19 years	59	118	348
20 to 24 years	22	31	263
25 to 29 years	34	40	236
30 to 34 years	38	35	244
35 to 39 years	42	64	271
40 to 44 years	76	58	300
45 to 49 years	78	70	246
50 to 54 years	71	86	307
55 to 59 years	70	70	240
60 to 64 years	82	59	247
65 to 69 years	48	43	186
70 to 74 years	41	26	135
75 to 79 years	11	22	123
80 to 84 years	17	7	97
85 years+	11	1	103
TOTAL	884	897	4357

In terms of the age demographic for each local government, a comparison on the three following bands; 0 – 29, 30 – 49, and 50 and over produced the following results:

Table G

PERCENTAGE OF POPULATION BY AGE			
LOCAL GOVERNMENT	0 – 29 %	30 – 49 %	50 and Over %
Cuballing	33.8%	26.5	39.7
Narrogin (S)	39.7%	25.3	35.0
Narrogin (T)	42.6%	24.4	33.0

The analysis of the age demographic across the three local governments reveals an interesting comparison with a generally even spread of age in the 30 – 49 band. The Town of Narrogin and the Shire of Narrogin have reasonably higher proportions of population in the 0 – 29 band. The Shire of Cuballing has a reasonably higher proportion of population in the 50 and over band.

While the population is ageing in the three local governments it is not seen as a critical issue at this point in time. The Amalgamated State component of the RBP states that the majority of the population are aged between 45 and 64. This however is not correct, with only 26% of the combined population falling within this age group while 30.7% of the population is between 0 and 19 years.

Aged care services within the region are provided by the Town of Narrogin. The RBP suggests that the Town is positioned to cope with what is considered to be a gradual increase in the need for aged care services in the short to medium term.

An analysis of occupation by classification was also undertaken and the following table is based on current census data:

Table H

OCCUPATION BY CLASSIFICATION			
OCCUPATION	Cuballing %	Narrogin (S) %	Narrogin (T) %
Managers	35.2	41.0	13.7
Professionals	8.7	15.0	15.8
Technicians and Trade workers	13.4	9.1	15.7
Community and Personal Service Workers	5.9	7.5	11.2
Clerical And Administrative Workers	11.1	8.6	10.7
Sales Workers	4.9	3.4	8.7
Machinery Operators and Drivers	6.7	5.0	7.0
Labourers	12.6	10.4	15.4
Not Stated	1.5	0.0	1.8
TOTAL	100	100	100

The average annual incomes in each of the three local government are as follows:

- Shire of Cuballing - $36,514
- Shire of Narrogin - $38,974
- Town of Narrogin - $39,671

This information is provided to assist the reader to gain a greater appreciation of the makeup of the respective workforces in each of the existing local governments and an insight into the prevailing socio- economic circumstances within each of the local governments.

5.4 ECONOMIC FACTORS

The local economies in the three local governments are essentially driven by agricultural activities with the Town of Narrogin acting as the service and commercial centre.

The Shire of Cuballing's employment base is broad acre agriculture but is impacted by seasonal demand. The commercial sector includes varying small businesses which in the main are linked to existing agricultural activities.

Agriculture is the main economic driver in the Shire of Narrogin. This is unlikely to change in the long term. The Narrogin Regional Airport is seen as having great potential for economic development as have industries that value add to the agricultural industry.

The Town of Narrogin has a more diverse economy based around agricultural services, education, health and aged care services, timber milling, brick making, concrete, light engineering and cabinet making.

5.5 HISTORY OF THE AREA

The name Narrogin is said to have originated from the Aboriginal word ‘gnargijin’ meaning place of water and is named after a large pool on Narrogin Creek. (Other sources quote the meaning as ‘place of bats’ or ‘plenty of everything’.)

The earliest use of the name Narrogin seems to have been applied to an inn located closer to Perth in the foothills at Armadale.

The first settlers in the area were sheep herders who had followed water courses and selected property suitable for grazing. Edward Hamersley took up the first pastoral and tillage lease of 5000 acres in 1853. The lease lapsed in 1858 which may indicate that it was never stocked. It is known that Elijah Quartermaine took up and settled on 5000 acres in 1860. A number of other settlers soon took up land including the ex-convict John Dodd in 1876.

The Town started as a small group of buildings centred on the railway station on the Albany - Beverley line. The 'Father of Narrogin' Michael Brown was responsible for a great deal of building construction in the town and this in turn attracted new settlers. His descendants are still in the area with one as late as the year 2000, being a town councillor.

> *'Narrogin was one of the largest towns on the fringe of the wheat belt. It had two hotels, two boarding-houses, two shops, a doctor, a chemist and a small hospital on a hill away from the railway station. It was on the Great Southern railway line and a train went through once a day from Perth to Albany.'*
>
> Albert Facey 1908.

Its emergence as a regional centre for the Central South region can be traced back to the construction of the Great Southern Railway Line between Albany and Beverley in the late 1880's. Between 1905 and 1926 new railway lines were constructed to Collie, Wickepin, Kondinin, Dwarda and points beyond. Narrogin remained a major rail centre until the late 1970's when competition from road transport saw a reduction in the railways workforce from some 280 people to less than a dozen in 1995. Narrogin's previous role as a major railway junction served to attract agricultural service industries as well as government departments and agencies.

Over the years the town has accumulated significant public infrastructure - mainly in the health and education areas. This infrastructure serves as the base for the modern regional centre that Narrogin has become today.

Cuballing originated as a townsite on the Great Southern Highway between Pingelly and Narrogin, 195 km from Perth. It is one of the original stations on the Great Southern Railway, and was in use when the railway opened in 1889. The station was originally spelt Cubballing after nearby Cubballing Pool, but when the townsite was gazetted in 1899, the current spelling was adopted. The name of the pool was first recorded in a lease application in 1868, but the meaning of this Aboriginal name is not known.

Local Government History

The table below outlines changes to the local government structures in the three local governments since their establishment:

Table I

BOUNDARY HISTORY OF THE LOCAL GOVERNMENTS	
Narrogin(T)	Established as the Narrogin Municipal District in 1906. Name changed to the Town of Narrogin in 1961.
Narrogin(S)	Established as the Narrogin Road District in 1892. Was subject to a number of boundary amendments with surrounding Shires until the establishment of the Shire of Narrogin in 1961.
Cuballing	Established as the Cuballing Road District in 1903. Was subject to a number of boundary amendments until the establishment of the Shire of Cuballing in 1961.

As is normally the case with amalgamation proposals, the history associated with the amalgamating local governments has little or any bearing on the question of amalgamation. The history associated with the three local governments have been documented and will form part of the history of the new local government should the amalgamation proceed.

5.6 TRANSPORT AND COMMUNICATIONS

The Board's Guiding Principles identifies that transport and communication linkages between towns and other areas may constitute significant barriers to movement and provide appropriate boundaries between local governments.

Transport

The Shire of Cuballing is located approximately 15 kilometres north of Cuballing on the Great Southern Highway. The rail line connecting Narrogin

and Cuballing is used primarily for grain haulage. Narrogin also has a small regional airport.

The amalgamation proposal would not impact on any of the above.

Communications

The three local governments are typical of most regional local governments where internet access is constrained by limited infrastructure, particularly the Shire of Cuballing. The rollout of the NBN is not programmed for the area in the short term.

Under the amalgamation proposal a community service centre and works team will operate out of Cuballing. It is not envisaged that there will be any communication issues that are any more problematic compared to the current operating environment.

The Regional Business Plan identifies opportunities for improved business processes and systems should the amalgamation proceed.

5.7 MATTERS AFFECTING THE VIABILITY OF LOCAL GOVERNMENTS

Of the three local governments, the Town of Narrogin is considered the most viable while all are reliant on grant funding.

The following comments were extracted from the Current State component of the RBP:

> *All local governments report a fairly consistent recent history of operating deficits. This is unsustainable in the long run and will require an increase in rates or reduction in services if alternative sources of funding cannot be found. In councillor workshops all four local governments cited financial constraints as the basis for a wide range of operational gaps, such as a lack of staff to undertake specialist roles.*
>
> *There is insufficient staff capacity to generate and source alternative revenue streams. In addition, the small size of the Shires means they do not have the ability to access funding for a range of initiatives. There is the opportunity to generate external income by contracting to Main Roads, however this is not viable due to a lack of adequate road plant, as well as irregular and infrequent offers of contracts. Main Roads also prefers to deal with regional groups of local governments.*
>
> *There is a lack of funding for additional staff. Increasing governance and statutory compliance requirements by State Government are increasingly difficult to meet, Staff are spread thinly over a wide range of roles, and CEO"s are drawn into operational rather than strategic needs.*

The local governments face a range of financial constraints, with a heavy reliance on grant funding. None of the local governments have increased rates at the same rate as costs.

All local governments are valuing assets at historical cost. This results, in lower than necessary provisions being made for asset replacement. This has been exacerbated by Councils being reluctant to increase rates in difficult agricultural production years by an amount sufficient to meet long term asset replacement forecasts.

Significant structural reform including amalgamation and formalisation of regional groupings is required to ensure long term community and organisational benefit in order that the needs of the current and future generations are met.

