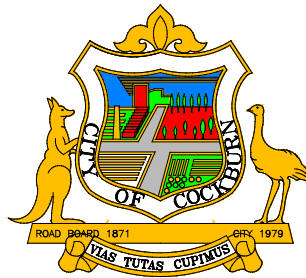


CITY OF COCKBURN



SPECIAL COUNCIL MEETING

AGENDA PAPER

FOR

THURSDAY, 24 OCTOBER 2013

CITY OF COCKBURN

SUMMARY OF AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL MEETING TO BE HELD ON THURSDAY, 24 OCTOBER 2013 AT 7:30 PM

	Page
1. DECLARATION OF MEETING.....	1
2. APPOINTMENT OF PRESIDING MEMBER (IF REQUIRED)	1
3. DISCLAIMER (TO BE READ ALOUD BY PRESIDING MEMBER).....	1
4. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATIONS OF FINANCIAL INTERESTS AND CONFLICT OF INTEREST (BY PRESIDING MEMBER).....	1
5. APOLOGIES & LEAVE OF ABSENCE.....	1
6. PUBLIC QUESTION TIME	1
7. DECLARATION BY COUNCILLORS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS	1
8 (SCM 24/10/2013) - PURPOSE OF MEETING	2
9. COUNCIL MATTERS.....	2
9.1 (SCM 24/10/2013) - PROPOSAL TO THE LOCAL GOVERNMENT ADVISORY BOARD TO CHANGE THE BOUNDARIES OF THE CITY OF COCKBURN (089/004) (S CAIN) (ATTACH)	2
10. (SCM 24/10/2013) - RESOLUTION OF COMPLIANCE (SECTION 3.18(3), LOCAL GOVERNMENT ACT 1995).....	12
11. CLOSURE OF MEETING.....	12

CITY OF COCKBURN

AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL MEETING TO BE HELD ON THURSDAY, 24 OCTOBER 2013 AT 7:30 PM

- 1. DECLARATION OF MEETING**
- 2. APPOINTMENT OF PRESIDING MEMBER (If required)**
- 3. DISCLAIMER (To be read aloud by Presiding Member)**

Members of the public, who attend Council Meetings, should not act immediately on anything they hear at the Meetings, without first seeking clarification of Council's position. Persons are advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

- 4. ACKNOWLEDGEMENT OF RECEIPT OF WRITTEN DECLARATIONS OF FINANCIAL INTERESTS AND CONFLICT OF INTEREST (by Presiding Member)**
- 5. APOLOGIES & LEAVE OF ABSENCE**
- 6. PUBLIC QUESTION TIME**
- 7. DECLARATION BY COUNCILLORS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS**

8 (SCM 24/10/2013) - PURPOSE OF MEETING

The purpose of the meeting is to give consideration to submitting a proposal to the Local Government Advisory Board in the context of local government reform and any proposed amalgamation(s) with an adjoining local government(s).

9. COUNCIL MATTERS

9.1 (SCM 24/10/2013) - PROPOSAL TO THE LOCAL GOVERNMENT ADVISORY BOARD TO CHANGE THE BOUNDARIES OF THE CITY OF COCKBURN (089/004) (S CAIN) (ATTACH)

RECOMMENDATION

That

- (1) adopt the attached proposal for submission to the Local Government Advisory Board (LGAB);
- (2) advises the LGAB that:

“The City of Cockburn, being an affected local government within the meaning of Schedule 2.1 of the Local Government Act 1995 (LGA), resolves to submit a proposal to the Local Government Advisory Board, pursuant to clause 2 (1) of Schedule 2.1 of the LGA, that Orders be made by the Governor under Section 2.1 of the LGA which would abolish the district of the City of Kwinana and vary the boundary of the district of the City of Cockburn so as to include within it the area of the former district of the City of Kwinana, in accordance with the attached plan illustrating the proposed changes.”

- (3) advise the Department of Local Government and Communities that it has formed a Local Implementation Committee (LIC) to oversee the transition process;
- (4) appoint the City's representatives on the LIC to be:
 - a. The Mayor
 - b. Councillor _____ and Councillor _____
 - c. Chief Executive Officer;
- (5) advise the City of Kwinana of these decisions and invite them to nominate up to three representatives to sit on the LIC;
- (6) immediately initiate further community communication to keep residents and ratepayers abreast of information on this project; and

- (7) advise the Premier and the Minister for Local Government of these decisions.

COUNCIL DECISION

Background

On 30 July 2013 the Minister for Local Government, Hon Tony Simpson MLA, announced the State Government's response to the Metropolitan Local Government Review. Minister Simpson advised that, after reviewing the Panel's findings, the State Government was proposing to consolidate the number of Local Government Authorities (LGAs) from 30 to 14. The Minister invited LGAs to make a submission or proposal to the Local Government Advisory Board (LGAB) on the Government's recommended model, by 4 October 2013.

The City of Cockburn met to consider this matter at a Special Council Meeting (SCM) on 19 September 2013. That meeting resolved the following:

That Council

- (1) recommend that the City of Cockburn advise the Premier, the Minister for Local Government and the Department of Local Government that Council has given careful consideration to the proposed amalgamation between the City of Cockburn and the City of Kwinana and after said consideration has decided that it no longer wishes to proceed with the proposed amalgamation between the City of Cockburn, the City of Kwinana and/or any other cities adjoining our boundaries, unless a poll is taken of our ratepayers and the majority of our ratepayers indicate that they wish us to proceed with the proposed amalgamation;*
- (2) Council's Chief Executive Officer immediately compiles and issues a press release to all media outlets, i.e, The West Australian, the local papers, all radio stations and local TV stations advising them of Council's position and the reasons for its decision; and*

(3) a copy of the media release and the letter to the Premier, the Minister for Local Government and the Department of Local Government, be provided to all Elected Members by no later than close of business on Friday 20 September 2013.

The City has fully complied with these requirements with the Mayor writing to the Premier and Minister confirming Council's decision and the Chief Executive Officer issuing a press release.

The report to Council on this matter had noted that the Government indicated it would act to use the existing provisions of Section 2 of the Local Government Act (the Act), if local governments chose not to make submissions. On 14 October the City received advice from the Minister (Attachment 1) confirming that based on Council's decision, he would now submit a formal proposal to the LGAB for the amalgamation of the Cities of Kwinana and Cockburn.

On 18 October 2013 the City of Kwinana also resolved to submit its own proposal to the LGAB. This proposal seeks to expand the boundaries of the district of Kwinana to include approximately 60% of the district of Cockburn. The Kwinana proposal also recommends that the LGAB consider changes to the boundaries of the districts of Fremantle and Melville to absorb the residual areas of Cockburn, thereby abolishing the district of Cockburn completely.

Submission

N/A

Report

Since the Local Government Reform process was initiated by the Government in February 2009, eight reports have been presented to Council on this topic. As noted, the most recent of these was at a Special Council Meeting on 19 September 2013.

After calling on LGAs to make proposals to the LGAB for voluntary reform, 19 proposals have now been submitted. The State Government can take some comfort that this matter is now entering a definitive end phase, with certainty that Reform is being achieved. While the proposals were not all in strict compliance with the Government's recommended model, these cover more than 95% of the metropolitan area. The Government will only have to submit one substantive proposal to cover the whole of the Western Suburbs, in order to get complete coverage.

Many of these proposals were for combinations of LGAs that were in accordance with the State's model. These include competing proposals from LGAs seeking to adopt the Government's model, such

as the Belmont-Kalamunda and Canning-Gosnells proposals, but seeking some form of advantage for their current community, usually in the form of increased Elected Member representation or a different LGA boundary.

South-West Metropolitan Area. Of most interest to the residents and ratepayers of Cockburn are those proposals that impact the current district of Cockburn. Proposals were submitted by the Cities of Fremantle, Kwinana and Melville that include parts of the district of Cockburn, as follows:

- *City of Fremantle.* This proposal seeks to expand the boundary of the City of Fremantle to include Cockburn's north-western suburbs. The proposal recommends an initial expansion to include most of North Coogee (down to Port Coogee) and to all of Hamilton Hill (Attachment 2). The proposal suggests a further expansion to include Spearwood could be contemplated at a later stage.
- *City of Kwinana.* This proposal seeks to expand the boundary of the City of Kwinana to include Cockburn's southern suburbs up to a new Boundary along Beeliar Drive. The proposal recommends that the LGAB consider expanding the amended districts of Fremantle and Melville, modifying their proposals to include any residual areas of Cockburn. The Kwinana proposal suggests their new city take the name 'City of Jervoise Bay' (Attachment 3)
- *City of Melville.* Three options have been proposed to the LGAB. Two are modified versions of the Government's model, the third is an option that would fit with an expanded district of Fremantle. The first two options include Cockburn's north-eastern areas of Leeming and Jandakot City. These also propose a modified boundary with Fremantle, to include all of the developed part of North Coogee into the Fremantle area. The third Melville proposal seeks to include all of the Bibra Lake industrial area into Melville. (Attachment 4)

Once a proposal is submitted to the LGAB it cannot be withdrawn. Each of these proposals, even though they may not be compliant with the Government's blueprint, will be formally considered by the Board.

None of these proposals make claim to be in the best interests of the residents or ratepayers of the district of Cockburn. Naturally their focus is on protecting the best interests of their City's own residents.

As the Local Government Act (the Act) s2.10 (a) of states, the Role of a Councillor is to:

“represent the interests of electors, ratepayers and residents of the district”

It is therefore not in the best interests of Cockburn residents or ratepayers for its Elected Members to leave the status quo (ie Council's September SCM resolution) in place, as this made no submission to the LGAB (of any type) on behalf of the Cockburn community. A proposal of some nature needs to be considered by Council for submission to the LGAB to rectify this situation.

Council's Previous Decision. As noted, the Mayor and Chief Executive have acted to fulfil the resolutions of Council at the SCM. However, in recommending that Council considers a proposal to the LGAB it is worth reviewing the 'Reason for Decision' given for making the previous resolution. Three elements stand-out:

1. Council's decision sought to preserve the right of the City of Kwinana not to be amalgamated. While this position was initially welcomed by Kwinana, their resolution of 18 October and lodgement of an LGAB proposal to take-over 60% of the district of Cockburn and seek for the whole of Cockburn to be abolished does not represent a reciprocal position to protect the rights of Cockburn residents.
2. Council desired to seek *Poll Provisions* retained in the Act. While the Government had flagged its intention to remove these from application in the Metropolitan area it has not proceeded with this change. As at this time, the existing provisions of Schedule 2.1 of the Act, which allow for a poll to be called by either the Minister or a set quorum of Electors, remain extant.
3. Council stated that there was no 'legal authority' for the Minister to require the City to make a submission to the LGAB. However, there is a legal authority (Schedule 2 (1) (a)) for the Minister to lodge his own submission. This intent has been confirmed by the Minister, with no guarantee that such a submission would ultimately be framed so that it is directly in the best interests of Cockburn residents or ratepayers.

The above factors make it imperative that the City consider a new proposal to the LGAB at this time.

City of Cockburn LGAB Proposal. Ultimately the option that would be in the best interests of the residents of Cockburn and coincidentally the residents of Kwinana is a submission that seeks to keep the existing districts of Cockburn and Kwinana intact. Such a submission would preserve the financial capacity of the two current LGAs to support the requirements of a new City. Kwinana and Cockburn will remain 'growth Council's, with anticipated population growth of between 3 and 5 % respectively, for at least the next decade.

They will also have significant change to their topography with the development of the Latitude 32 precinct along their shared border, as

part of the growth of the Western Trade Coast. All of this will require that the new City has significant organisational capacity to manage the growth, as well as fiscal capacity to deliver the requisite infrastructure investment.

The nature of a proposal to the LGAB can be in one of three forms:

1. A 'boundary adjustment' where an existing LGA seeks to extend its boundaries to encompass the whole or part of another LGA. The Fremantle and Kwinana proposals seek this option, using the latter provision.
2. An 'amalgamation' whereby two or more LGAs are abolished and a new LGA is created. This was the position presented to Council at the September SCM.
3. A 'combination' where two or more LGAs can merge, but also seek a boundary adjustment to extend into another LGA. The Melville proposals seek this option.

The recommended proposal for Cockburn is to use the 'boundary adjustment' option, but to include the whole of Kwinana within the boundary of the district of Cockburn. This option would also achieve the objectives outlined in each City's Strategic and Long-Term Financial Plans.

The key elements of the new proposal are:

1. **Consistent.** The draft proposal is a 'fully compliant' submission consistent with the Government's proposal for the Cockburn-Kwinana area. It is premised on a boundary adjustment of the current district of Cockburn to include the current district of Kwinana within Cockburn, as this keeps the whole of both communities intact.
2. **Rationale.** There is sound logic to the proposal as it would be underpinned by extant State strategy and Government Policy. It is premised on the State Government's *Directions 2031* strategy, which recognises that Cockburn and Kwinana form part of the south-west sub-region of the metropolitan area. It also notes that Cockburn's northern border is the boundary of the central sub-region, so this forms a logical boundary with the Government's proposed amalgamation of the Fremantle, East Fremantle and Melville LGAs into one new LGA. The City's proposal identifies a range of synergies across many parts of the current Cockburn-Kwinana areas that would underpin the strength of the new LGA.
3. **Name.** The proposed name for the new City is 'City of Cockburn Sound'. This recognises the unique geographical feature that connects Cockburn and Kwinana and is also a name that ties in both ecological and industrial references to precincts (eg Western Trade Coast) that will shape the City's

future. It is a name that readily identifies with the region and its history, when named by Governor Stirling.