As part of assessing the viability of the four local governments, it is essential to consider the capacity of these local governments to:

- better plan, manage and deliver services to their communities with a focus on social, environmental and economic sustainability
- develop and implement and adequate financial and asset management plans, and
- partner with the State and Federal Government, and the private sector to further improve services to communities.

In 2009, the Local Government Reform Steering Committee undertook a survey to assess the capability of local governments.

The Capability Assessment undertaken by each local government was designed to identify areas of strength and gaps in capacity to enable councils to make an informed; objective assessment of their future viability. Key areas of assessment included:

- capacity for long term financial planning, strategic community planning and asset management
- equitable governance and representation
- organisational capacity
- effective political and community advocacy
- capacity to plan for change
- management of natural resources, and
- future capacity for optimal service delivery.

The scoring methodology applied to the survey results were as follows:

Category One - evidence indicates that there is existing organisational and financial capacity to meet current and future community needs. Local governments should still consider reform opportunities which enhance service provision to local and regional communities.

Category Two - structural reform including amalgamation/boundary adjustments and formalisation of regional groupings should be considered to enhance organisational and financial capacity to meet current and future community needs.

Category Three - significant structural reform including amalgamation and formalisation of regional groupings is required to ensure long term community and organisational benefit in order that the needs of the current and future generations are met.

The Shires of Cuballing, Narrogin and the Town of Narrogin were all assessed as category three local governments in accordance with the above criteria.

5.8 THE EFFECTIVE DELIVERY OF LOCAL GOVERNMENT SERVICES

The RBP commented that all three local governments deliver a high level of service and this is supported by community feedback.

Other findings contained in the Plan include:

- Overheads are small for the scale of services delivered and generally local governments have efficient administrations.
- The Town of Narrogin provides a range of aged care services, including Home and Community Care and Aged Care Packages. These services are cost neutral to the Town of Narrogin as they are funded through Australian and State government grants. They provide valuable services to the community, as well as a source of employment.
- There are a range of engagement processes to ensure that community needs and feedback are recognised and acted upon. This responsiveness allows for the ability to quickly address problems as they arise.
- There are a wide range of recreational facilities in the area to meet community needs. This includes facilities in Cuballing, Popanyinning and Highbury as well as the Narrogin Leisure Centre. The Shires of Narrogin and Cuballing make a financial contribution to the Town of Narrogin for provision of these community facilities.
- There is a lack of formal long-term planning for service delivery within all three local governments. This includes service planning, costing and impact assessment with regular review at predefined intervals which has contributed to a large funding gap across all service delivery areas where the costs of delivery exceed funding sources.

- There is a heavy reliance on grant funding to deliver services.
- Alternative funding streams and grants need to be sourced if more services are to be delivered.
- Service levels are impacted primarily by financial constraints and are compounded by difficulties experienced by the three local government in hiring experienced and qualified staff.
- The Town of Narrogin has experienced difficulties in recruiting appropriate staff for corporate services roles and works related positions. This limits the capacity and operational performance of local governments to deliver services.
- There is a lack of formal key performance indicators around service delivery which means it is not regularly monitored and reported against. Services are currently monitored via budget reports and community feedback.

6. Other Matters Considered by the Board

As part of its inquiry process, the Board may consider other matters relevant to its inquiry. These matters are additional to those contained in Schedule 2.1 of the Act.

The following matters were considered by the Board.

6.1 WARDS AND REPRESENTATION

The RTG has requested that the ward structure for the new local government reflect the current district boundaries of the three local governments for a period of four years.

The ratio deviations are substantially outside the Board's +/- 10% policy and a review of wards and representation will need to be undertaken in due course. This should occur prior to the 2017 ordinary elections.

Table J

WARDS AND REPRESENTATION				
WARD	Number of Councillors	Number of Electors	Councillor to Elector Ratio	% Ratio Deviation
Cuballing District Ward	2	568	1:284	+49.92%
Narrogin District Ward	2	637	1:319	+43.84%
Narrogin Town Ward	3	2765	1:922	-62.51%
TOTAL	7	3970	1:567	

The Board supports the ward structure, the number and distribution of councillors and the ward names proposed by the RTG included in the above table.

6.2 NAME OF THE NEW LOCAL GOVERNMENT

The RTG met on 22 October 2012 and resolved as follows:

The name of the Shire of Narrogin Cuballing be forwarded to the Local Government Advisory Board as the preferred name of the new local government. In addition, the detail of votes received for Narrogin Regional Council (77 votes), Shire of Narrogin Cuballing Region (69 votes) and Shire of Dryandra Regional Council (66 votes) also be forwarded for its information.

The RTG wrote to the Board on 12 November confirming the preferred name of the new local government.

The Board supports the choice of name for the new local government.

6.3 METHOD OF ELECTING THE SHIRE PRESIDENT

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

The Board supports this request.

6.4 APPOINTMENT OF COMMISSIONERS

The Minister for Local Government is responsible for recommending the appointment of commissioners to the Governor. 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 propose that the current Shire Presidents and Mayor from each local government be appointed as commissioners. The Chair and Deputy Chair are to be independent persons.

7. Financial Analysis

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

The analysis includes three years of historical financial information and where appropriate, three year forecasts. The Board has used information included in the 2012-13 budgets of each local government. It should be noted that the financial information pertaining to the Town of Narrogin for 2011-2012 was unaudited when this analysis was conducted, however the Board is satisfied that this did not compromise the results contained herein.

The Board had to make a number of assumptions when compiling this analysis, however the financial information it has used is based the on the actual operations of the three local governments and is historically accurate.

RATING

The following tables illustrate the difference in rating regimes between the three local governments in 2011-12 and the differences in rates revenue raised during the period 2008-09 to 2012-13:

Table 1

RATE CODE	Cuballing RID	Narrogin (S) RID	Cuballing Difference	Cuballing % Difference
GRV	0.056434	0.0470	0.009434	20%
UV	0.005224	0.0042	0.001024	24%

Table 2

RATE CODE	Cuballing RID	Narrogin (T) RID	Cuballing Difference	Cuballing % Difference
GRV	0.056434	0.096	-0.039566	-41%
UV (Mining)	0.005224	0	0.005224	n/a

Table 3

RATE CODE	Narrogin (S) RID	Narrogin (T) RID	Narrogin (S) Difference	Narrogin (S) % Difference
GRV	0.0470	0.0960	-0.0490	-51%

Table 4

	CUBALLING			NARROGIN (S)			NARROGIN (T)		
RATE CODE	No of Properties	Valuations $	2011/12	No of Properties	Valuations $	2011/12	No of Properties	Valuations $	2011/12
General Rates - UV	308	108,922,980	568,338	342	159,064,000	668,069	0	0	0
General Rates - GRV	188	2,044,220	106,853	51	766,064	36,005	1821	24,181,758	2,358,326
Minimum Rates - UV	23	1,313,886	8,880	93	6,779,000	43,700	0	0	0
Minimum Rates - GRV	142	56,451	59,779	43	281,257	19,780	274	1,418,100	217,830
Discounts /Ex Gratia			-45,541			-59,631			-321
Total Rate Revenue			698,309			707,923			2,575,835

Table 5

RATE REVENUE	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013 Budget	Average yearly Increase
CUBALLING	627,852	652,193	680,322	698,309	779,154	
Yearly % increase CUBALLING	0%	3.88%	4.31%	2.64%	11.58%	5.60%
NARROGIN (S)	599,362	632,497	678,904	707,923	800,826	
Yearly % increase NARROGIN (S)	0%	5.53%	7.34%	4.27%	13.12%	7.57%
NARROGIN (T)	2,235,360	2,309,490	2,461,882	2,575,835	2,851,129	
Yearly % increase NARROGIN (T)	0.00%	3.32%	6.60%	4.63%	10.69%	6.31%

The three local governments have had significant fluctuations in their rate revenues since 2008-09 until 2012-13. The average yearly increase for each of these local governments over this period is as follows:

- Shire of Cuballing 5.6%
- Shire of Narrogin 7.5%
- Town of Narrogin 6.3%

The difference in rating charges is always an issue facing amalgamating local governments, however recent changes to the *Local Government (Financial Management) Regulations 1996* allow a differential rate to be applied in the event of an amalgamation in the former districts for a period of five years to allow the "phasing in" of rates to achieve parity.

The application of this provision allows for a smoother and more equitable transition where there are significant differences in UV and GRV rates in the dollar. The RTG has requested that this provision be applied to the new local government.

The Board supports the RTG's request to apply the differential rating provision.

INCOME AND REVENUE

Table 6

INCOME - NARROGIN (S)					
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Rates	632,497	678,904	707,923	800,826	15%
Operating Grants, Subs, Contrib.	1,069,198	1,722,983	1,440,492	2,699,265	31%
Fees & Charges	213,937	184,626	1,248,218	174,845	27%
Interest Earnings	20,998	19,887	24,644	19,000	1%
Other Revenue					0%
Sub Total	1,936,630	2,606,400	3,421,277	3,693,936	73%
Non-Operating Grants, Subs, Contrib.	422,867	811,949	1,247,507	1,518,733	27%
Profit on Disposal of Assets	2,756	11,802	38,522	72,800	1%
Fair Value Adjustment					0%
Sub Total	425,623	823,751	1,286,029	1,591,533	27%
TOTAL INCOME	2,362,253	3,430,151	4,707,306	5,285,469	100%

Income for the Shire of Narrogin is relatively stable. The following issues are noteworthy:

- Fees and charges decreased by $1.07m in 2012-13 due to a works contract with MRWA.
- Rates coverage is 15% in 2012-13, this was impacted by the significant increase in operating grants, subsidies and contributions. An examination of historical data indicates that 20% is a more accurate reflection of rates coverage.