4. **Representation.** The proposed representative model is based on a geographically based four ward model, with west, central, east and south wards and each ward having three Councillors. The 'one-vote, one-value' principle has been applied with the proposed four wards having no more than the +/- 10% variation in electors recommended by the LGAB. The community will directly elect the Mayor (ie a popularly elected mayor) as per Cockburn's current system.
5. **Boundaries.** The proposal seeks to retain the existing boundaries of Cockburn- Kwinana. However, recognising there is a requirement to look at any minor anomalies, the following areas have been identified in this category:
 - a. *North-West.* The current alignment between Cockburn and Fremantle around North Coogee is not a direct route. The development of this estate, the majority of it in Cockburn, included a pocket of some 50 homes in Fremantle. An alternative alignment would be to square this off, with a boundary around the old Fremantle Landfill site.
 - b. *North-East.* The current alignment has part of Leeming within Cockburn. As there are 741 properties in this section, there is no proposal to seek a boundary change. Previous reports to Council have highlighted the use these residents make of services provided by the City, so an alternative would be to place the boundary along Farrington Road, between Kwinana Freeway and Karel Avenue
 - c. *South-West.* While the boundary is straight, there are a number of lots in the Rockingham Industrial Zone that are split between Kwinana and Rockingham. An alternative would be to run the boundary around 'whole' lots, with several different permutations possible. There are also a number of minor changes around Mandurah and Millar Roads and the railway line that could lead to a better defined border. A commitment has been received from the City of Rockingham to address these matters (Attachment 5).
 - d. *South-East.* There are around 25 rural living lots in Oakford that are sandwiched by the Modong Nature Reserve. It may be easier to service these from Kwinana rather than Serpentine-Jarrahdale. There is also a fire easement in the Wandi area that would be more effectively managed if it were in Serpentine-Jarrahdale.
6. **Funding.** The City has estimated the cost of amalgamation at around \$6.5M, which is less than the previous draft LGAB proposal due to this being a boundary adjustment. This is still a significant sum and while efficiencies should come from an amalgamation, the cost of the transition should not be borne by

the community. The proposal seeks funding support from the Government over the next two financial years.

Managing Transition. As the nature of Cockburn's proposal is a boundary adjustment, the City of Cockburn would take the lead in managing the transition. The City's current administration and governance practices would be retained and expanded to incorporate the needs of the Kwinana residents and ratepayers. The relative staff ratio of Cockburn to Kwinana is more than 2:1 and the Operating Income ratio is 60:40. This reinforces the point that given Cockburn's size, its proposal is the least cost transition option compared to other forms of amalgamation.

The Government has recommended that the existing Elected Members of each merging LGA manage the preparation for amalgamations. The Minister's letter of 14 October reinforced this request, seeking the City to proactively manage a transition with the City of Kwinana. It is recommended that Cockburn forms a Local Implementation Committee (LIC) in accordance with the Government's Transition Planning Governance Framework.

The LIC would comprise equal representation from each of the merging LGAs, with a representative of the Department of Local Government and Communities (DLG&C) joining as an observer. However, as this is a boundary adjustment proposal the Chair of the LIC is recommended to be the Mayor of Cockburn, who would also be the LIC representative on the Metropolitan Implementation Committee (MetRIC). The Mayor of Kwinana would be the Deputy Chair on the LIC.

Previous discussions with the City of Kwinana had recommended that the LIC comprise the following representatives from each City:

- Mayor
- Two Councillors
- Chief Executive Officer

It is recommended that the City's LIC representatives be formally appointed by a Council resolution, thereby ensuring these representatives have the support of Council for this important task.

The LIC will meet monthly; or more frequently if required, at the City of Cockburn from November 2013. This date fits with the finalisation of the 'Toolkit' being prepared by WALGA, the Local Government Managers Association and the DLG&C, due out in early December 2013. The initial meetings of the LIC will be focussed on understanding the scope of the tasks involved in transition and developing a communications plan.

Community Engagement. The last report to Council also noted that the City has provided a stream of media to the community on this topic over many months, with articles in the *Cockburn Soundings*, the City's website, in media releases and in the local newspapers. However, depending on the resolution of Council on this new LGAB proposal, it will be important that any new position be communicated widely and quickly.

The LGAB review process ensures that there will be public consultation on all submissions and proposals. The LGAB will initiate public hearings and invite submissions on each of the proposals/submissions put to it. It has been previously recommended to Council that this would be the best time to hold any community forum(s) as these would be widely promoted and focussed on the issues.

A comprehensive Communications Plan is also required to make residents more aware of the LGAB process, the nature of our proposal and how the City is managing this matter. The City is preparing a draft document with this to be addressed by the LIC.

Conclusion. The submission of a proposal to the LGAB will commence the process that potentially leads to an amalgamation of the Cities of Cockburn and Kwinana. As previously advised, once submitted a proposal cannot be withdrawn.

The draft LGAB proposal being recommended to Council is in accordance with the Government's strategic objectives for the Reform of Local Government, as well as the State's planning framework recommended for the south west sub-region.

The recommended option of a boundary adjustment is the simplest, most cost effective and least disruptive option of the amalgamation options available. The proposal mirrors much of what had been previously proposed to the City of Kwinana. It is believed that this proposal would also have the greatest benefit to all residents of both current Cities, compared to other options that have been put to the LGAB that include both districts.

Strategic Plan/Policy Implications

Growing City

- Investment in industrial and commercial areas, provide employment, careers and increase economic capacity in the City.

Leading & Listening

- Effective and constructive dialogue with all City stakeholders.
- Effective advocacy that builds and manages relationships with all stakeholders.

- Manage our financial and infrastructure assets to provide a sustainable future.

A Prosperous City

- Sustainable development that ensures Cockburn Central becomes a Strategic Regional Centre.

Budget/Financial Implications

The City is not eligible for any interim funding from the Government, as it did not submit a conforming proposal to the LGAB by 4 October 2013. However, provision was made in the FY13/14 budget of \$180,000 for expenditure on Local Government Reform. Should additional funding be required this would need to be dealt with at the mid-year budget review (Feb 14).

The City has estimated the cost of an amalgamation at around \$6.5M, with its LGAB proposal seeking for the Government to fully fund this expenditure.

Legal Implications

Sec 2.1 and Schedule 2.1 of the Local Government Act refer.

Community Consultation

The City should issue appropriate media on this matter to clarify the intent and purpose of making a proposal to the LGAB at this time. As the LGAB will initiate public consultation as part of its deliberations, the City should widely promote this at the appropriate time. The Local Government Act's *Poll Provisions* still apply and can be initiated by the community if the LGAB recommends that an amalgamation proceed.

Attachment(s)

1. Correspondence from Minister for Local Government; Community Services; Seniors and Volunteering; Youth 14 October 2013
2. Map showing City of Fremantle's LGAB proposal
3. Map showing City of Kwinana's LGAB proposal
4. Map showing City of Melville's three LGAB proposals
5. Letter from the City of Rockingham dated 12 September 2013
6. City of Cockburn proposal to the Local Government Advisory Board

Advice to Proponent(s)/Submissioners

The City of Kwinana has been advised that an LGAB proposal is being considered by the City of Cockburn on the 24 October 2013 at a Special Council Meeting.

Implications of Section 3.18(3) Local Government Act, 1995

N/A

10. (SCM 24/10/2013) - RESOLUTION OF COMPLIANCE (SECTION 3.18(3), LOCAL GOVERNMENT ACT 1995)

RECOMMENDATION

That Council is satisfied that resolutions carried at this Meeting and applicable to items concerning Council provided services and facilities, are:-

- (1) integrated and co-ordinated, so far as practicable, with any provided by the Commonwealth, the State or any public body;
- (2) not duplicated, to an extent Council considers inappropriate, services or facilities as provided by the Commonwealth, the State or any other body or person, whether public or private; and
- (3) managed efficiently and effectively.

COUNCIL DECISION

11. CLOSURE OF MEETING

CITY OF COCKBURN



SPECIAL COUNCIL MEETING

AGENDA ATTACHMENTS

FOR

THURSDAY, 24 OCTOBER 2013



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

Our Ref: 49-02176

Cr Logan Howlett
Mayor
City of Cockburn
PO Box 1215
BIBRA LAKE WA 6965

CITY OF COCKBURN
DOC No
15 OCT 2013
SUBJECT
089/004
RETENTION
67-2 D 7
PROPERTY
APP
ACTION
RECORDS TO MAYOR

14 OCT 2013

Dear Cr Howlett

PROPOSED AMALGAMATION OF THE CITIES OF COCKBURN AND KWINANA

Thank you for your letter of 23 September 2013 regarding the decision of the City of Cockburn Council not to submit a merger proposal to the Local Government Advisory Board.

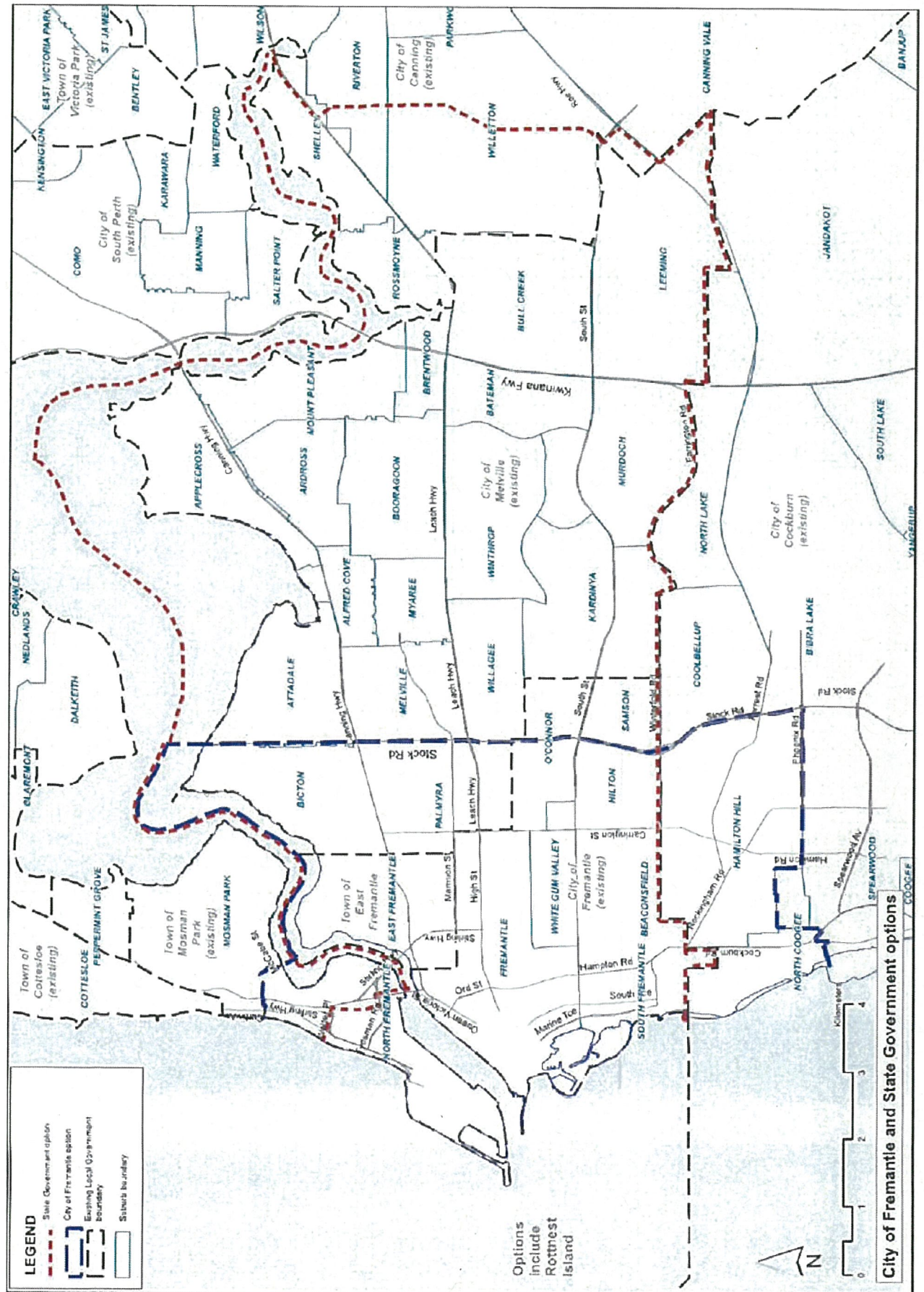
Currently, the *Local Government Act 1995* provides multiple ways for submissions to be lodged with the Board to give effect to boundary changes. I acknowledge the decision of your Council not to submit a proposal to the Board. As indicated in my recent correspondence dated 24 September 2013, I will now submit a proposal to the Board that relates to both Cockburn and Kwinana.

The final form of proposed amendments to the Act will be determined shortly. I encourage your Council to work with the City of Kwinana on planning for a merger as the Liberal-National Government's model is progressed.

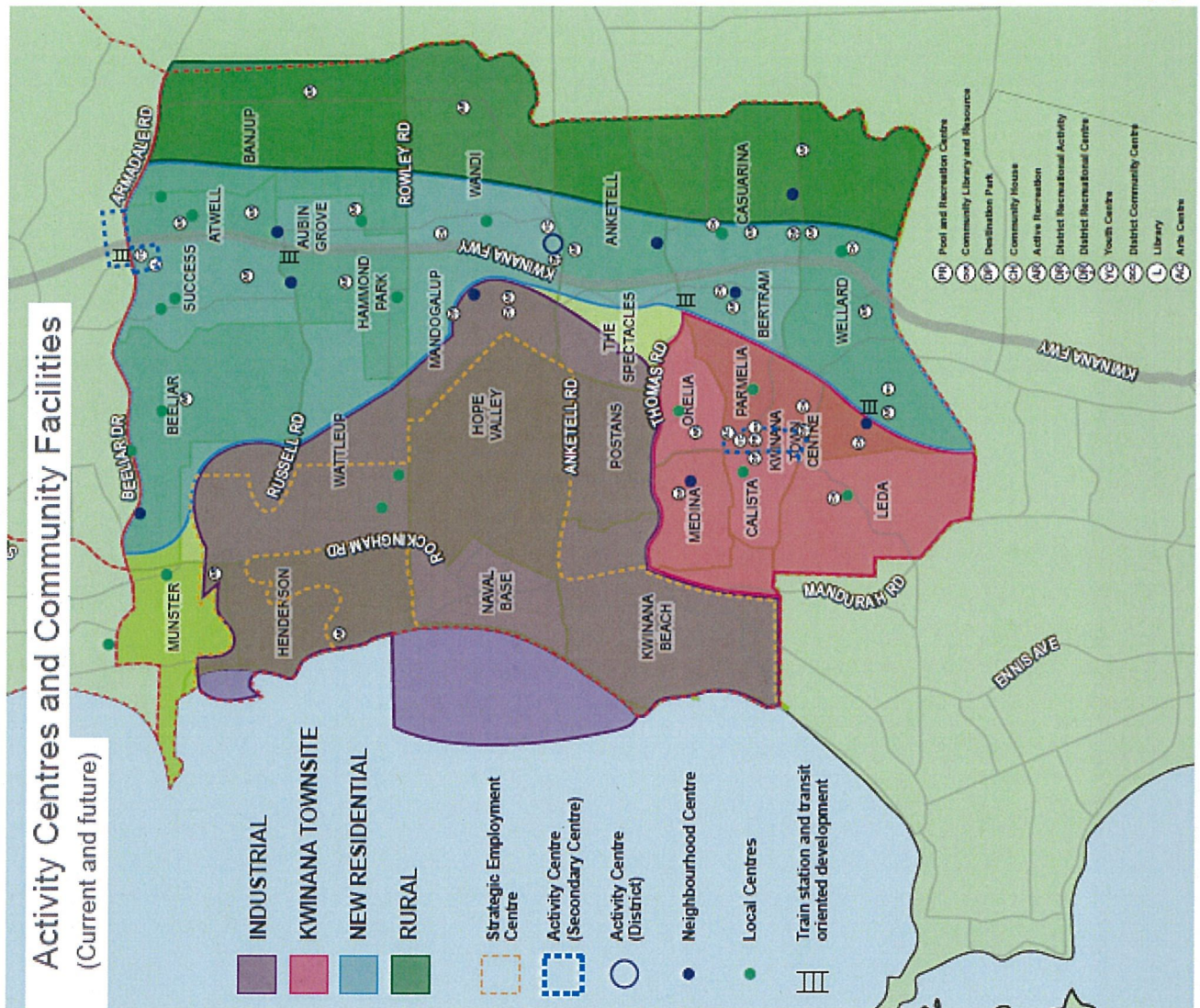
Yours sincerely

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

Extract City of Fremantle LGAB proposal

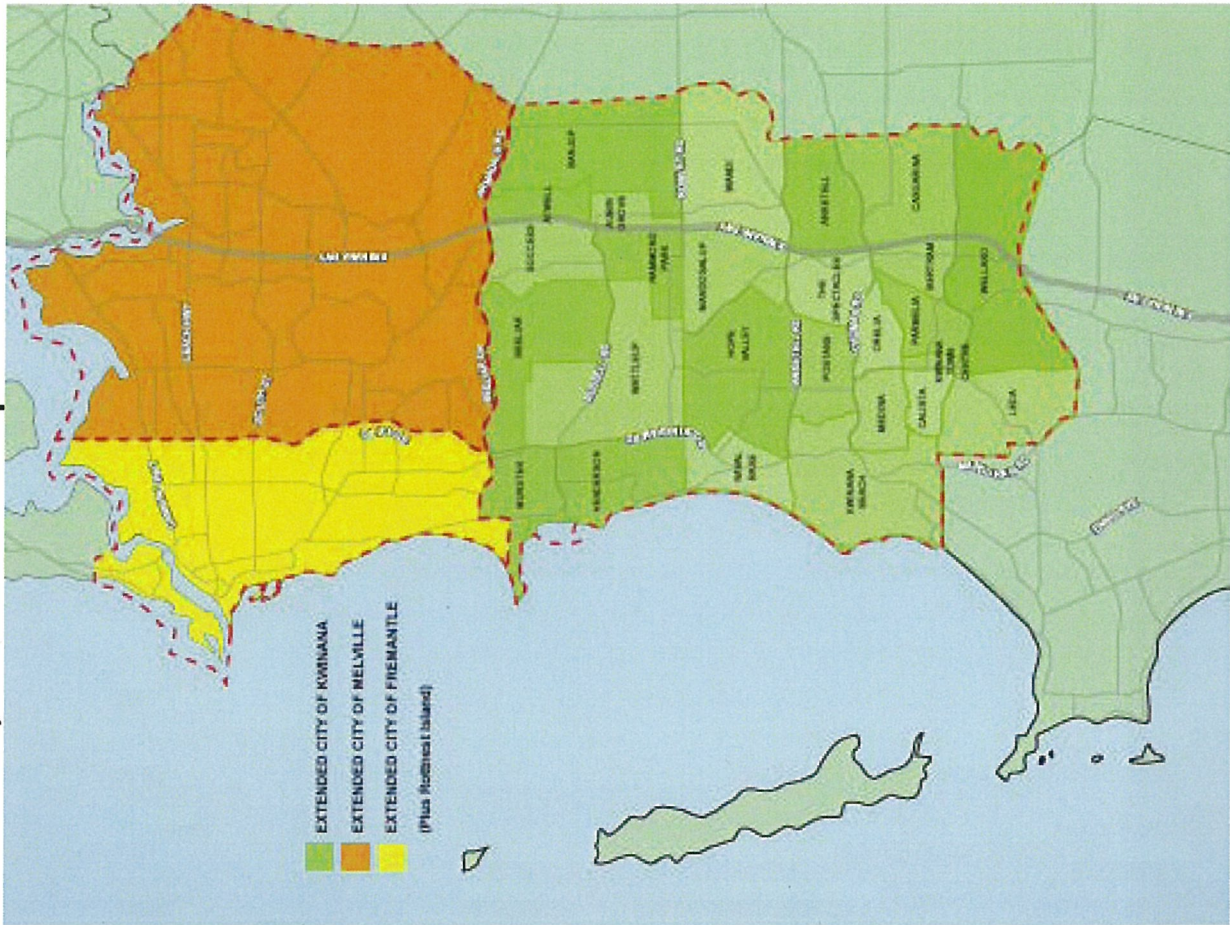


Extract City of Kwinana LGAB proposal



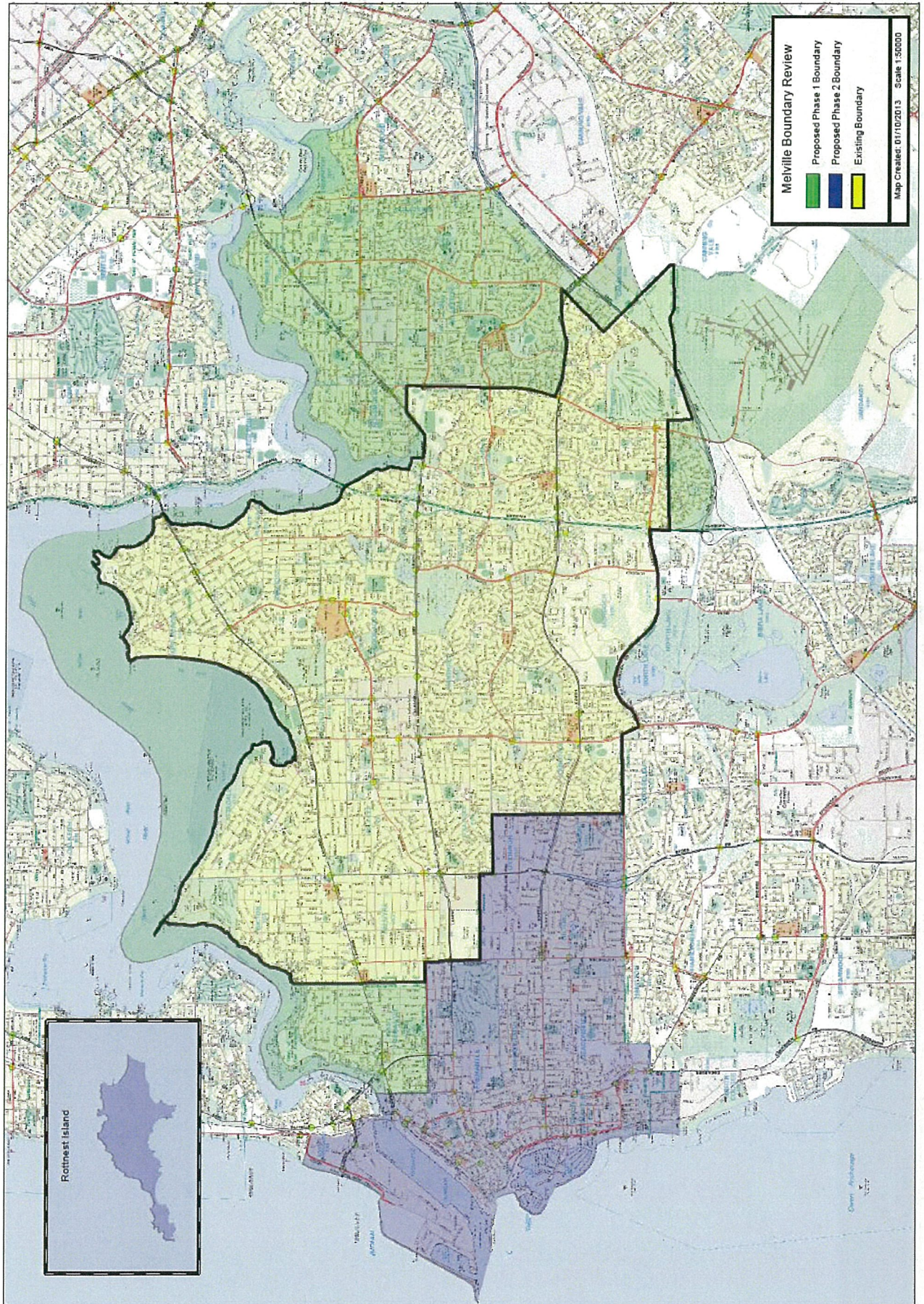
Extract City of Kwinana LGAB proposal for combined Fremantle, Melville, Kwinana option

Expected population 2015	
Extended City of Kwinana	83,000
Extended City of Fremantle	80,000
Extended City of Melville	176,000

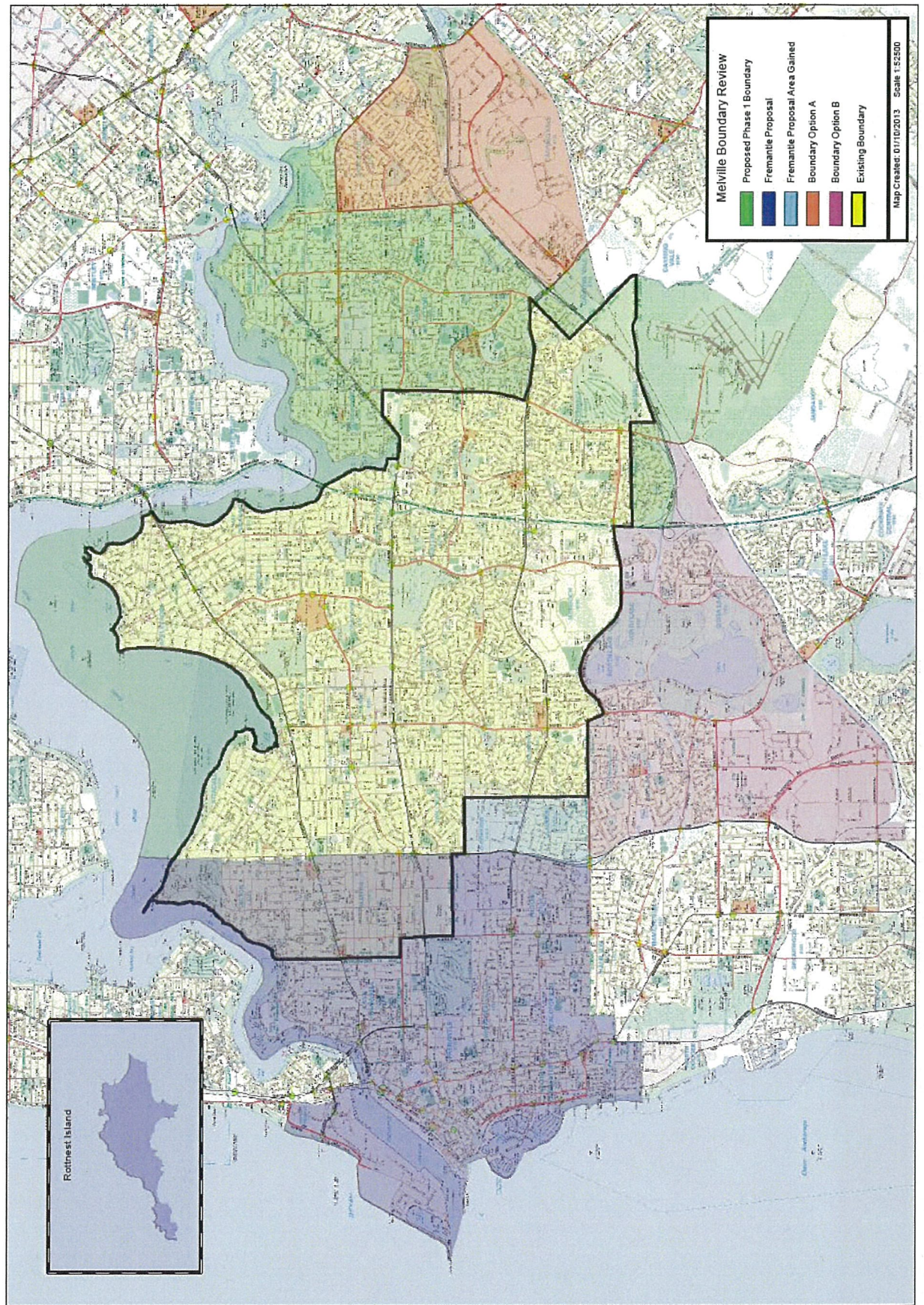


Map 1
(For a street map view, refer to Attachment 1)

Extract City of Melville LGAB proposal (options 1 and 2)



Extract City of Melville proposal (option 3)



Our Ref: GOV/27 D13/98189

Your Ref:

Enquiries to:



where the coast comes to life

12 September 2013

www.rockingham.wa.gov.au

Mr Stephen Cain
Chief Executive Officer
City of Cockburn
PO Box 1215
BIBRA LAKE WA 6965

Dear Stephen

I refer to recent communications and our subsequent discussions conducted on Wednesday, 11 September 2013 regarding the Metropolitan Local Government Reform process and in particular, the matter of minor boundary adjustments between the City of Rockingham and the proposed City of Cockburn/Kwinana.

Firstly, given that the City of Rockingham has obviously not involved itself in discussions or analysis relating to the overall structural reform issue given the advice of the State Government, we have undertaken no analysis or given any thought to any boundary adjustments whether indeed they be minor or major.

In terms of the City's boundaries, I acknowledge that some minor anomalies may exist with regard to the demarcation of notional geographical boundaries, for example, main roads or railway lines, where they may have impact on the logistical or practical capabilities of local governments undertaking their normal range of service delivery and asset, facility and property management functions.

In the circumstances, the City of Rockingham is of the view that the most appropriate time in which to discuss any adjustments to its boundaries would be when the Metropolitan Local Government reform process has been resolved and new entities created and "settled down".

More importantly, the City must have the opportunity over a reasonable and appropriate timeframe to analyse the impacts of any prospective changes in terms of their specific geographic, logistical and economic impacts.

The City therefore commits to entering into discussions with the new entity that will merge as a result of the reform process and look to rationalising these anomalies after an appropriate period of discussion and analysis.