Table 7

INCOME - CUBALLING					
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Rates	652,193	680,322	698,309	779,154	13%
Operating Grants, Subs, Contrib.	676,002	1,072,248	1,887,046	769,338	35%
Fees & Charges	112,871	372,980	1,042,521	49,806	19%
Interest Earnings	54,579	59,485	40,475	33,180	1%
Other Revenue	0	8,003	7478	13,716	0%
Sub Total	1,495,645	2,193,038	3,675,829	1,645,194	68%
Non-Operating Grants, Subs, Contrib.	944,506	844,539	1,748,830	2,081,882	32%
Profit on Disposal of Assets	0	129,818	7,089		0%
Fair Value Adjustment					0%
Sub Total	944,506	974,357	1,755,919	2,081,882	32%
TOTAL INCOME	2,440,151	3,167,395	5,431,748	3,727,076	100%

Income for the Shire of Cuballing is relatively stable. The following issues are noteworthy:

- There is a significant reduction in operating grants, subsidies and contributions in 2012-13 compared to 2011-12. This is due to the advance FAGS payment in June 2012.
- There is a significant reduction in fees and charges in 2012-13 compared to 2011-12. This is due to a one off payment for an insurance claim.

Table 8

INCOME - NARROGIN (T)					
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Rates	2,309,490	2,461,882	2,575,835	2,851,129	34%
Operating Grants, Subs, Contrib.	2,627,100	2,517,794	3,081,487	2,130,322	40%
Fees & Charges	1,648,660	1,455,970	1,512,446	1,817,641	20%
Interest Earnings	81,460	94,316	61,128	60,750	1%
Other Revenue	363,020	284,550	265,074	10,100	3%
Sub Total	7,029,730	6,814,512	7,495,970	6,869,942	98%
Non-Operating Grants, Subs, Contrib.	1,102,890	556,834	100,000	1,674,479	1%
Profit on Disposal of Assets		423	14,849		0%
Fair Value Adjustment					0%
Sub Total	1,102,890	557,257	114,849	1,674,479	2%
TOTAL INCOME	8,132,620	7,371,769	7,610,819	8,544,421	100%

Income for the Town of Narrogin is relatively stable. The following issues are noteworthy:

- There is a significant reduction in operating grants, subsidies and contributions in 2012-13 compared to 2011-12. This is due to the advance FAGS payment in June 2012.
- There is a significant reduction in other revenue in 2012-13 compared to 2011-12.

Table 9

INCOME - PROPOSED NEW LOCAL GOVERNMENT							
	COMBINED				FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Rates	3,594,180	3,821,108	3,982,067	4,431,109	4,753,143	5,098,582	5,469,125
Operating Grants, Subs, Contrib.	4,372,300	5,313,025	6,409,025	5,598,925	6,149,563	6,754,355	7,418,626
Fees & Charges	1,975,468	2,013,576	3,803,185	2,042,292	2,345,271	2,693,198	3,092,740
Interest Earnings	157,037	173,688	126,247	112,930	102,669	93,340	84,859
Other Revenue	363,020	292,553	272,552	23,816	14,487	8,813	5,361
Sub Total	10,462,005	11,613,950	14,593,076	12,209,072	13,365,133	14,648,286	16,070,710
Non-Operating Grants, Subs, Contrib.	2,470,263	2,213,322	3,096,337	5,275,094	5,802,603	6,382,864	7,021,150
Profit on Disposal of Assets	2,756	142,043	60,460	72,800	0	0	0
Fair Value Adjustment	0	0	0	0	0	0	0
Sub Total	2,473,019	2,355,365	3,156,797	5,347,894	5,802,603	6,382,864	7,021,150
TOTAL INCOME	12,935,024	13,969,315	17,749,873	17,556,966	19,167,737	21,031,150	23,091,860

The calculation of income for the new local government is based on the aggregation of income for the years 2009-10 to 2012-13. The forecast income is based on a trend analysis and where possible significant aberrations have been taken into account as part of this analysis.

The following escalation factors have been applied to the above table:

- Rates 7% Escalation
- Grants and subsidies 10% Escalation
- Fees and Charges 15% Escalation
- Interest earnings 9% Reduction
- Other revenue 39% Reduction

The forecast percentage increase in income from 2012-13 to 2015 -16 is as follows:

- 2013-14 9.1%
- 2014-15 9.7%
- 2015-16 9.8%

Table 10

OPERATING EXPENDITURE - NARROGIN (S)					
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Employee Costs	689,630	735,433	896,456	860,000	25%
Materials and Contracts	568,207	857,456	1,764,717	2,630,734	50%
Utility Charges	20,093	22,194	25,750	30,000	1%
Depreciation on Non-Current Assets	714,068	734,008	708,972	752,818	20%
Interest Expenses	33,941	30,091	25,988	21,618	1%
Insurance Expenses	79,580	89,509	101,637	105,000	3%
Other Expenditure	0	0	0	0	0%
Sub Total	2,105,519	2,468,691	3,523,520	4,400,170	100%
Loss on Disposal of Assets	12,947	11,902	1,853	2,200	0%
Fair Value Adjustment	0	0	0	0	0%
Sub Total	12,947	11,902	1,853	2,200	0%
TOTAL OPERATING EXPENDITURE	2,118,466	2,480,593	3,525,373	4,402,370	100%
Yearly % increase / (decrease)	0%	17.09%	42.12%	24.88%	0%

The operating expenditures for the Shire of Narrogin for the period 2009-10 to 2012-13 are considered relatively stable although there has been a substantial increase in

materials and contracts in 2011-12 and 2012-13. This can be attributed to work done on behalf of Main Roads WA.

The increased cost of materials and contracts over this period has significantly impacted on the percentage expenditures by classification. It is worth noting that employee costs in 2009-10 and 2010-11 were on average approximately 31%.

The materials and contracts also impacted on the yearly percentage increase. If the expenses are averaged over the period 2009 – 10 to 2012-13 the average percentage increase in expenditure is estimated to be approximately 28%.

Table 11

OPERATING EXPENDITURE - CUBALLING					
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Employee Costs	703,648	852,238	681,630	800,551	21%
Materials and Contracts	659,620	707,003	1,591,651	959,365	49%
Utility Charges	36,808	29,563	37,474	36,642	1%
Depreciation on Non-Current Assets	779,658	750,100	802,781	802,650	25%
Interest Expenses	20,962	17,870	15,304	12,517	0%
Insurance Expenses	103,166	77,664	103,611	114,500	3%
Other Expenditure	0	3,613	2,806	5,000	0%
Sub Total	2,303,862	2,438,051	3,235,257	2,731,225	100%
Loss on Disposal of Assets	4,948	40,433	9,760	0	0%
Fair Value Adjustment	0	0	0	0	0%
Sub Total	4,948	40,433	9,760	0	0%
TOTAL OPERATING EXPENDITURE	2,308,810	2,478,484	3,245,017	2,731,225	100%
Yearly % increase / (decrease)	0%	7.35%	30.93%	-15.83%	0%

The operating expenditures for the Shire of Cuballing for the period 2009-10 to 2012-13 are considered relatively stable although there has been a substantial increase in materials and contracts in 2011-12 and 2012-13. This can be attributed to an insurance claim and works undertaken in relation to the claim.

The increased cost of materials and contracts over this period has significantly impacted on the percentage expenditures by classification. It is worth noting that employee costs in 2009-10 and 2010-11 were on average approximately 31%.

The materials and contracts also impacted on the yearly percentage increase. If the expenses are averaged over the period 2009 -10 to 2012-13 the average percentage increase in expenditure is estimated to be approximately 7.4%.

Table 12

OPERATING EXPENDITURE - NARROGIN (T)					
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	% of total 2011-2012
Employee Costs	3,123,710	3,545,764	4,031,459	4,079,964	53%
Materials and Contracts	2,238,300	1,942,216	1,683,304	1,684,025	22%
Utility Charges	308,870	364,476	401,136	519,173	5%
Depreciation on Non - Current Assets	959,490	929,271	810,692	968,400	11%
Interest Expenses	44,250	40,658	38,340	35,749	1%
Insurance Expenses	205,930	314,991	150,350	155,557	2%
Other Expenditure	250,390	188,102	408,954	269,324	5%
Sub Total	7,130,940	7,325,478	7,524,235	7,712,192	100%
Loss on Disposal of Assets	23,740	72,195	14,909	25,240	0%
Fair Value Adjustment	0	0	0	0	0%
Sub Total	23,740	72,195	14,909	25,240	0%
TOTAL OPERATING EXPENDITURE	7,154,680	7,397,673	7,539,144	7,737,432	100%
Yearly % increase / (decrease)	0%	3.40%	1.91%	2.63%	0%

The operating expenditures for the Town of Narrogin for the period 2009-10 to 2012-13 are considered relatively stable.