As I advised at our meeting, the City also has some minor work to do with its eastern and southern boundaries and therefore we would anticipate dealing with all issues under the same submission.



civic boulevard rockingham wa
po box 2142 rockingham dc wa 6967

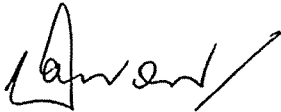
t 9528 0333 f 9592 1705 e council@rockingham.wa.gov.au

I acknowledge your assurances that any submission put forward to the Local Government Advisory Board from the City of Cockburn/Kwinana will not contain recommendations or proposals for adjustments to the boundaries between the prospective new entity and the City of Rockingham, however I am happy for you to put forward that the City commits to discussions in the future outside of the current structural reform process.

The City will be submitting this correspondence, and a brief outline of its desire to deal with boundaries outside of the current structural reform process, in line with the intent of this correspondence, as part of a submission to the Local Government Advisory Board and the Minister for Local Government prior to the end of this month

Thank you for taking the time to meet with me and I look forward to a very constructive and collegiate relationship developing between the City of Rockingham and any new entity that might emerge as part of this process.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Andrew', followed by a long, sweeping diagonal stroke.

ANDREW HAMMOND
CHIEF EXECUTIVE OFFICER



Proposal made to the Local Government Advisory Board to create **The City of Cockburn Sound**



Photo courtesy Landcorp

*Cockburn Sound, a place
for people and industry.*

www.cockburn.wa.gov.au

Proposal made to the Local Government
Advisory Board to create
The City Of Cockburn Sound

Contents

Nature of the Proposal	5
Compliance with Government Reform Objectives	5
Characteristics of the Cities of Cockburn and Kwinana	6
Directions 2031: South-West Sub Regional Needs	8
Capability of City of Cockburn	12
Challenges for the City of Cockburn Sound	14
Rationale	16
Principles and Key Actions	17
Wards and Representation	17
Funding for Proposal	18
Name of New body – ‘City of Cockburn Sound’	18
Local Governance	20
Boundaries of Enlarged Body and Anomalies	20
Fair Treatment of Existing Employees	20
Information relating to the Local Government Advisory Board Guiding Principles	21
Community Interests	21
Physical and Topographic Features	21
Demographic Trends	23
Economic Factors	24
History of the Area	24
Transport and Communication	25
Matters affecting the Viability of Local Governments	27
Effective Delivery of Local Government Services	29
Local Implementation Committee (LIC)	29
Membership of Metropolitan Reform Implementation Committee (MetRIC)	29
Attachments	29

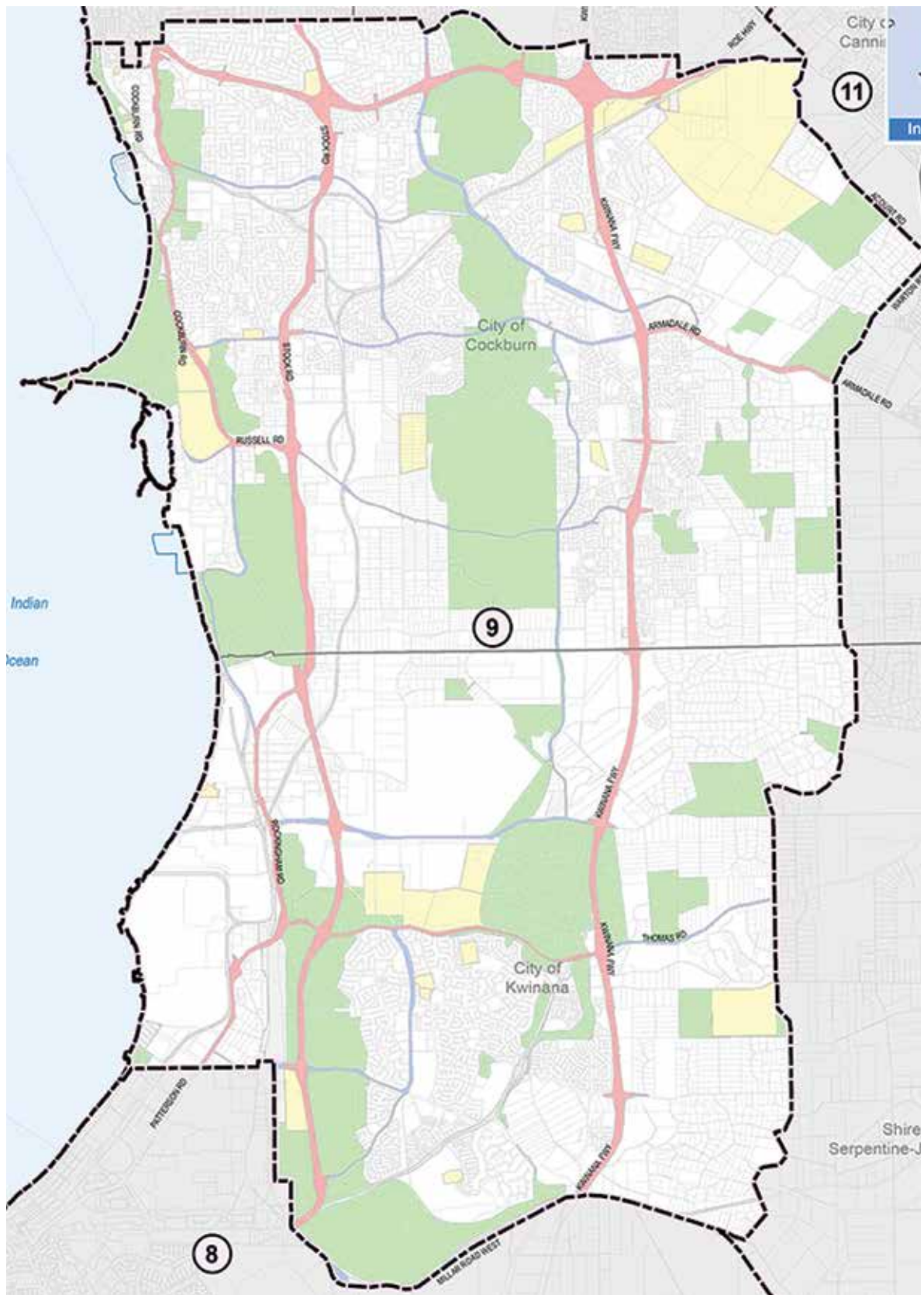


Figure 1. State Government Plan for Cockburn and Kwinana

The aggregation of the two cities by boundary adjustment is believed to be in the best strategic interests of the communities

Nature of the Proposal

The City of Cockburn proposes to take a leadership role to create the City of Cockburn Sound (CCS) by a boundary adjustment. This proposal is consistent with the objectives of local government reform identified in the Metropolitan Local Government Review Panel Report (Robson Report), Western Australian planning policies such as “Directions 2031 and beyond”, land use planning and transport planning and the recently released State Government Blueprint issued in response to the Robson Report.

The aggregation of the two cities by boundary adjustment is believed to be in the best strategic interests of the communities comprising the two local governments and businesses operating within Cockburn and Kwinana. This option can be achieved with the least cost, the least disruption and more quickly than other alternatives.

Compliance with Government Reform Objectives

The area covered by this proposal is exactly as was detailed in the State Government’s Local Government Blueprint released in July 2013. The new boundaries are shown in Figure 1 which is taken from the presentation by the Minister for Local Government that accompanied the release.

The proposal is consistent with the Government’s objectives of:

- Creating fewer, larger, more effective Local Governments within the Perth Metropolitan Area
- Reducing the number of Local Governments in the south-west metropolitan area to three: ie Fremantle, East Fremantle and Melville; Cockburn-Kwinana and Rockingham
- Focussing on the strategic needs of the south-west sub-region in order to support the economic growth of the State
- Achieving the economy of scale required to ensure efficient delivery of local services to the community
- Creating financially stable organisations that are more capable of own-source financing



Department of Housing accommodation, Central Cockburn - Courtesy Landcorp

Characteristics of the Cities of Cockburn and Kwinana

The Cities of Cockburn and Kwinana hold a unique and important position in the economic future of Western Australia. They include the only heavy industrial area in the Perth Metropolitan Area and an extensive network of supporting industrial and commercial areas that support the resources, manufacturing and defence sectors.

Both cities have experienced strong economic and population growth and both have remaining areas for greenfield development. These characteristics distinguish them from inner city areas of Metropolitan Perth which have generally have declining industrial activity and rely on infill development for growth.

The WA Planning Commission, in its State Lot Activity publication, identifies subdivision activity. For the 2012-13 financial year, 865 new residential lots were created in the City of Cockburn compared to 572 in the City of Kwinana.

The existing northern boundary of the City of Cockburn is also the sub regional boundary of the Directions 2031 Central Metropolitan Perth sub region (see Figure 2 opposite). This adjoining

sub region contains the inner and middle sectors of the Perth Metropolitan Area. Typically an inner or middle sector local government has population densities of 2,000 persons per square kilometre.

The entire area of the Cockburn and Kwinana local government areas are in the outer sector of the Perth Metropolitan Area and have much lower population densities reflecting the quantity of industrial land and greenfield development sites.

Cockburn has a population density of 589.4 persons per square kilometre, Kwinana 272.6 persons per square kilometre compared to a typical middle sector local government such as Melville with 1,974.1 persons per square kilometre.

The City of Cockburn is much larger than the City of Kwinana with three times the population and over twice the population growth. The City of Cockburn has a more diverse economy and has over five times the number of businesses than Kwinana.

Selected characteristics of Cockburn and Kwinana are shown in Table 1.

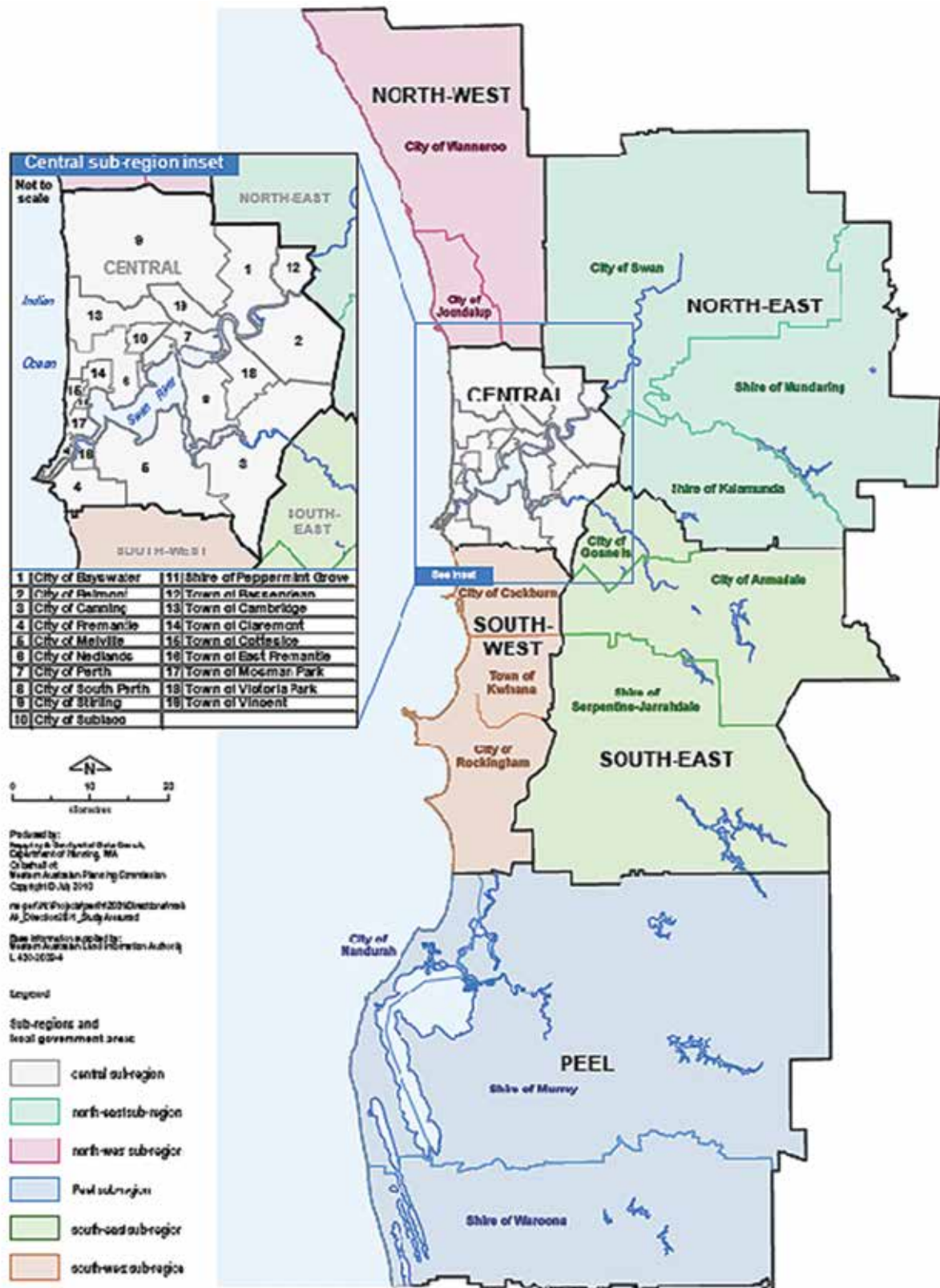


Figure 2. Directions 2031: Sub-Regions and Local Government Boundaries

Table 1: Characteristics of the Cities of Cockburn and Kwinana

	City of Cockburn	City of Kwinana	Cockburn/ Kwinana Total
Population June 2012 Persons	98 990	32 712	131 702
Population Growth 2007 – 12 Persons	17 537	7 752	25 289
Projected Growth 2012 -2026 Persons	33 600	19 000	52 600
Dwellings (ABS 2011 Census)	31 839	10 826	42 665
Workforce June 2013 (LMIP)	55 504	14 431	69 935
Residential Lots Created 2012 - 13	865	572	1 437
Dwellings Approved 2012 - 13	1302	551	1 853
Residential Building Approvals 2012-13	\$337 829 300	\$113 179 000	\$451 008 300
Area in Hectares	16 793	12 001	28 794
Population Density Persons per square kilometre	589.4	272.6	457.39
Number of Businesses 2011	7 062	1 368	8 430
Number of Electors July 2013	59 545	16 876	76 421
Annual Budget Revenue 2013 - 14	\$122 700 826	\$51 348 053	\$174 048 879
Net Council Assets	\$833 066 831	\$167 377 310	1 000 444 141
Council Staff (FTEs)	455	245	700

Directions 2031: South-West Sub Regional Needs

The South-West sub region was identified by the State Government as a primary area of growth for metropolitan area.Perth. As shown in Figure 3 below, the sub-region has the capacity to yield 87,000 new dwellings under a ‘business as usual’ approach, but could yield up to 120,000 dwellings if Local Government town planning is managed more effectively.

Local Government Area	Development Type	Estimated dwelling supply	
		Business as usual Low Density	Connected City Medium Density
Cockburn	Greenfields	12,870	18,280
	Infill/redevelopment	9,300	11,100
	Sub Total	22,170	29,380
Kwinana	Greenfields	15,150	20,480
	Infill/redevelopment	700	800
	Sub Total	15,850	21,280
Rockingham	Greenfields	41,800	60,500
	Infill/redevelopment	7,400	8,600
	Sub Total	49,200	69,100
Southwest	Greenfields	69,820	99,260
	Infill/redevelopment	17,400	20,500
	Total	87,220	119,760

Figure 3: South-West Sub-Region Estimated Dwelling Supply



Subdivisions in Beeliar

As shown in Table 2 below, applying the State Government's Local Government Reform template to the sub-region would see this growth reasonably split with:

Table 2: Sub-Regional Development

Local Government Area	New Dwellings - Business As Usual	New Dwellings - Connected City
Cockburn-Kwinana	38,020	50,660
Rockingham	49,200	69,100

Similarly the sub-region has the capacity to increase the State's economic output. Directions 2031 identifies that to achieve a level of 70% employment self-sufficiency 87,000 new jobs are required over the next 25 years; but with a more coordinated approach up to 113,000 jobs could be created in the same timeframe.

The key to achieving this is to build upon the capability of the existing industrial areas of Bibra Lake, Cockburn Business Park, Jandakot and Yangebup, the Flinders Precinct, the Australian Marine Complex and Jandakot City through continued infill development.

Likewise the coordinated development of new industrial areas will be equally important. Directions 2031 identified two primary areas of industrial growth, being the Western Trade Coast

(WTC) and North-East Baldivis. The strategy identifies that The WTC will be the major focus of the metropolitan and State industrial activity. The need for effective planning of this precinct has been recognised by the State Government with the formation of the Western Trade Coast Industries Committee (WTCIC), which includes the Cities of Cockburn and Kwinana in its membership.

While the WTCIC has achieved much since its inception, the on ground delivery of key infrastructure; such as the new intermodal facility at Latitude 32 and outer-harbour, have yet to occur. There is a major opportunity through the aggregation of the Cities of Cockburn and Kwinana to apply a single Local Government Town Planning Scheme to cover the majority of this precinct. This outcome would simplify the planning framework, with the potential to expedite development activity.



Figure 4 shows the spatial framework plans for the South-West Sub-Region, which encompasses all proposed urban and industrial development. There are several features that stand out:

- The Strategic Centre of Rockingham will be the focus for considerable regional urban development occurring to the south-east.
- Rockingham will have a requirement to strategically plan for development of the North-East Baldivis industrial area, as well as coordinate delivery of the infrastructure requirements for this precinct.
- There is a contiguous urban corridor that is extending south from the southern boundary of Cockburn into the northern area of Kwinana. Much of this new area will be serviced by the Secondary Centre at Cockburn Central.
- The WTC is a joint project that covers Cockburn-Kwinana, with its largest new precinct being developed under the banner of 'Latitude 32'. There is an existing network of business activity that has developed between the existing Cockburn industrial precincts; eg oil and gas industrial activity at the AMC and Jandakot City. This will only grow further across all the industrial precincts of Cockburn-Kwinana as the Latitude 32 precinct within the WTC is developed.
- The development of the infrastructure within the WTC, eg roads, rail and ports, will require not only a large investment by the State Government; but it will also require a considerable investment by Local Government in complementary projects.

A logical way to approach the needs of the Sub-Region would be through the creation of Local Governments whose focus is on these discrete regional requirements. An endstate from Local Government Reform that has an independent City of Rockingham and an aggregation of the Cities of Cockburn and Kwinana into the CCS would be consistent with achieving this.

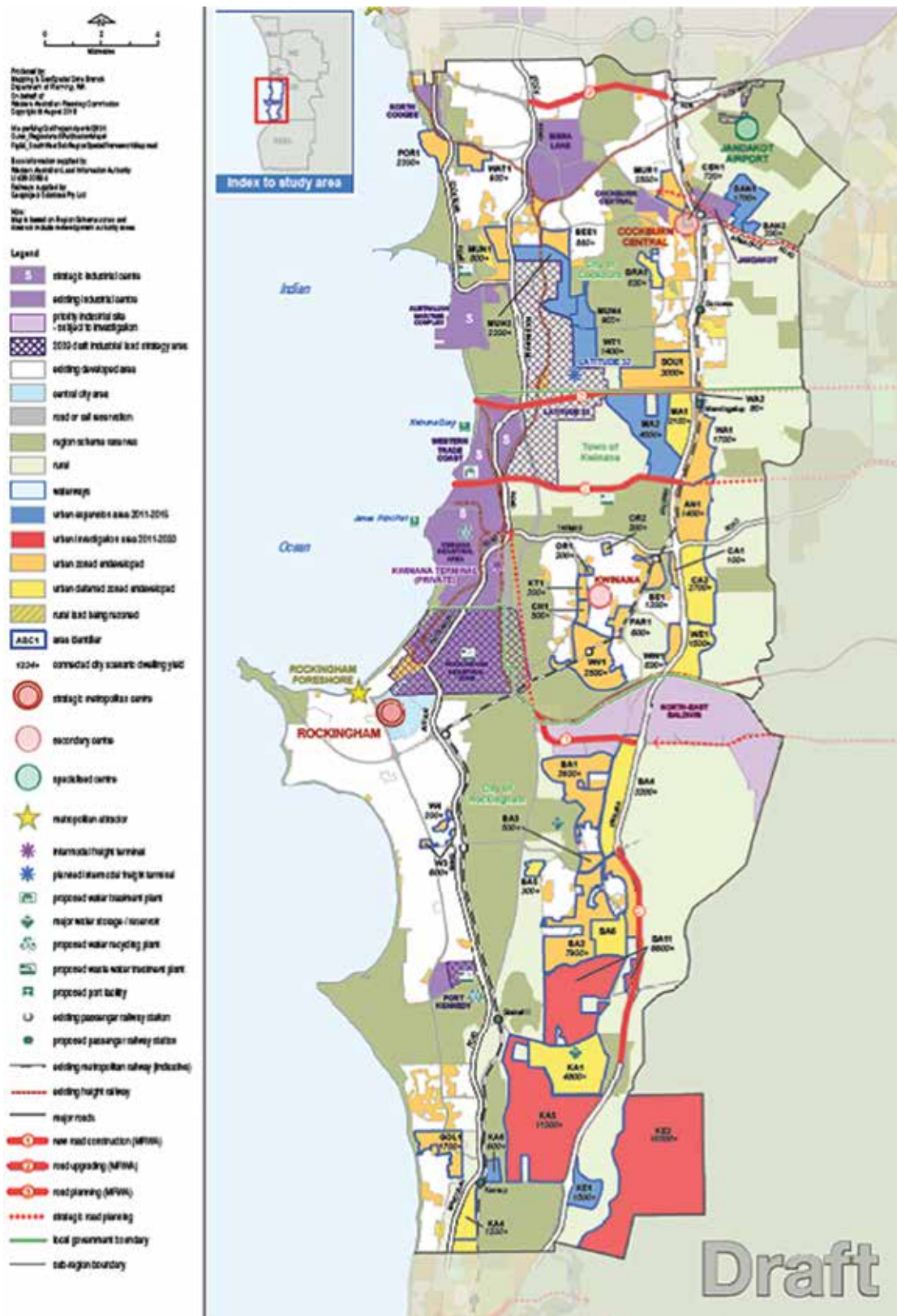


Figure 4: South-West Sub Region Spatial Framework Map

Capability of City of Cockburn

The City of Cockburn has shown significant capability in delivering both economic growth and population growth with sound financial management whilst enhancing the amenity of the City.

Cockburn's track record includes:

- Greenfields development at Aubin Grove, Hammond Park, Success, Beeliar, Port Coogee and Cockburn Central
- Brownfields development – Cockburn Coast (North Coogee), Banjup (north), as well as revitalisation strategies for Spearwood, Hamilton Hill and Coolbellup
- Industrial greenfield development – Australian Marine Complex, Yangebup and Jandakot Industrial Areas, Cockburn Business Park and Jandakot City
- Industrial brownfield development – Hope Valley Wattleup (Latitude 32)

Local government also needs to construct the infrastructure to provide services and amenity that support communities and enterprise. The City of Cockburn has built extensive community infrastructure over the past eight years including youth and senior's centres, two libraries, four local sports centres, community halls, a surf club and

a local emergency services centre. Cockburn has a comprehensive plan for the next ten years for community infrastructure including the development of the \$82m Regional Aquatic facility near Cockburn Central.

Cockburn has developed an extensive network of road improvements to support industrial and commercial development and has a comprehensive plan for road improvements for the next 20 years. Attachment A shows the City's 2006-22 plans and achievements for key community infrastructure investment.

Cockburn's investments have been underpinned by a comprehensive financial plan that includes:

- Developer contributions for community and roads infrastructure (Cockburn was the first local government in Western Australia to introduce a Community Infrastructure levy)
- Contributions from economic activities; Henderson Waste Recovery Facility; Cockburn's new GP Super Clinic and Allied Health Centre and the future Port Coogee Marina will provide additional streams of income that are used to co-fund infrastructure programs
- A balanced rate base that does not tax either residential or commercial/ industrial ratepayers unfairly or excessively



GP Super Clinic, Library and Integrated Health Facility due for completion in 2014



Cockburn Gateway Shopping City will be the largest shopping centre between Rockingham and Booragoon



Public Consultation and Engagement form a key feature of the Citys' Governance models

Challenges for the City of Cockburn Sound

The CCS is an important component of the Perth Metropolitan Area planning initiative Directions 2031 and a key location for economic and commercial growth.

Cockburn Central is a pivotal activity centre and will be the location of the largest shopping centre between Booragoon and Rockingham.

The Cockburn Gateways Shopping City has a current floor area of 33,000 square metres and will expand to 55,000 square metres. It is crucial that commercial, industrial and urban growth are carefully planned in this activity centre. This proposal will ensure that the core area and the frame area are within the one local government area (see Figure 5 Cockburn Central Activity Centre).

The strong growth of CCS will drive the need for significant community infrastructure. Whilst Cockburn has shown that it can provide this infrastructure with low debt through exemplary financial management and planning, a larger local government will facilitate and smooth investments in infrastructure.

Significant industrial development is planned linked to Latitude 32 and new port capacity for the Fremantle Outer Harbour. The scarcity of near coastal industrial land has led to a highly linked network of industrial support sites spread across CCS including Bibra Lake, Jandakot City, Australian Marine Complex, Kwinana and Latitude 32 Flinders Estate. The CCS proposal preserves and enhances these linkages and places the 1,200 hectare Latitude 32 development within one local government area.

Part of developing Perth as a sustainable metropolis involves significant increase in the use of walking, cycling and public transport. Rail stations are important hubs for Tier 1 and Tier 2 transport networks. The CCS proposal allows for management of the active transport catchments around each rail station to principally be within one local government.

Statutory planning is becoming more complex and costly. The CCS proposal simplifies impacts on statutory planning by combining two entire local governments.

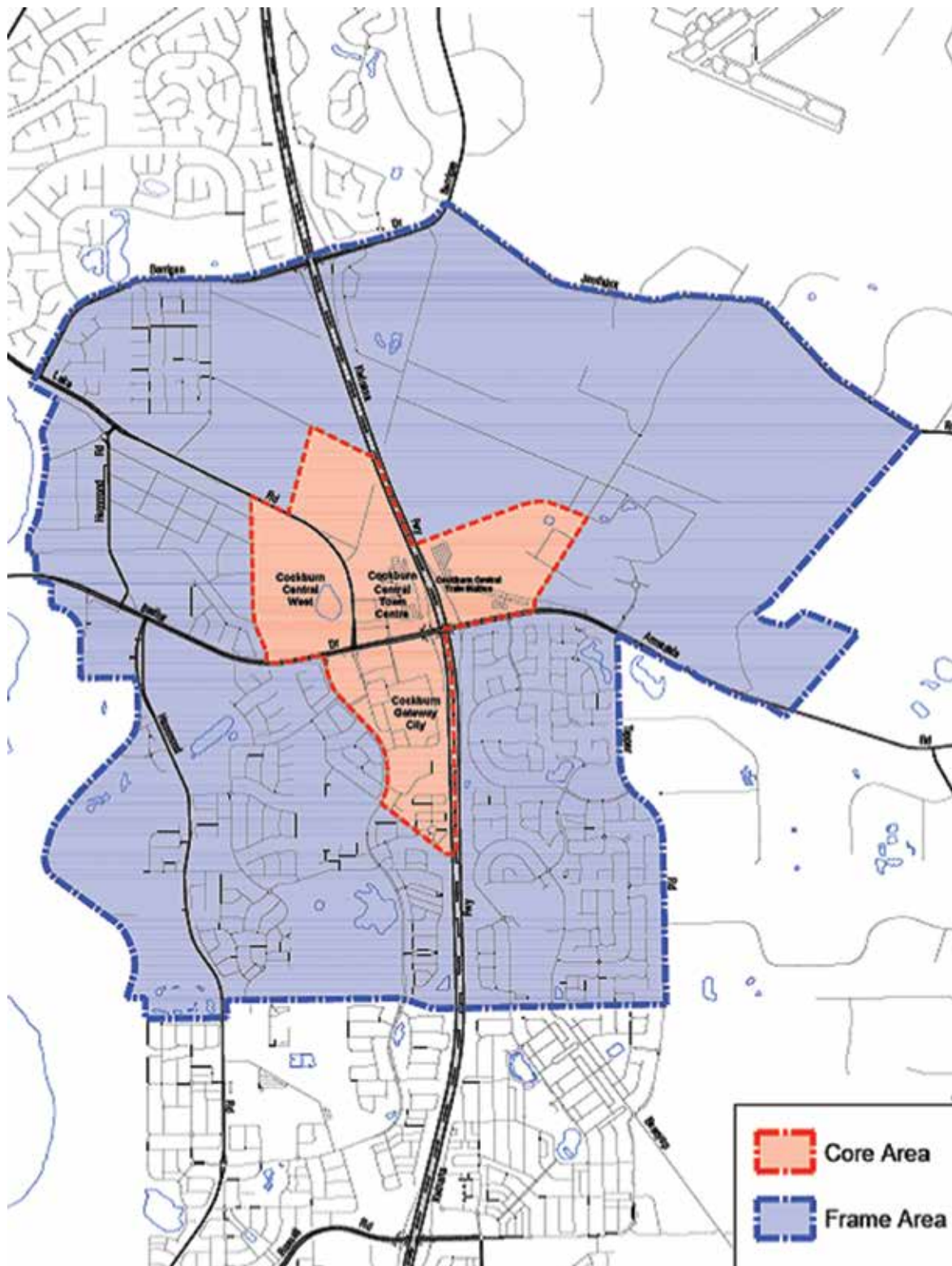


Figure 5: Cockburn Central Activity Centre

Rationale

The proposal has been triggered by the extensive assessment of the current operation and future role of local governments in the Perth Metropolitan Area. The reasons as to why this proposal has been selected are:

1. The resulting local government will be consistent with scale sought by the Robson Report and the State Government. In 2026 the CCS will have 8.03% of the projected Metropolitan Perth population of 2,276,900.
2. The City of Cockburn has the resources, scale and capability to lead and expeditiously effect the boundary adjustment.
3. There are billions of dollars worth of infrastructure and development activity being undertaken or planned at, near or across the common boundary between Cockburn and Kwinana.
4. The proposal will simplify:
 - development of Latitude 32,
 - development of a new container port,
 - development of Rowley Road,
 - urban development along the Kwinana Freeway,
 - management of the Cockburn-Kwinana coastline,
 - management of Beeliar Regional Park,
 - management of the Kwinana buffer zone and airshed,
 - management and development of the Jandakot Water Mound, and
 - finalisation of the Fremantle Rockingham controlled access highway.
5. The proposal will be led by the City of Cockburn which has demonstrated best practice community engagement, high quality place management and has strongly invested in community development.
6. The proposal represents the optimal financial viability outcome compared with any other amalgamation option. CCS will also provide an excellent spread of rates base mix and opportunities for revenue growth.
7. The two local governments have a common heritage in market gardening, grazing and dairying as well as a common future in urban, commercial and industrial development. The two local governments have strong connections to the resources sector through their manufacturing, construction and services sectors.
8. Both councils share a maritime connection through current and future Cockburn Sound activities such as the Australian Marine Complex at Henderson and the development of new port or ports near the common boundary of the two local governments.
9. Both local governments are classified as outer metropolitan and face similar challenges in managing industrial and urban growth.
10. The two local governments have common ecology and landforms with similar environmental challenges. CCS will be entirely located on the Swan Coastal Plain with a limestone coast, dune systems and wetlands.

Principles and Key Actions

Significant past collaboration and investigation by the Cities of Cockburn and Kwinana has identified the following principles and key actions that are considered essential to optimise the boundary adjustment process and outcomes:

The Mayor to be elected by popular election.

The proposed name of the merged local government to be 'City of Cockburn Sound'.

The new local government to come into being on 1 July 2015. Adequate funding to be allocated by the State Government to support the boundary adjustment process.

Local governance be used to manage the transition to the new enlarged local government.

The boundary adjustment being undertaken on the existing boundaries of Cockburn and Kwinana. Any anomalies are to be resolved outside of the LGAB process.

A moratorium being placed on any externally initiated change to the new boundaries of the enlarged body for five years.

That the existing employees of the two local governments be treated fairly during the transition process.

Wards and Representation

A range of options were considered for wards and representation.

The preferred option is for the new city is to have four wards comprising three new wards (West, Central and East) in Cockburn and a new South Ward encompassing the City of Kwinana as shown in Figure 6. Under this option balanced representation within the standard variation allowable, is achieved from the outset of the formation of CCS as detailed in Table 3.

Table 3: Proposed Transition

	Electors July 2013	Electors July 2015	Electors July 2021	Elected Members 2015	Elected Members 2017	Elected Members 2019 to 2021	Councillor Elector Ratio 2015	Councillor Elector Ratio 2021	% Ratio Deviation 2015 (2021)
East Ward	20 293	21 304	24 335	3	3	3	1:7 101	1:8 112	-5.0% (-4.1%)
Central Ward	21 538	22 263	24 440	3	3	3	1:7 421	1:8 147	-9.1% (-4.6%)
West Ward	17 714	18 676	21 563	3	3	3	1:6 225	1:7 188	+8.4% (+7.8%)
South Ward	16 876	18 455	23 167	3	3	3	1: 6 152	1:7 722	+9.7% (+0.9%)
Sub Total	76 421	80 698	93 505	12	12	12	1: 6 747	1:7 792	+0.0%
Mayor				1	1	1			
New LGA	76 421	80 698	93 505	13	13	13			

The recommended long term approach is for a four ward structure with three councillors per ward and a popularly elected Mayor.

Cockburn Sound is the most intensively used marine embayment in Western Australia with its combination of recreation, fishing, defence and port activity uses

Funding for Proposal

The costs of implementing an amalgamation have been estimated in the Financial Analysis and Impact Assessment document attached. A boundary adjustment will be simpler and cheaper if managed by the City of Cockburn and is estimated at \$6.5 million.

The costs of \$6.5 million include provision for business process review and harmonisation, resolving pay disparity, training in new protocols and processes, new equipment, limited redundancy and contingencies.

Table 4: Funding Required for Boundary Adjustment

	2013/14 \$m	2014/15 \$m	2015/16 \$m	Total \$m
Boundary Adjustment Costs	\$0.2m	\$3.0m	\$3.3m	\$6.5m

It is recommended that adequate funding be allocated by the State Government to support the proposal process.

Name of New body – ‘City of Cockburn Sound’

Cockburn Sound forms the entire western boundary of the Cities of Cockburn and Kwinana, extending 24 kilometres from South Beach (City of Cockburn) in the north to Wells Park (City of Kwinana) in the south.

Cockburn Sound is the most intensively used marine embayment in Western Australia with its combination of recreation, fishing, defence and port activity uses. It is an important component of regional amenity and economic competitiveness.

The embayment was named by Captain Stirling in 1827 and the availability of a sheltered anchorage behind Garden Island was a key consideration in developing the Swan River Colony.

The first development in the area was the Clarence Townsite, adjoining Cockburn Sound, at Woodman Point in 1829. A significant decision was made in 1910 to develop a major Naval Base in Cockburn Sound that ultimately led to the availability of land to develop the Kwinana Industrial Area.

Cockburn Sound is clearly identified with the Cities of Cockburn and Kwinana through both their history and current use of the coast line and the embayment.

The name recommended for the combined Cities of Cockburn and Kwinana is the City of Cockburn Sound.

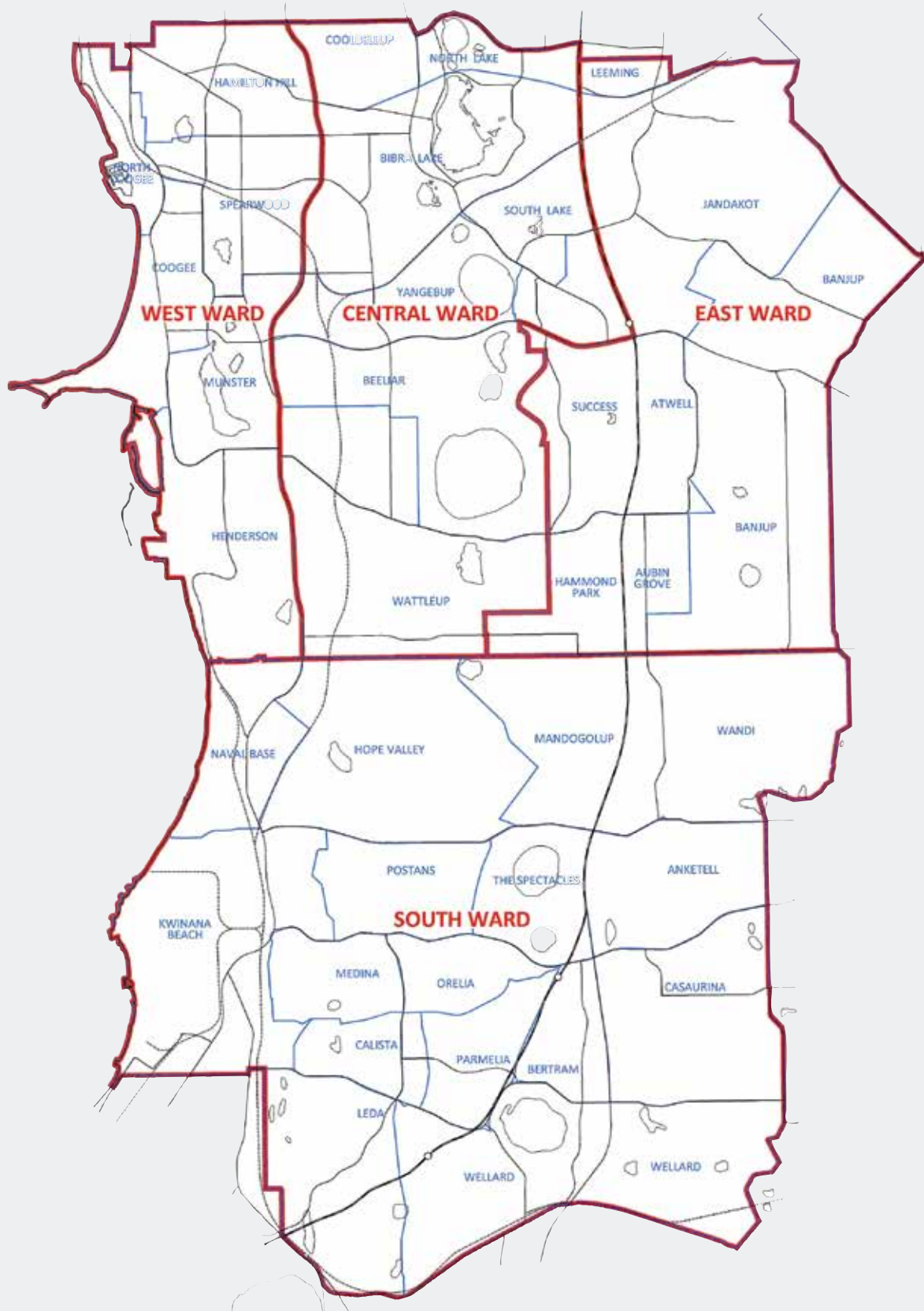


Figure 6: Proposed Ward Structure



The City prides itself on employee training - here employees display their Diploma of Management. The City won WA Employer of the Year 2011 for the WA Training Awards

Local Governance

As a boundary adjustment the process will be driven by the City of Cockburn guided by a Local Implementation Committee.

Boundaries of Enlarged Body and Anomalies

The boundaries for this proposal are to be the existing boundaries of the Cities of Cockburn and Kwinana with the exclusion of Rottnest Island. These boundaries are identical to those proposed in the State Government Blueprint. The integrity of these boundaries is very important to the aggregated body and a moratorium of five years on any boundary change that is not initiated by the City of Cockburn Sound is requested.

As part of developing this proposal, the City of Cockburn has identified eleven situations that could be considered anomalies ranging from significant parts of suburbs to simply moving the boundary to a road centreline. Some of the possible changes have complex implications and would be best dealt with after the LGAB process.

The City of Rockingham in its recent submission advised that it wished its boundaries to remain as currently defined. The City of Rockingham is undertaking a comprehensive boundary

review and is prepared to cooperatively consider boundary changes after the LGAB process. The anomalies on the northern boundary of the City of Cockburn have existed for many years and there is no urgency for change. It will simplify the proposal and remove community concern if the boundary adjustment proceeds on the existing boundaries.

The City of Cockburn prefers that any future boundary changes are dealt with by mutual agreement with adjoining local governments outside of the LGAB process.

Fair Treatment of Existing Employees

All permanent employees should be provided with a two year guarantee of employment subject to continuing satisfactory performance from the date of creating the new local government expected in July 2015.

Employees who are under contract whose contract terms expire after the date of this proposal should have a new contract for a minimum of one year and a maximum of two years under terms no less favourable than their existing contract.

Availability of redundancy under this proposal is not to commence until the Governor's Orders are issued and is to be limited to one year of entitlement.

Information relating to the Local Government Advisory Board Guiding Principles

The Board's Guiding Principles form the basis for considering any changes to boundaries and takes into account the factors set out in the Act. A comprehensive visioning report (*The Vision of Cockburn-Kwinana 2030*) has been prepared, Attachment 2, which clearly demonstrates the merits of combining the two local governments from a planning and economic perspective.

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 interest and shared use of community facilities. For example, sporting, leisure and library facilities create a focus for the community.

A map locating significant sporting, leisure, library and other community facilities is attached as Attachment D. There are no facilities that straddle or are near the new boundaries of the CCS.

The use of shopping areas and the location of schools also act to draw people together with similar interests. This can also give indication 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.

A map locating the major shopping centres is also shown on Attachment D, identifying "IGA size and greater shopping centres". There are no shopping centres that straddle or are near the new boundaries of the CCS.

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 the units between local governments.

The boundaries of the enlarged local government have been in existence for many years. The only neighbourhood, suburb or town which is not completely within the boundaries of CCS is Leeming. The part of Leeming (see top right of Figure 7) in the CCS has been in the City of Cockburn since the suburb was developed. The aggregation of Cockburn and Kwinana will bring Latitude 32, a 1,200 hectare industrial estate, completely within the CCS.

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 plains and foothills
- Parks and reserves, and
- Man made features (such as railway lines or freeways).

These features can form identifiable boundaries and can also act as barriers to movement between adjoining areas. In many cases physical and 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.