For the period 2009-10 to 2012-13 the average percentage increase in expenditure is estimated to be approximately 2.6%.

Table 13

OPERATING EXPENDITURE - PROPOSED NEW LOCAL GOVERNMENT							
	COMBINED				FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Employee Costs	4,516,988	5,133,435	5,609,545	5,740,515	5,941,433	6,149,383	6,364,612
Materials and Contracts	3,466,127	3,506,675	5,039,672	5,274,124	5,458,718	5,649,773	5,847,516
Utility Charges	365,771	416,233	464,360	585,815	606,319	627,540	649,504
Depreciation on Non- Current Assets	2,453,216	2,413,379	2,322,445	2,523,868	2,549,107	2,574,598	2,600,344
Interest Expenses	99,153	88,619	79,632	69,884	104,018	99,957	95,584
Insurance Expenses	388,676	482,164	355,598	375,057	388,184	401,770	415,832
Other Expenditure	250,390	191,715	411,760	274,324	283,925	293,863	304,148
Sub Total	11,540,321	12,232,220	14,283,012	14,843,587	15,331,704	15,796,885	16,277,538
Loss on Disposal of Assets	41,635	124,530	26,522	27,440	0	0	0
Fair Value Adjustment	0	0	0	0	0	0	0
Sub Total	41,635	124,530	26,522	27,440	0	0	0
TOTAL OPERATING EXPENDITURE	11,581,956	12,356,750	14,309,534	14,871,027	15,331,704	15,796,885	16,277,538
Yearly % increase / (decrease)		6.69%	15.80%	3.92%	3.10%	3.03%	3.04%

The calculation of expenditure for the new local government is based on the aggregation of expenditure for the years 2009-10 to 2012-13. The expenditure forecasts have been calculated using an escalation factor of 3.5% based on the Local Government Cost Index. The exceptions are, depreciation which was increased by 1% and interest expense was based on loan expense forecasts provided by the respective local governments.

Table 14

NET OPERATING RESULT (INCOME - EXPENDITURE)				
LOCAL GOVERNMENT	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Narrogin (S)	243,787	949,558	1,181,933	883,099
Cuballing	131,341	688,911	2,186,731	995,851
Narrogin (T)	977,940	-25,904	71,675	806,989
Combined	1,353,068	1,612,565	3,440,339	2,685,939

Table 15

NET OPERATING RESULT - PROPOSED NEW LOCAL GOVERNMENT						
COMBINED				FORECAST		
2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
1,353,068	1,612,565	3,440,339	2,685,939	3,836,033	5,234,266	6,814,322

NET SURPLUS/DEFICIT

Table 16

NET SURPLUS/DEFICIT - NARROGIN (S)					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Change in Net Assets	-791,182	-541,194	-773,498	-1,435,460			
Grants, Subsidies, Contributions for Development of Assets	422,867	811,949	1,247,507	1,518,733			
NON CASH EXPENDITURE AND REVENUE							
(Profit)/Loss on Disposal of Assets	-10,191	-100	-36,669	- 70,600			
Revaluation of Assets							
Movements/Adjustments	14,727	7,957	17,756	7,919			
Depreciation Written Back	714,068	734,008	708,972	752,818	760,346	767,950	775,629
CAPITAL EXPENDITURE AND REVENUE							
Land for Resale				0			
Land and Buildings	-98,018.75	-74,285	-5,520	-50,000	-230,000		-1,226,745
Infrastructure	-1,086,994	-1,142,854	-1,139,616	-1,874,689	-2,886,700	-1,982,865	
Property, Plant and Equipment	-372,181	-192,807	-416,267	-619,650	-786,000	-747,000	-794,000
Proceeds from Disposal of Assets	100,542	125,687	93,456	154,900			
Principal Payment on Borrowings	-59,312	-63,162	-67,264	-71,635	-71,635	-56,070	-40,505
Proceeds from new Debentures							
Self -Supporting Loan Principal Income							

NET SURPLUS/DEFICIT - NARROGIN (S)					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Loans to Community Groups							
Loans repayments by Community Groups							
Transfer to Reserves	-6,075	-137,962	-123,500	-10,000			
Transfers from Reserves	50,000	0	0	262,300			
	-1,121,749	-472,763	-494,643	-1,435,364	-3,213,989	-2,017,985	-1,285,621
Net Surplus/(Deficit) B/Fwd	704,280	215,016	421,257	634,538			
Net Surplus/(Deficit) C/Fwd	215,016	421,257	634,538	0			
Actual amount required from rates	-632,496	-678,904	-707,923	-800,826			

Table 17

NET SURPLUS/DEFICIT - CUBALLING					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Change in Net Assets	-989,480	-835,944	-260,397	-1,969,685			
Grants, Subsidies, Contributions for Development of Assets	422,867	844,539	1,748,830	2,081,882			
NON CASH EXPENDITURE AND REVENUE							
(Profit)/Loss on Disposal of Assets	4,949	-89,385	2,671				
Revaluation of Assets	-						
Movements/Adjustments	-3,296	-14,412	7,806				
Depreciation Written Back	779,659	750,100	802,781	802,650	810,677	818,783	826,971
CAPITAL EXPENDITURE AND REVENUE							
Land for Resale		0					
Land and Buildings	-448,750	0	-628,753	-606,313	-317,206	0	0
Infrastructure	-438,421	-1,078,090	-800,109	-2,110,595	-955,206	-1,267,206	-713,000
Property, Plant and Equipment	-108,481	-637,781	-485,905	-118,300	-120,000	0	0
Proceeds from Disposal of Assets	44,137	174,601	29,442				
Principal Payment on Borrowings	-45,383	-48,271	-41,275	- 33,558	-35,755	-38,097	-32,504
Proceeds from new Debentures							
Self -Supporting Loan Principal Income							
Loans to Community Groups							

NET SURPLUS/DEFICIT - CUBALLING					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Loans repayments by Community Groups							
Transfer to Reserves	-114,134	-31,023	-369,616	-16,000			
Transfers from Reserves	47,500	223,471	241,597	0			
	-848,833	-742,195	247,072	-1,969,919			
Net Surplus/(Deficit) B/Fwd	829,161	610,786	589,938	1,190,765			
Net Surplus/(Deficit) C/Fwd	678,300	548,907	1,535,319	-			
Actual amount required from rates	-697,973	-680,322	-698,309	-779,154			

Table 18

NET SURPLUS/DEFICIT - NARROGIN (T)					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Change in Net Assets	- 2,434,440	-3,044,620	-2,604,160	-3,718,618			
Grants, Subsidies, Contributions for Development of Assets	1,056,490	556,834	100,000	1,674,479			
NON CASH EXPENDITURE AND REVENUE							
(Profit)/Loss on Disposal of Assets	23,740	71,771	61	25,240			
Revaluation of Assets		-34,917	-16				
Movements/Adjustments		-262,372	- 144,426				
Depreciation Written Back	959,490	929,271	810,692	968,400	978,084	987,865	997,743
CAPITAL EXPENDITURE AND REVENUE							
Land for Resale							
Land and Buildings	- 380,940	-62,040	-161,790	-1,571,230	-800,000	0	0
Infrastructure	- 770,860	-606,008	-201,862	-405,093	-2,334,000	-1,733,000	0
Property, Plant and Equipment	- 239,370	-188,490	-293,285	-1,235,217			
Proceeds from Disposal of Assets	232,810	262,550	85,270	116,700			
Principal Payment on Borrowings	- 46,970	-48,057	-38,340	-55,736	-59,008	-62,472	-66,140
Proceeds from new Debentures				851,386			
Self -Supporting Loan Principal Income							
Loans to Community Groups	-						

NET SURPLUS/DEFICIT - NARROGIN (T)					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Loans repayments by Community Groups							
Transfer to Reserves	- 885,730	0	-334,369	-173,382			
Transfers from Reserves	129,870	0	33,754	534,164			
	- 2,355,910	-2,426,078	-2,748,471	-2,988,907			
Net Surplus/(Deficit) B/Fwd		533,880	569,684	137,778			
Net Surplus/(Deficit) C/Fwd	- 46,300	569,684	397,048	0			
Actual amount required from rates	- 2,309,610	-2,461,882	-2,575,819	-2,851,129			