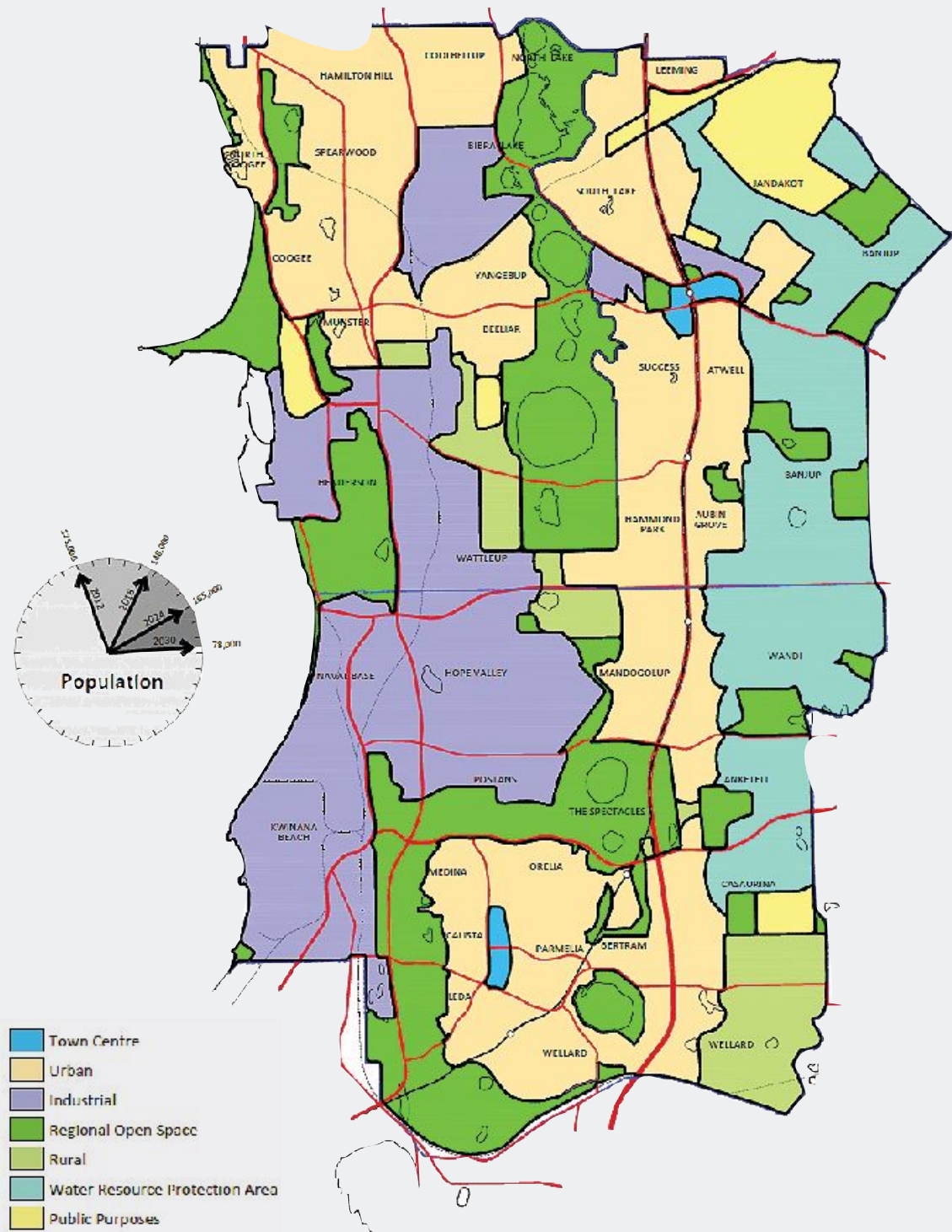


Figure 7: Map of City of Cockburn Sound



Both Councils are experiencing strong population growth

The enlarged local authority will improve the landform and environmental management as the shared boundary between Cockburn and Kwinana intersects Mount Brown and the Beeliar Regional Park. The formation of CCS simplifies the management of the Kwinana Buffer Zone and Kwinana Airshed. The Jandakot Water Mound also straddles the shared boundary. The enlarged body will also assist in responding to the challenges of climate change.

The landform is similar for both Cockburn and Kwinana is being a sand or limestone coast with Bassendean and Spearwood Dune Systems. The eastern boundary is largely comprised of the Jandakot Water Mound.

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.

The demography of the two local governments in the proposal are similar apart from a higher indigenous population in Kwinana. Both have experienced strong population growth. The publication, WA Tomorrow, projects that Cockburn will grow to a population of 131,000 by 2026 and in the same period Kwinana will grow to 51,900 people. A significant amount of the growth is taking place in areas near their common boundaries. Further information on demography is in the Financial Analysis and Impact Assessment document attached.

Table 5: Long Term Growth

	Population ABS 2012	Population Perth-Peel (estimated 2050) 3.5 million
City of Cockburn Sound	131,702	250,000
Perth Metropolitan Area	1,808,788	3,237,700
CCS as a percentage of Perth	7.28%	7.72%

Source ABS 3218.0 released August 30 2013

CCS is expected to grow strongly to 2026 but will decline slightly as a proportion of the Perth Metropolitan Area as developable land in the north of CCS becomes scarcer. Table 5 shows that around 2050 it is expected that 250,000 people will live in CCS.

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.

There is significant synergy between industrial and commercial activity in Cockburn and Kwinana. The Western Australian Government has recognised this through the creation of the Western Trade Coast which links industrial and commercial activity in Cockburn, Kwinana and Rockingham.

There are strong infrastructure links between Cockburn and Kwinana such as the rail freight line that links Fremantle and Kewdale, the Fremantle Ports, the high wide load corridor that traverses Kwinana to serve both Cockburn and Kwinana and the Southern Suburbs Rail line.

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.

Cockburn and Kwinana have had a common heritage since the creation of the Swan River Colony. Examples include land development by Thomas Peel who created the township of Clarence within the City of Cockburn and also sought to develop 250,000 acres partially within the City of Kwinana.

Early development of both Cockburn and Kwinana involved market gardening, grazing and dairying. One hundred years ago, the Peel Drainage Scheme, supervised by Richard Anketell, sought to improve drainage of the low lying inland areas by the construction of the Peel Main Drain from



The Western Trade Coast spans both Councils. Kwinana Industrial Area (pictured). Photo courtesy of City of Kwinana.

Banjup, in the City of Cockburn, through Kwinana to the Peel Inlet. This drainage system that cuts through the common boundary of the two local governments functions today.

The precursor local government to the City of Cockburn was the Fremantle Roads District. The entire City of Kwinana was part of this District when it was established in 1871.

In 1910 Admiral Henderson identified the area near Woodman Point in Cockburn as a site for a major naval base to defend Australia. Ultimately coastal land was acquired for defence purposes for this largely Cockburn based activity and 1,000 acres of this land was used to establish the Kwinana Industrial Area in 1953.

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.

The principal transport and communication linkages run north south and so many intersect the common boundary between Cockburn and Kwinana. For the businesses and industries that operate within the region they represent transit corridors rather than barriers. The nature of urban and industrial development means that many crossings are required so that for CCS transport and communication linkages are not as significant when determining boundaries.

The development of the port access to the new Cockburn-Kwinana Port is designed to be through Rowley Road and Anketell Road and these links have been designed to allow for movement across them. The intermodal terminal to support the port will be contained within Latitude 32 and it has been designed to limit its role as a barrier to movement across it.



Roads, railways and ports connect both City



The City of Cockburn has strong organisational capacity

Matters affecting the Viability of Local Governments

Local governments should have a significant resource base:

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

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

Comparative Financial Position. The City of Cockburn has a considerably stronger financial position than the City of Kwinana, as evidenced in the Balance Sheet comparison below:

Table 6: Balance Sheet: Cockburn, Kwinana and Combined

Balance Sheet	2011/12	2011/12	2011/12
	Kwinana	Cockburn	Combined
Total Current Assets	35,810,493	85,440,658	121,251,150
Total Current liabilities	20,151,976	16,827,514	36,979,490
Net Current Assets	15,658,516	68,613,144	84,271,660
Non-Current Assets			
Property Plant and Equipment	177,792,593	760,538,472	938,331,065
Total Non-Current Assets	182,444,269	768,157,767	950,602,036
Non-Current Liabilities			
Total non-Current liabilities	30,725,475	3,704,080	34,429,555
Net Assets	167,377,310	833,066,831	1,000,444,141
Equity			
Reserves - Cash Backed	24,110,992	60,792,979	84,903,971
Total Equity	167,384,310	833,066,829	1,000,451,139



The attached Financial Analysis and Impact Assessment (Attachment C) supports the claim that CCS will have a significant resource base, assets of over \$1 billion, have the capacity to employ appropriate professional expertise and skills and is capable of continuous improvement. General Purpose Grants will not represent a significant revenue source. However, the data confirms that the CCS would have the level of financial stability that is envisaged by the State Government.

Transition Management. A key feature of this proposal is the intent to use the stronger organisational capacity of the City of Cockburn to manage the transition. While it is the intent of Cockburn to ensure that a fair and equitable approach is taken to dealing with all employment matters, the City’s stable industrial framework provides a solid base to manage transition. The City of Cockburn’s new *Enterprise Agreement 2013 – 2016* is Fair Work Act compliant.

There is also sufficient staff accommodation available between the two Cities Administration Centres to facilitate the combined workforce. Depending on the final transition arrangements, this could include a mix of consolidated functions, eg records and IT, as well as front-line services that need to be provided sub-regionally (Kwinana and Spearwood Administration Centres). The starting workforce numbers from each Local Government would be:

Table 7: Full-Time Equivalent Employment

Local Government	FTE as at 1 Jul 2013
City of Cockburn	455
City of Kwinana	245
City of Cockburn Sound	700

While the long-term option would be to consider colocation into a more central administration facility to achieve economies of scale, sub regional service hubs should be retained in both Kwinana and Cockburn.

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.

CCS will be a model of local government service delivery in Australia. Among its accomplishments, the City of Cockburn has won two National Local Government Awards in recent years and it has the expectation that CCS would deliver even higher levels of service to the combined Cockburn – Kwinana communities.

The starting state for each of the current Local Governments also brings some unique service offerings; eg Kwinana operates a Residential Aged Care Centre and Cockburn operates an extensive Home and Community Care service. There is a considerable opportunity to develop innovative new models of service, which might include a hybrid model of Age Care services, drawing on the best element of each Local Government's service offering.

Local Implementation Committee (LIC)

It is proposed to form a Local Implementation Committee (LIC) consisting of the Mayor and two councillors together with the CEO or senior staff member from each of the affected local governments. The Chair of the LIC will be the Mayor of the City of Cockburn. The Deputy Chair of the LIC will be the Mayor of the City of Kwinana. The implementation committee is planned to be established in November 2013 and meet monthly until June 2014. One of its early tasks will be to develop a communication plan.

Membership of Metropolitan Reform Implementation Committee (MetRIC)

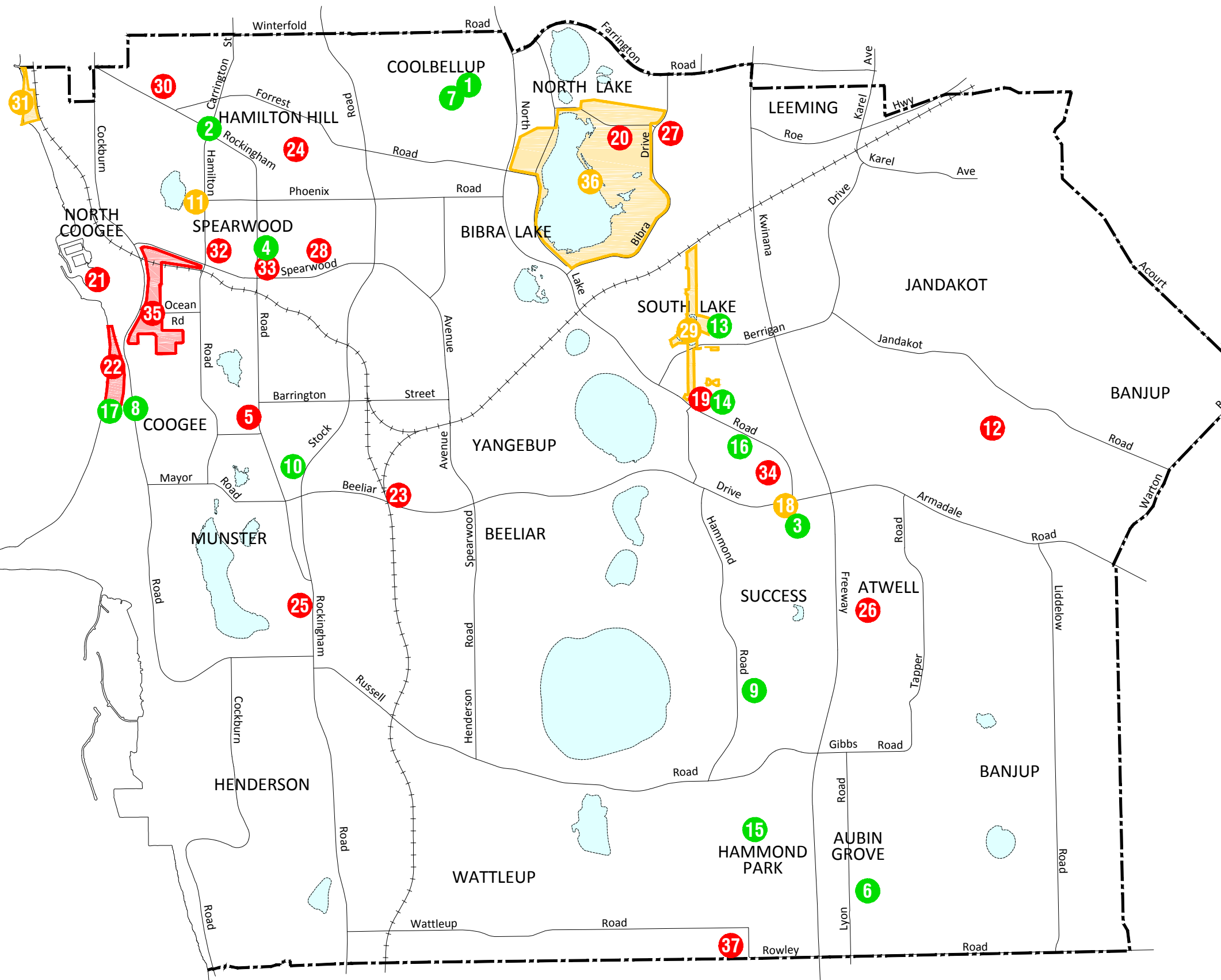
The Chair of the LIC will be the representative on MetRIC and will be the Mayor of the City of Cockburn.

Attachments

- A City of Cockburn Infrastructure: Achievement and Plans 2006-2022
- B 'Our Next 20' The Vision for a Cockburn-Kwinana Region (Ultimate 2030)
- C Financial Analysis and Impact Assessment
- D Map locating community facilities and shopping centres.