Table 19

NET SURPLUS/DEFICIT – PROPOSED NEW LOCAL GOVERNMENT							
	COMBINED				FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Change in Net Assets	-4,215,102	-4,421,758	-3,638,055	-7,123,763	-2,313,530	-1,520,089	-604,304
Grants, Subsidies, Contributions for Development of Assets	1,902,224	2,213,322	3,096,337	5,275,094	6,149,563	6,754,355	7,418,626
NON CASH EXPENDITURE AND REVENUE							
(Profit)/Loss on Disposal of Assets	18,498	-17,714	-33,937	-45,360			
Revaluation of Assets	0	-34,917	-16	0			
Movements/Adjustments	11,431	-268,827	-118,864	7,919			
Depreciation Written Back	2,453,217	2,413,379	2,322,445	2,523,868	2,549,107	2,574,598	2,600,344
CAPITAL EXPENDITURE AND REVENUE					0	0	0
Land for Resale	0	0	0	0	0	0	0
Land and Buildings	-927,709	-136,325	-796,063	-2,227,543	-1,347,206	0	-1,226,745
Infrastructure	-2,296,275	-2,826,952	-2,141,587	-4,390,377	-6,175,906	-4,983,071	-713,000
Property, Plant and Equipment	-720,032	-1,019,078	-1,195,457	-1,973,167	-1,406,000	-1,847,000	-2,049,000
Proceeds from Disposal of Assets	377,489	562,838	208,168	271,600	0	0	0
Principal Payment on Borrowings	-151,665	-159,490	-146,879	-160,929	-226,398	-212,639	- 223,652
Proceeds from new Debentures	0	0	0	851,386			
Self -Supporting Loan Principal Income	0	0	0	0			

NET SURPLUS/DEFICIT – PROPOSED NEW LOCAL GOVERNMENT							
	COMBINED				FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Loans to Community Groups	0	0	0	0			
Loans repayments by Community Groups	0	0	0	0			
Transfer to Reserves	-1,005,939	-168,985	-827,485	-199,382	-550,000	-550,000	-550,000
Transfers from Reserves	227,370	223,471	275,351	796,464	300,000	300,000	300,000
	-4,326,492	-3,641,036	-2,996,042	-6,394,190	-3,020,371	-1,983,847	-2,592,731
Net Surplus/(Deficit) B/Fwd	1,533,441	1,359,682	1,580,879	1,963,081	1,732,772	3,114,735	2,876,394
Net Surplus/(Deficit) C/Fwd	847,016	1,539,848	2,566,905	0	0	0	0
Amount require from rates	-3,640,068	-3,821,202	-3,982,068	-4,431,109	-4,753,143	-5,098,582	-5,469,125
Annual % increase in rates *	4.98%	4.21%	11.28%	7.27%	7.27%	7.27%	7.27%

* The rate forecasts do not take into account the application of any differential rating for the amalgamated entity.

The forecasts included in Table 19 above rely on some assumptions and the historical financial performance of the current local governments.

CAPITAL EXPENDITURE TO TOTAL ASSETS

The following tables (20 – 28) indicate that the three local government's percentage of capital expenditure to assets for the period 2009-10 to 2012-13 is sufficient to cover depreciation, however it should be noted that depreciation has been calculated on an historical cost basis rather than at fair value which means the actual depreciation would be higher than as shown in these tables and across the board this means that lower than necessary provisions are being made for asset replacement.

This is an issue that will need to be addressed by the new local government to ensure that appropriate provisions are made for asset replacement in the future.

The RBP makes the following comments in relation to asset management, maintenance and replacement:

> *"Historically, there has been insufficient expenditure on asset maintenance and replacement. This has led to a significant accumulated backlog of future maintenance and replacement costs for each local government which are currently unfunded or underfunded (see section 4: Current Financials). Where funding has been received for depreciation of plant for road construction projects, this may not be allocated for plant replacement.*
>
> *None of the local governments has adequately documented their assets. There are no asset management frameworks (including policies, procedures, plans and systems) in any local government. This is a substantial risk for local governments because decisions regarding assets are being made without an appropriate level of information. On this basis local governments are unable to account for asset values, remaining useful life, maintenance liabilities or schedules all of which are important inputs for long term asset management plans and financial planning."*

Table 20

CAPITAL EXPENDITURE - NARROGIN (S)					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Capital Expenditure	1,557,194	1,409,946	1,561,403	2,544,339	3,902,700	2,729,865	2,020,745
Value of Capital Assets	23,481,291	24,031,442	24,827,086	26,618,607	29,760,961	31,722,876	32,967,992
Percentage of Capital Expenditure to the Value of Assets	6.63%	5.87%	6.29%	9.56%	13.11%	8.61%	6.13%

Table 21

CAPITAL EXPENDITURE - CUBALLING					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Capital Expenditure	992,652	1,041,000	1,914,767	2,835,208	1,392,412	1,267,206	713,000
Value of Capital Assets	15,286,482	16,167,037	17,246,909	19,279,467	19,861,203	20,309,625	20,195,654
Percentage of Capital Expenditure to the Value of Assets	6.49%	6.44%	11.10%	14.71%	7.01%	6.24%	3.53%

Table 22

CAPITAL EXPENDITURE - NARROGIN (T)					FORECAST		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Capital Expenditure	1,391,170	856,538	656,937	3,211,540	3,134,000	1,733,000	0
Value of Capital Assets	19,337,040	19,134,904	18,895,834	21,138,974	23,294,890	24,040,025	23,042,282
Percentage of Capital Expenditure to the Value of Assets	7.19%	4.48%	3.48%	15.19%	13.45%	7.21%	0.00%

Table 23

CAPITAL EXPENDITURE - PROPOSED NEW LOCAL GOVERNMENT							
DESCRIPTION	COMBINED				FORECAST		
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Capital Expenditure	3,941,016	3,307,484	4,133,107	8,591,087	8,429,112	5,730,071	2,733,745
Value of Capital Assets	58,104,813	59,333,383	60,969,829	67,037,048	72,917,053	76,072,527	76,205,928
Percentage of Capital Expenditure to the Value of Assets	6.78%	5.57%	6.78%	12.82%	11.56%	7.53%	3.59%

Table 24

CAPITAL DEPRECIATION - NARROGIN (S)				
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Annual Depreciation	714,068	734,008	708,972	752,818
Value of Capital Assets	23,481,291	24,031,442	24,827,086	26,618,607
Average Depreciation percentage	3.04%	3.05%	2.86%	2.83%

Table 26

CAPITAL DEPRECIATION - CUBALLING				
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Annual Depreciation	779,658	750,100	802,781	802,650
Value of Capital Assets	15,286,482	16,167,037	17,246,909	19,279,467
Average Depreciation percentage	5.10%	4.64%	4.65%	4.16%

Table 27

CAPITAL DEPRECIATION - NARROGIN (T)				
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013
Annual Depreciation	959,490	929,271	810,692	968,400
Value of Capital Assets	19,337,040	19,134,904	18,895,834	21,138,974
Average Depreciation percentage	4.96%	4.86%	4.29%	4.58%

Table 28

CAPITAL DEPRECIATION- PROPOSED NEW LOCAL GOVERNMENT							
DESCRIPTION	COMBINED				FORECAST		
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Annual Depreciation	2,453,216	2,413,379	2,322,445	2,523,868	2,549,107	2,574,598	2,600,344
Value of Capital Assets	58,104,813	59,333,383	60,969,829	67,037,048	72,917,053	76,072,527	76,205,928
Average Depreciation percentage	4.22%	4.07%	3.81%	3.76%	3.50%	3.38%	3.41%

FINANCIAL RATIOS

Detailed below are the financial ratios extracted from the annual financial reports of the three local governments.

While the ratios are a useful indicator of financial performance, when viewed in isolation they are less meaningful. 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 *Local Government (Financial Management) Regulations 1996* were amended in April 2012 and new ratios introduced. For the purpose of this analysis the Board has used the ratios as included in the financial reports from 2009 to 2012.

Table 29

FINANCIAL RATIOS - NARROGIN (S)						
DESCRIPTION	Bench Mark	2012	2011	2010	2009	Average
Current Ratio	> 1.0	1.619	0.632	0.874	6.410	2.384
Untied Cash to Unpaid Trade Creditors Ratio	> 1.0	2.176	0.074	0.834	1.490	1.143
Debt Ratio	< 0.1	0.030	0.031	0.033	0.030	0.031
Debt Service Ratio	< 0.1	0.027	0.036	0.048	0.050	0.040
Gross Debt to Revenue Ratio	< 0.6	0.099	0.155	0.242	0.260	0.189
Gross Debt to Economically Realisable Assets Ratio	< 0.3	0.074	0.120	0.147	0.150	0.123
Rate Coverage Ratio	> 0.4	0.154	0.200	0.269	0.190	0.203
Outstanding Rates Ratio	< 0.05	0.031	0.048	0.026	0.010	0.029

Table 31

FINANCIAL RATIOS - CUBALLING						
DESCRIPTION	Bench Mark	2012	2011	2010	2009	Average
Current Ratio	> 1.0	6.573	1.472	3.999	4.240	4.071
Untied Cash to Unpaid Trade Creditors Ratio	> 1.0	6.544	0.268	8.473	2.390	4.419
Debt Ratio	< 0.1	0.021	0.051	0.029	0.030	0.033
Debt Service Ratio	< 0.1	0.029	0.028	0.044	0.030	0.033
Gross Debt to Revenue Ratio	< 0.6	0.107	0.106	0.198	0.130	0.135
Gross Debt to Economically Realisable Assets Ratio	< 0.3	0.037	0.059	0.079	0.090	0.066
Rate Coverage Ratio	> 0.4	0.191	0.216	0.269	0.240	0.229
Outstanding Rates Ratio	< 0.05	0.036	0.056	0.023	0.020	0.034

Current Ratio - This current 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 average ratios for all three local governments is above the benchmark of 1.0 which indicates they are all capable of meeting current liabilities when they fall due.

Untied Cash to Trade Creditors Ratio - This ratio provides an indication of whether a local government has sufficient untied or uncommitted cash to pay its trade creditors. The average ratios for all three local governments is above the benchmark of 1.0 which indicates they have 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 average ratios for all three local governments is below the benchmark of 0.1 which indicates that their total liabilities do not adversely impact on their 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 average ratios for all three local governments is below the benchmark of 0.1 which indicates they have 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 (i.e. operating revenue less capital grants and contributions). The average ratios for all three local governments is below the benchmark of 0.6 which indicates they have 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 average ratios for all three local governments is below the benchmark of 0.3 which indicates they have 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 rate revenue to fund its operations. The average ratio for all three local governments is below the benchmark of 0.4 which clearly demonstrates a dependence on grants, particularly the Shires of Cuballing and Narrogin which have ratios of .22 and .2 respectively.

Outstanding Rates Ratio - This ratio measures the effectiveness of the rate collection of a local government. The average ratio for all three local governments is below the benchmark of 0.05 which indicates their rate collection processes are effective.

It is important that the ratios are not read and interpreted in isolation, and the local government's financial position is based on a collective assessment of the above ratios.

While the ratios generally paint a reasonable state of financial health for each of the local governments their long term sustainability is questionable given their dependence on grants, restricted revenue streams and diminishing capacity to adequately fund asset maintenance and replacement.

CURRENT FINANCIAL POSITION

The following tables indicate the equity position of each of the local governments and the forecast position of the new local government post-amalgamation.

The financial position of the proposed new local government has been calculated on an historical basis by aggregating the actual financial data. No forecast has been included for the new entity beyond 2012-13 due to the number of contingencies that will impact on the new local government should the amalgamation proceed.

Table 32

FINANCIAL POSITION - NARROGIN (S)			
DESCRIPTION	2009-2010	2010-2011	2011-2012
Equity	23,241,485	24,191,044	25,372,976
Current Assets	558,416	931,769	1,325,573
Current Liabilities	(386,878)	(424,177)	(497,777)
Net Current Assets/Liabilities	171,538	507,592	827,796
Non- Current Assets	23,481,291	24,031,442	24,827,086
Non- Current Liabilities	(411,344)	(347,990)	(281,906)

Table 33

FINANCIAL POSITION - CUBALLING			
DESCRIPTION	2009-2010	2010-2011	2011-2012
Equity	16,264,837	16,953,748	19,140,479
Current Assets	1,468,213	1,696,598	2,301,286
Current Liabilities	(232,245)	(693,240)	(234,496)
Net Current Assets/Liabilities	1,235,968	1,003,358	2,066,790
Non- Current Assets	15,286,482	16,167,037	17,246,909
Non- Current Liabilities	(257,613)	(216,647)	(173,220)

Table 34

FINANCIAL POSITION - NARROGIN (T)			
DESCRIPTION	2009-2010	2010-2011	2011-2012
Equity	19,186,050	19,160,145	19,231,820
Current Assets	1,452,430	1,521,400	2,122,244
Current Liabilities	(845,970)	(787,489)	(1,240,737)
Net Current Assets/Liabilities	606,460	733,911	881,507
Non- Current Assets	19,403,810	19,207,096	18,966,184
Non- Current Liabilities	(824,220)	(780,862)	(615,871)

Table 35

FINANCIAL POSITION – PROPOSED NEW LOCAL GOVERNMENT			
DESCRIPTION	COMBINED		
	2009-2010	2010-2011	2011-2012
Equity	58,692,372	60,304,937	63,745,275
Current Assets	3,479,059	4,149,767	5,749,103
Current Liabilities	(1,465,093)	(1,904,906)	(1,973,010)
Net Current Assets/Liabilities	2,013,966	2,244,861	3,776,093
Non- Current Assets	58,171,583	59,405,575	61,040,179
Non- Current Liabilities	(1,493,177)	(1,345,499)	(1,070,997)

BORROWINGS

The following tables indicate the current status of loans for each of the three local governments. The forecast for the period 2013-14 is based on borrowing information sourced from the local government's loan schedules.

Overall borrowings are not significant and as expected, borrowings for the Town of Narrogin are significantly more than either of the Shires of Narrogin and Cuballing. This can be attributed to the higher population and level of infrastructure in the Town of Narrogin.

None of the local governments have definitive loan programs beyond 2012-13. The Shire and Town of Narrogin indicated that further loans were a possibility.

Table 36

LOAN BORROWINGS - NARROGIN (S)					FORECAST - PRINCIPAL		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Long-Term Borrowings	468,911	405,749	338,486	266,851	195,216	139,146	98,641
Self- Supporting Loans	0	0	0	0	0	0	0
Existing Debt Levels	468,911	405,749	338,486	266,851	195,216	139,146	98,641

Table 37

LOAN BORROWINGS - CUBALLING					FORECAST - PRINCIPAL		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Long-Term Borrowings	295,569	247,298	206,024	172,465	136,710	98,612	66,109
Self-Supporting Loans	0	0	0	0	0	0	0
Existing Debt Levels	295,569	247,298	206,024	172,465	136,710	98,612	66,109

Table 38

LOAN BORROWINGS - NARROGIN (T)					FORECAST - PRINCIPAL		
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Long-Term Borrowings	743,510	695,453	641,137	1,436,788	1,385,401	1,326,393	1,263,921
Self- Supporting Loans	0	0	0	0	0	0	0
Existing Debt Levels	743,510	695,453	641,137	1,436,788	1,385,401	1,326,393	1,263,921

Table 39

LOAN BORROWINGS - PROPOSED NEW LOCAL GOVERNMENT							
	COMBINED				FORECAST - PRINCIPAL		
DESCRIPTION	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Principal Outstanding	1,507,990	1,348,500	1,185,647	1,876,104	1,717,327	1,564,152	1,428,671

RESERVE FUNDS

Table 40

RESERVE FUNDS							
DESCRIPTION	2009-2010	2010-2011	2011-2012	Budget 2012-2013	9/10 - 10/11 increase	10/11 - 11/12 increase	11/12 - 12/13 % Increase
Narrogin (S)	176,124	314,086	437,586	185,286	78%	39%	-58%
Cuballing	738,104	545,656	673,664	603,208	-26%	23%	-10%
Narrogin (T)	623,380	623,380	1,122,762	1,248,400	0%	80%	11%
TOTAL	1,537,608	1,483,122	2,234,012	2,036,894			

Table 41

RESERVE FUNDS - PROPOSED NEW LOCAL GOVERNMENT							
DESCRIPTION	COMBINED				FORECAST		
	2009-2010	2010-2011	2011-2012	Budget 2012-2013	2013-2014	2014-2015	2015-2016
Cash Backed Reserves	1,537,608	1,483,122	2,234,012	2,036,894			

The existing reserves of each of the local governments will be applied in accordance with the purpose for which they were established. These funds can only be reallocated to alternate uses in accordance with existing provisions contained in section 6.11 of the *Local Government Act 1995*. Information on the creation and application of reserve funds beyond 2012-13 was not available for any of the three local governments.

FORWARD CAPITAL WORKS PLAN

Details of each local government's Forward Capital Works Plan have been included below as an indicator of the funding committed to capital works for the period 2013-14 to 2016-17.

Should the amalgamation proceed the information contained in these plans will form the basis of a consolidated Forward Capital Works Plan for the new local government.

Table 42

FORWARD CAPITAL WORKS PLAN - CUBALLING				
DESCRIPTION	2013-2014	2014-2015	2015-2016	2016-2017
Road	925,206	670,000	683,000	
Footpart	30,000	30,000	30,000	
Dryandra Regional Equestrian Park				
Popanyinning Railway Restoration and Tourist Precinct				
Shire Depot				
Land development - to be removed				
Mobile Phone Tower		567,206		
Community Bus	120,000			
Regional Waste Depot	317,206			
Dam construction				
TOTAL	1,392,412	1,267,206	713,000	

Table 43

FORWARD CAPITAL WORKS PLAN - NARROGIN (S)				
DESCRIPTION	2013-2014	2014-2015	2015-2016	2016-2017
Roads Program	1,386,700	1,192,865	1,226,745	1,262,395
Heavy Haulage Bypass	1,500,000	400,000		
Narrogin Regional Airport		390,000		
Airport Land Subdivision Works	230,000			
TOTAL	3,116,700	1,982,865	1,226,745	,262,395

Table 44

FORWARD CAPITAL WORKS PLAN - NARROGIN (T)				
DESCRIPTION	2013-2014	2014-2015	2015-2016	2016-2017
Roads Reseal and Renewal Program	697,000	714,000		
Footpath Program	77,000	59,000		
Short Stay Accommodation				
Town Hall	400,000			
Hockey Surface		400,000		
Thomas Hogg Oval	50,000	50,000		
Senior Citizens Centre				
Cemetery	1,000,000			
Railway Station Development	400,000			
Railway Dam	10,000	10,000		
Townscape Development	500,000	500,000		
Regional Waste Facility				
C Y O'Connor College of TAFE				
TOTAL	3,134,000	1,733,000	-	-

FINANCIAL ASSISTANCE GRANTS

The WA Local Government Grants Commission will maintain the General Purpose Grants for the three local governments at pre-amalgamation levels for a period of five years which is a year more than all the other States in Australia.

This arrangement delivers a substantial and tangible financial benefit to the proposed new local government for a period of five years which provides a financial incentive for amalgamation as well as the provision of funding to facilitate a smooth transition to the new entity.

Road Grants will be calculated in accordance with the Asset Preservation Model using the combined road data as the basis for the Road Grant of the new local government and as a result the road grant will constitute an amalgam of the grants otherwise received by the three local governments.

TRANSITION COSTS

The State Government has approved a comprehensive financial assistance package to assist with the transition should the amalgamation proceed. The details are included in the following table:

Table 45

TRANSITION BUDGET ITEMS		AMOUNT	TOTAL
Project Management			
	Projector Director	200,000	
	Project on-costs	80,000	280,000
Information Technology			
	ICT Planning	25,000	
	Data Integration	25,000	
	Software	250,000	300,000
Finance			
	Financial	40,000	
Management Planning		80,000	
	Update Existing	80,000	
Data/Accounts		100,000	300,000
	Data Integration		
	External Finance		
Support			
Records Management			
	Planning Framework	20,000	
	Implementation of	60,000	
New Systems		80,000	160,000
	Data Integration		
Communications			
	Telecommunications	60,000	
Planning		15,000	
	Website Development	10,000	
	Internal Branding	70,000	155,000
	External signage		
Community Engagement			
	Community		35,000
Consultant			
HR Planning and Engagement			335,000
	Change Management	50,000	
Planning		20,000	
	Human Resource	40,000	
Systems		25,000	
	Staff Training	200,000	
	Specialist HR and IR		
Advice			
	Redundancy		

TRANSITION BUDGET ITEMS		AMOUNT	TOTAL
Governance and Policy Integration			
	Development Policy	40,000	
Documentation		15,000	
	IPR Integration	100,000	
	Development of New	30,000	185,000
TPS			
	Development of New		
Local Laws			
Office Accommodation			
	Refurbishment	90,000	
Planning		100,000	190,000
	Refurbishment Fit Out		
Contingencies		145,000	145,000
		TOTAL	2,085,000

The Board considers the transition funding to be a major incentive to amalgamation and one which should be embraced by the three local governments. There was some concern expressed by elected members and ratepayers about the potential impost on ratepayers if the amalgamation were to proceed. The transition funding offered by the State Government is a substantial package that will remove much of the burden from ratepayers.

This will also be supplemented by the maintenance of General Purpose Grants for a period of five years.

SUMMARY

As alluded to in section 5.7 of this Report all three local governments were classified as level three in accordance with the capability assessment undertaken by the Local Government Reform Steering Committee in 2009. This meant they would benefit from significant structural reform including amalgamation and formalisation of regional groupings to ensure future sustainability.

The RBP identifies a lack of long term financial planning by all three local governments and a general reluctance to set rating levels to cover the cost of services and asset maintenance and replacement. While this will still be an issue for the proposed new local government it will be in a better position to address this from an operational perspective.

All three local governments are heavily dependent on grants as a source of income. The RBP has identified that none of the local governments have increased rates at the same rate as costs, it also comments that they all lack the necessary staff resources to generate and source alternative revenue streams.

Another issue of concern is that the three local governments are valuing assets at historical cost which effectively leads to inadequate provisions for asset replacement. This is further exacerbated by a general reluctance to increase rates at a more acceptable level to address this issue.

On a positive note none of the local governments are burdened with excessive borrowings and are capable of servicing their loans from current revenue streams. An amalgamated local government would allow consolidation of these loans and the possibility of exploring a more effective solution for rationalising these loans.

The RBP (Current State Document) includes the following comment on service delivery across the three local governments:

> *"There is a lack of formal long-term planning for service delivery. This includes service planning, costing and impact assessment with regular review at predefined intervals which has contributed to a large funding gap across all service delivery areas where the costs of delivery exceed funding sources."*

The Board also notes that there have been a number of statutory compliance issues by the local governments over the past few years although steps are being taken to address these.

The absence of any formal long term planning for service delivery by the local governments is a cause for concern moving forward. A lack of formal KPI's targeted at service delivery has also been identified as a deficiency in assessing appropriate service levels and standards.

The difference in rating regimes was cause for concern amongst ratepayers. While there are material differences in the rates in the dollar for UV and GRV, as stated earlier, recent amendments to the Local Government (Financial Management) Regulations 1996 allow for the phasing of rates over a period of five years where two or more local governments amalgamate. This will allow rating parity to be achieved over a five year period lessening the impact on the Shires of Cuballing and Narrogin. The Board has relied on the savings identified in the RBP but acknowledges that there is an element of subjectivity given that certain assumptions have been made due to the absence at this stage of a comprehensive and detailed amalgamation implementation plan.

The RBP identifies efficiency gains of approximately $403,000 per annum which on review seems reasonable. The Plan concludes that much of this will need to be applied to the significant backlog of maintenance requirements on a range of assets and infrastructure.

This same problem will face all three local governments regardless of whether or not the amalgamation goes ahead.

The bringing together of the three local governments will result in a local government with substantially greater capacity to respond to the ever increasing demands for services and facilities by residents and ratepayers for more services.

The three local governments now have a real opportunity to position themselves to take advantage of the many benefits and opportunities that are available to larger local governments. The financial incentives provide an ideal environment for the amalgamation to proceed. If this opportunity is not embraced it is considered unlikely that these local governments will ever be in a more advantaged position to amalgamate.

8. Conclusion

In February 2009, the Minister for Local Government announced wide ranging reform strategies which included voluntary amalgamations.

In December 2010, the Shires of Cuballing, Narrogin, Wickepin and the Town of Narrogin agreed to enter into an agreement to form a Regional Transitional Group to develop a Regional Business Plan to facilitate the decision making process for the development of an amalgamation proposal to be submitted to the Local Government Advisory Board.

The end result was a comprehensive Plan consisting of three components:

- Current State Component
- Amalgamated State Component, and
- Transitional Considerations Component.

The Shire of Wickepin elected to withdraw from the RTG, however the remaining three local governments agreed that it was in their best interests to pursue an amalgamation.

From the information provided, it is the opinion of the Board that all three local governments face significant challenges if they are to be sustainable in the long term. The Shires of Cuballing and Narrogin are particularly vulnerable given their high dependence on grants, low rate base and limited opportunities for alternate revenue streams.

The Shire of Narrogin and the Town of Narrogin are the last of the “doughnut councils’ in Western Australia and while there is still some support for this arrangement in Narrogin, it does perpetuate an anomaly that should no longer exist.

The RBP confirms that all three local governments have difficulty in attracting and retaining skilled staff due to the lack of career development opportunities coupled with an inability to offer competitive employment terms and conditions compared to larger local governments.

The Amalgamated State document includes a new organisation model which will not only facilitate improved service capacity but also provide a more professional and structured career path for employees.

The RBP identified that the three local governments capacity to manage large scale infrastructure projects is limited as are many other small regional local governments in similar circumstances. This is one of the principle reasons local governments are overlooked for funding opportunities much to the detriment of their communities.

The Board considers this issue alone to be one of the main drivers behind amalgamation. While the elected members of the three local governments

acknowledge the importance of addressing this issue the Board is of the view that this issue is possibly not as well understood within the respective communities.

Based on the information contained in this report and the RBP, there is a strong case for merging the three local governments to form a more sustainable local government with an increased capacity to respond to the demands of its communities. It will also have access to more resources which will enable it to more effectively address the current operating deficiencies of the three local governments as identified in the RBP.

The RBP states that:

> *"Amalgamation is likely to deliver strongly enhanced capacity and the ability to do more through a reduction in duplication, better organisational cope and more highly utilised plant and equipment. With improved depth of skill and experience and enhanced asset management there are clear benefits to be realised from amalgamation."*

Included within the Plan are the following visions for the new local government:

Community

A healthy, strong and connected community that is actively engaged and involved. This includes:

- providing and encouraging the use of a variety of recreational, educational and cultural facilities eg leisure centres in Narrogin and Cuballing town sites, community arts, regional library services and regional aged care services
- progressive development of community amenities
- providing a range of community activities that bring people together
- providing services and facilities that can meet a wide range of purposes for all age groups
- support for voluntary groups with new roles in grants, economic and community development
- ensuring the community has a voice in local government actions, and that they are in turn kept informed of relevant details through local representation boards
- celebrating the culture and heritage of the local Indigenous population to support their engagement with the community, and
- appreciation of the historical identity of the region that the local government represents.

Local Economy

A strong, diversified economic and industrial base that provides a range of employment opportunities for all age groups. This includes:

- attracting new businesses and encouraging existing ones to grow
- improving the level and range of local employment opportunities
- diversifying the local economic base to provide long-term sustainability eg agri-business precinct, mining and manufacturing
- promoting the area as an attractive place to work and live
- promoting the area and its attractions as a focal point for tourism using the Dryandra area
- supporting access to training and employment opportunities eg for youth and the Indigenous population
- supporting facilities and practices that allow people to remain in their jobs eg local child care and job sharing
- supporting local agriculture to ensure that it remains a strong, viable and sustainable industry
- investing in development of the Narrogin Regional Airport and adjacent land, and
- working to accelerate the provision of telecommunications infrastructure.

Transport

A sustainable and extensive transport system that allows for efficient and safe travel within the area to other rural and regional areas. This includes:

- an extensive, well maintained road network that connects the region to local and regional centres
- a road network that meets regulatory maintenance standards that will provide for increasing transport efficiency eg wider roads for increasing traffic numbers, larger farm machinery and increased road transport of farm produce and suitable bypasses around built up areas
- efficient construction, maintenance and improvement of the quality and economic life of roads
- developing a public transport system that allows residents to move within and beyond their community
- developing and enhancing rail and freight opportunities to support the local economy eg containerisation of produce, and
- investment in the development of the Narrogin Regional Airport and adjacent land eg airport precinct, training school and cater for FIFO worker and business executives.

Asset Management

Effective asset management that ensures assets are appropriately purchased, maintained, funded and replaced in line with best practice and community needs. This includes:

- development of an asset management framework, including the associated policies and procedures to support effective asset management
- development of a centralised asset register to record details such as location, value, disposal and transfers
- cost effective computer systems that support business information needs and whole of life costing
- assets that are sufficiently funded over their life cycle, including costs of acquisition, operation, maintenance and replacement
- significant capital expenditure that is appropriately justified through community consultation, and costed via thorough business cases with appropriate impact analysis, and
- effective, efficient and environmentally sustainable waste collection and disposal infrastructure with the ongoing intent of recycling where cost effective.

Natural and Built Environment

A protected and enhanced environment that is aesthetically beautiful and provides benefits for generations to come. This includes:

- improved management of water such that supplies meet the current and future needs of the community
- town planning and beautification so that the appearance of community centres is optimised through townscape projects
- ensuring that there is appropriate long-term strategic planning for land use that supports the community's vision
- ensuring the protection of the natural environment for long-term sustainability, and
- promoting the natural environment as a tourist attraction.

After considering all the information made available to the Board, it is firmly of the view that the three local governments should progress to amalgamation. The current financial incentives should be embraced by the local governments and their communities. The local governments should take full advantage of the opportunity to establish a more sustainable and responsive local government with an improved capacity to deliver services and manage assets and infrastructure.

The RTG has invested substantial time and effort and is now well positioned under the prevailing conditions to ensure that a successful amalgamation is achieved.

The Board would like to acknowledge the efforts of the RTG in developing the amalgamation proposal and express its appreciation to the staff and elected members of the three local governments for their cooperation and assistance during its Inquiry into the amalgamation proposal.

9. Recommendations

RECOMMENDATION 1:

In accordance with clauses 6 and 10A of Schedule 2.1 of the *Local Government Act 1995*, the Local Government Advisory Board recommends to the Minister for Local Government that orders be made to:

a) Abolish the Shires of Cuballing and Narrogin and the Town of Narrogin on 30 June 2013 and create a new local government from the amalgamation of the former Shires and Town on 1 July 2013.

b) Name the district Narrogin-Cuballing.

c) Designate the district as a Shire.

d) Create three wards based on the current district boundaries of the affected local governments.

e) Name the wards; Narrogin Town Ward, Narrogin District Ward and Cuballing District Ward.

f) Specify that the Narrogin Town Ward has three councillors, the Narrogin District Ward, two councillors and the Cuballing District Ward, two Councillors.

RECOMMENDATION 2:

That the Minister for Local Government consider appointing the current Shire Presidents of the Shires of Cuballing and Narrogin and the current Mayor of the Town of Narrogin as Commissioners of the new local government.

RECOMMENDATION 3:

That the Minister for Local Government consider the appointment of an independent Chair and Deputy Chair of Commissioners.

RECOMMENDATION 4:

That the Minister for Local Government consider the inaugural election for the new council be held on the third Saturday in October 2013.

RECOMMENDATION 5:

That differential rating be applied in accordance with regulation 52A of the *Local Government (Financial Management) Regulations 1996* to the former districts of the new local government for a "phasing in" period of five years to address the disparity in rating between the former local governments.

APPENDIX 1

Information Paper

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

LOCAL GOVERNMENT ADVISORY BOARD

The Proposal to Amalgamate the Town of Narrogin, Shire of Narrogin and Shire of Cuballing

October 2012

LOCAL GOVERNMENT ADVISORY BOARD

The Proposal to Amalgamate the Town of Narrogin, Shire of Narrogin and Shire of Cuballing

October 2012

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Attachment One: Map Of Proposal 10

Public Submission Form 11

Proposal to Amalgamate the Town of Narrogin, Shire of Narrogin and Shire of Cuballing

This document has been prepared by the Local Government Advisory 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 Local Government Advisory Board (the Board) has received a joint proposal from the Town of Narrogin, Shire of Narrogin and Shire of Cuballing to amalgamate and form a new local government. A map illustrating the proposed boundary is included as an attachment to this paper.

These local governments share similar characteristics and many commonalities. The local governments are of the view that an amalgamation will result in a stronger and more sustainable local government that will be better positioned to plan for and provide the assets and services to meet the needs of the community into the future.

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

Public Hearings

Town of Narrogin and Shire of Narrogin	
Venue	John Higgins Centre
Date	Monday, 29 October 2012
Time	6.00pm – 8.00pm

Shire of Cuballing	
Venue	Cuballing Hall
Date	Tuesday, 30 October 2012
Time	6.00pm – 8.00pm

Note:Public hearings provide an opportunity for the public and other interested parties to express their views on the proposal. This will be treated by the Board as a formal submission/s. It is 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. Written submissions can be mailed, faxed or e-mailed to the addresses below. A public submission form is included as an attachment to this paper that can be completed and returned to the Board.

For more information, please contact Ross Earnshaw on (08) 6552 1510 or at ross.earnshaw@dlg.wa.gov.au

Local Government Advisory Board
GPO Box R1250, PERTH WA 6844
Fax: (08) 6552 1555
Email: advisory.board@dlg.wa.gov.au

Submissions should be received by the Board by **4pm on 22 November 2012**.

Background Information

The local governments submitted a joint proposal to the Board to amalgamate and establish a new local government.

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 changes.

The Board has resolved to conduct a formal inquiry into the proposal in accordance with the provisions of Schedule 2.1 of the Act.

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 man-made and will vary from area to area. They may include:

- Water features (such as rivers)
- Catchment boundaries
- Coastal pains 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 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 necessarily lessened if an area does not have its own local government.

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.

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, it must notify electors of their right to petition the Minister for a poll on the recommendation.

A valid petition must contain the signatures of either 250 or 10% (whichever is the lesser) of electors of one of the districts. If a petition contains the required number of signatures the Minister is required to put the Board's recommendation to a poll. A poll can be conducted in one or more of the affected local governments.

A valid poll requires at least 50% of electors of an affected local government to vote. If one or more of the polls returns a majority “no vote” for the Board’s recommendation to amalgamate, 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.

In the event that the Board recommends against an amalgamation the Minister must accept the recommendation and the amalgamation will not proceed.

Attachment One: Map Of Proposal



This map of the amalgamated local government area was originally included in the Amalgamated State Document that forms part of the Regional Business Plan prepared for the Cuballing Narrogin Regional Transition Group by consultants KPMG. This map appears courtesy of this RTG Group.

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

Public Submission Form

I/We _____

(Name)

Of _____

(Address)

PROPOSAL TO AMALGAMATE THE TOWN OF NARROGIN, SHIRE OF NARROGIN AND SHIRE OF CUBALLING

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:

Signed: _____ Date: _____

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

Please return submissions to: **Local Government Advisory Board**
GPO Box R1250
PERTH WA 6844

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

By **Thursday, 22 November 2012**

- NOTES -

APPENDIX 2

Notice of Inquiry

NOTICE OF FORMAL INQUIRY INTO THE PROPOSAL TO AMALGAMATE THE TOWN OF NARROGIN, SHIRE OF NARROGIN AND SHIRE OF CUBALLING

The Local Government Advisory Board (the Board) has received a proposal from the Town of Narrogin, Shire of Narrogin and Shire of Cuballing 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.

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:

Town of Narrogin and Shire of Narrogin, John Higgins Centre
29 October 2012, 6.00pm – 8.00pm

Shire of Cuballing, Cuballing Hall
30 October 2012, 6.00pm – 8.00pm

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 further information on public or private hearings, making a written submission or to request an information paper, please contact:
Ross Earnshaw on Ph: (08) 6552 1510 or by email: ross.earnshaw@dlg.wa.gov.au
Alternatively, you can contact the Department of Local Government on freecall 1800 620 511.

The information paper and public submission forms are also available on the Board's website: 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) 6552 1555 or email: advisory.board@dlg.wa.gov.au

The closing date and time for receipt of submissions is 4.00pm on 22 November 2012.

- NOTES -

If you would like more information please contact us.

LOCAL GOVERNMENT ADVISORY BOARD

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Gordon Stephenson House
140 William Street
Perth WA 6000

Tel: (08) 6552 1500
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