- 1 COOLBELLUP LEN PACKHAM**
Coolbellup
2006 \$1.4M
- 2 MEMORIAL HALL UPGRADE**
Carrington Street, Hamilton Hill
2008 \$4.3M
- 3 COCKBURN YOUTH CENTRE**
Wentworth Parade, Success
2008 \$6.0M
- 4 INTERIM COCKBURN SENIOR'S CENTRE**
Civic Centre, Spearwood
2009 \$0.6M
- 5 WESTERN SUBURBS SKATE PARK**
Rockingham Road, Munster
2014/15 Est \$0.25M
- 6 AUBIN GROVE COMMUNITY & SPORTING FACILITY**
Aubin Grove Reserve, Aubin Grove
2010 \$2.3M
- 7 COOLBELLUP COMMUNITY CENTRE**
Cordelia Avenue, Coolbellup
2010 \$4.2M
- 8 POORE GROVE BEACH ACCESS**
Poore Grove, Coogee
2011 \$2.5M
- 9 SUCCESS REGIONAL SPORTS FACILITY**
Success Reserve, Success
2011 \$9.2M
- 10 SANTICH PARK CLUBROOMS UPGRADE**
Santich Park, Munsterc
2011 \$0.4M
- 11 LUCIUS PARK CHANGEROOMS**
Lucius Park, Spearwood
2013/14 Est \$0.5M
- 12 BANJUP NORTH SPORTS FIELD & COMMUNITY CENTRE**
Banjup
2018/19 Est \$5.0M
- 13 SOUTH LAKE LEISURE CENTRE UPGRADE**
South Lake Drive, South Lake
2012 \$0.4M
- 14 ANNING PARK CLUBROOMS**
Anning Park, South Lake
2012 \$0.4M
- 15 HAMMOND PARK SPORTS FACILITY**
Botany Park, Hammond Park
2012 \$0.8M
- 16 EMERGENCY SERVICES HEADQUARTERS**
Buckley Street, Cockburn Central
2012/13 \$2.7M
- 17 SURF LIFE SAVING CLUB & COMMUNITY FACILITY**
Poore Grove, Coogee
2013 \$10.0M
- 18 WENTWORTH PARADE PRECINCT DEVELOPMENT**
Wentworth Parade, Success
2013/14 Est \$32.6M
(\$26.0M spent to date)
- 19 JANDAKOT HALL**
Anning Park, South Lake
2015/16 Est \$0.2M
- 20 WETLANDS PRECINCT**
Bibra Lake Reserve, Bibra Lake
2018/19 Est \$2.5M

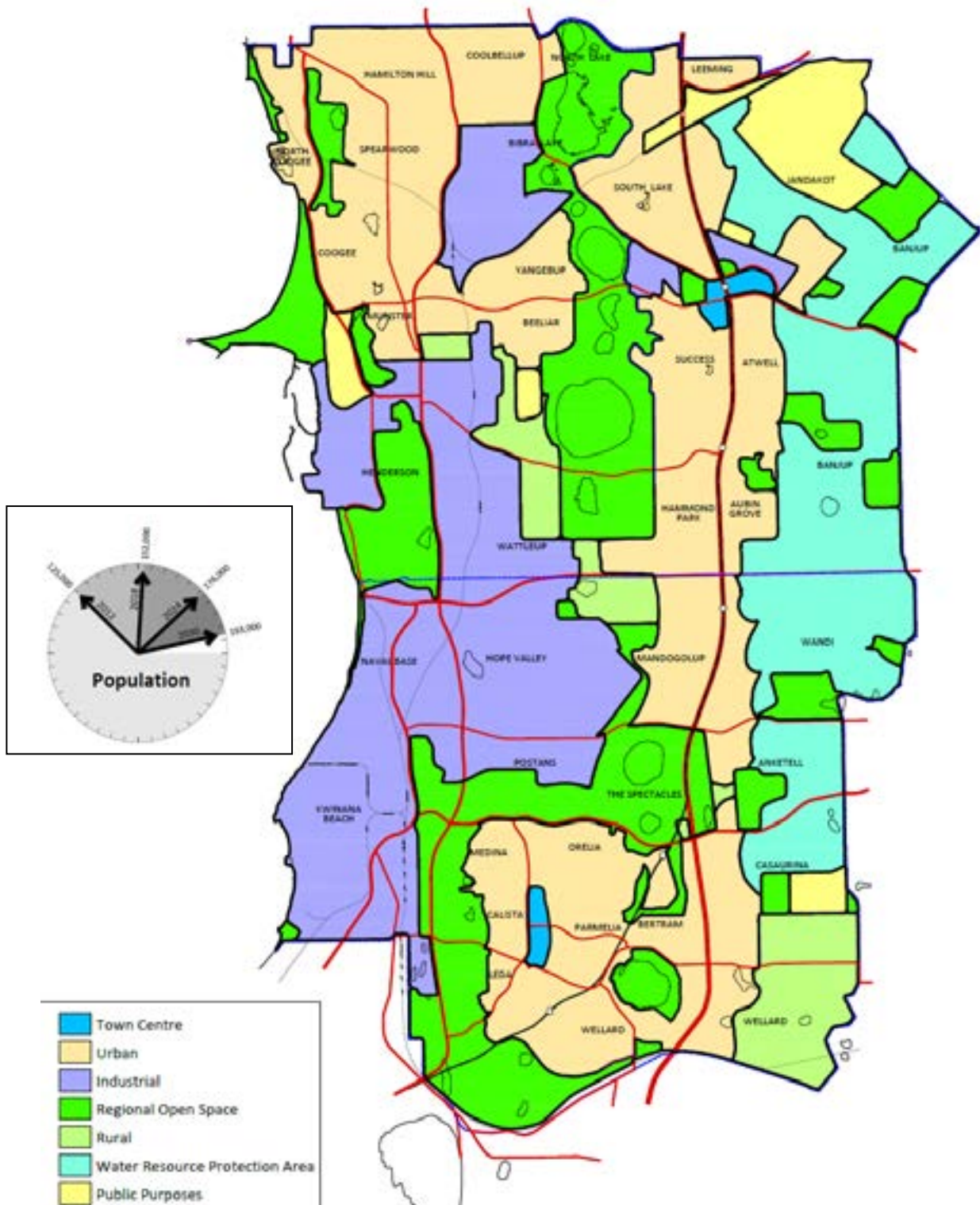
- 21 PORT COOGEE COMMUNITY SPACE**
Port Coogee
2015/16 Est \$0.75M
- 22 COOGEE BEACH MANAGEMENT PLAN**
Coogee Beach
2017/18 Est \$3.5M
- 23 COCKBURN BOWLING & RECREATION CLUB**
Visko Park, Yangebup
2021/22 Est \$6.9M
- 24 SOUTHWELL COMMUNITY CENTRE RELOCATION**
Goodchild Reserve, Hamilton Hill
2014/15 Est \$1.0M
- 25 MUNSTER SPORT & RECREATION FACILITY**
Frobisher Avenue, Munster
2017/18 Est \$1.7M
- 26 ATWELL RESERVE CLUBROOMS UPGRADE**
Atwell Reserve, Atwell
2014/15 Est \$0.7M
- 27 MELLER PARK CLUBROOMS**
Meller Park, Bibra Lake
2014/15 Est \$0.5M
- 28 JOE COOPER RECREATION CENTRE**
MacFaul Park, Spearwood
2014/15 Est \$0.5M
- 29 SOUTH LAKE PRECINCT UPGRADE & CLUBROOM DEVELOPMENT**
South Lake
2015/16 Est \$7.0M
(\$2.0M spent to date)
- 30 WALLY HAGAN STADIUM UPGRADE**
Dixon Reserve, Hamilton Hill
2018/19 Est \$5.0M
- 31 NORTH COOGEE FORESHORE MANAGEMENT PLAN**
North Coogee
2017/18 Est \$3.3M
(\$1.1M spent to date)
- 32 BEALE PARK SPORTS FACILITY**
Beale Park, Spearwood
2017/18 Est \$5.0M
- 33 COCKBURN SENIORS CENTRE / LEARNING FOR LIFE CENTRE**
Civic Precinct, Spearwood
2017/18 Est \$16.0M
- 34 MULTI-FUNCTIONAL REGIONAL AQUATIC & RECREATION FACILITY**
Cockburn Central Public Open Space
2017/18 Est \$107.0M
2018/19 Est \$1.5M (COMMUNITY CLUBROOMS)
- 35 GOLF COMPLEX**
Coogee/Spearwood Regional Open Space
2019/20 Est \$9.7M
- 36 BIBRA LAKE MANAGEMENT PLAN**
Bibra Lake Reserve, Bibra Lake
2020/21 Est \$14.1M
(\$3.1M spent to date)
- 37 FRANKLAND PARK COMMUNITY & SPORTING FACILITY**
Frankland Park, Hammond Park
2019/20 Est \$2.5M



0 1000m
SCALE

- 1** Planned
- 2** Completed
- 3** In Progress

COMMUNITY INFRASTRUCTURE - AREAS OF FOCUS 2006 - 2022



Contents

1.0	Introduction.....	4
2.0	The visions for the future.....	5
2.1	Vision.....	5
2.2	Key Themes - Growth.....	6
2.3	Key Themes - Community	6
2.4	Key Themes - Economic	6
2.5	Key Themes - Environment	6
2.6	Key Themes - Infrastructure	7
2.7	Key Themes - Governance.....	7
3.0	Governance of the organisations.....	8
4.0	Population and economic growth.....	9
4.1	Demographic Characteristics	9
	Cultural and ethnic diversity	9
	Service Age Groups.....	9
	Households	10
	Dwellings	10
	Employment Industry Groups.....	10
	SEIFA Index	11
	What does this mean?	11
4.2	Broader Development.....	11
5.0	Growth of activity centres and economic corridors	14
	Cockburn Central	14
	Kwinana Town Centre	14
6.0	Regional Growth Advantages.....	15
6.1	Jandakot Water Mound	15
6.2	Kwinana Air Quality Buffer	15
6.3	Western Trade Coast.....	15
	Australia Marine Complex.....	15
	Kwinana Industrial Area	16
	Latitude 32.....	16
	Fremantle Outer Harbour / Kwinana Quay.....	16
6.4	Transport Planning.....	16
	Freight Traffic.....	16
	Public Transport	17
	Developer Contributions.....	17
7.0	Final Comments - Our Next 20	18
	Appendix 1 - 2012	19

Appendix 2 - 2018	20
Appendix 3 - 2024	21
Appendix 4 - 2030	22

1.0 Introduction

Local government reform is being investigated by the current State Government, with an emphasis being placed on a reduction in the number of local governments within the Perth Metropolitan Region. If this succeeds, there will need to be a process by which amalgamations, or a combination of amalgamations and boundary changes, take place. This will have an objective focussed on the reduction in the number of local governments. The current recommendations are for 12 local governments, with a City of Cockburn existing in its own right and City of Kwinana indicated for amalgamation south with the City of Rockingham.

Notwithstanding this, the City of Cockburn has been in discussions with the City of Kwinana, about the proposition of an amalgamated Cockburn-Kwinana local government. While the report delivered to the State Government doesn't indicate this in a spatial sense, it is believed there is still scope for variance to the recommended local government blueprint provided the broader objectives underpinning the study can be met. This is particularly where two local governments voluntarily seek to enter into an amalgamation, and where this amalgamated entity demonstrates a capacity and leadership to further represent and govern its local community in an effective way.

While noting the City of Kwinana are currently undertaking consultation with its local community as to their views for a future amalgamation preference, this report seeks to demonstrate the collective spirit and vision which is shared between the two Cities. It is particularly interesting to note the strategic vision enunciated by both Cities in their respective Strategic Community Plans, and how this presents a possible pathway in which to collectively build a powerful and prosperous new City to take our communities to even higher places into the future.

The motto underpinning this visioning document is that of *Our Next 20*. The report looks toward the next 20 years, termed *Our Next 20*, as a way of considering what an amalgamated entity of Cockburn-Kwinana could represent.

2.0 The visions for the future

Both Cities have recently completed their Strategic Community Plans. These Plans are used to articulate the long term vision, aspirations and strategic priorities for the communities, importantly developed in close collaboration with those very communities. They are important documents in articulating shared value statements - that is, they come to signify a set of values which the community can be confident about being protected and respected through the process of local governance taking place by the organisation.

The notion of shared values is particularly evident from both Plan's external focus - that is, the perspective of our community and stakeholders. These include the private and business sector; the community and not-for-profit sector; Regional, State and Federal Governments and their associated authorities; non-government organisations; industry groups and of course, every person calling Cockburn and Kwinana their home.

From a holistic perspective, both Plans clearly recognise the important community spirit which makes up our communities, and the role of local governance in harnessing and growing this spirit. If we also consider community spirit as the connection we (as organisations) have with our communities and the human capital making up our organisations, it is not hard to realise the influence that a changing local government can have on community spirit (such as a result of amalgamations). It is the strong belief that like minded organisations, such as the Cities of Cockburn and Kwinana, would not only be able to, but would be willing to collectively nurture community spirit to furthering heights and possibilities. Both the Cities have proven are consistent commitment of nurturing and supporting community spirit, and demonstrate a focus on this as key foundation to their new Strategic Community Plans.

This commitment is enunciated by the following components of each Strategic Community Plan:

2.1 Vision

Cockburn - Council's vision is to build on the solid foundations that our history has provided to ensure that the Cockburn of the future will be the most attractive place to live, work, visit and invest in, within the Perth Metropolitan area.

Kwinana - We have a vision of a bright and industrious future, where a vibrant community of diverse lifestyles and commerce exemplifies sustainable growth.

Synthesis of key themes - an even better future; sustainable development and growth; emphasis particularly on the social pillar of sustainability.

2.2 Key Themes - Growth

Cockburn - Our vision is for the City to grow sustainably - integrating social, economic and cultural considerations, and ensuring that the City embraces the natural environment.

Kwinana - Our sustainable growth will be managed in a way that is reflective and respectful of the community's values.

Synthesis of key themes - sustainable growth; growing responsibly noting the diverse needs and makeup of our communities; growing community spirit.

2.3 Key Themes - Community

Cockburn - Our vision is to develop healthy, liveable, vibrant, socially cohesive and inclusive communities within the City of Cockburn.

Kwinana - A place of diversity to be proud of; a place of homes, families, and helpful caring communities; a place where people want to live and work.

Synthesis of key themes - healthy liveable communities; cohesive and caring; community pride.

2.4 Key Themes - Economic

Cockburn - Our vision is for a prosperous, diverse, innovative and sustainable economy that provides high levels of employment opportunity.

Kwinana - A place where business, industry and investment is welcomed, supported, promoted and can prosper. A place where Council owned and managed properties can be used to stimulate economic benefit for the community.

Synthesis of key themes - diverse economic base; supportive of economic growth and investment to provide opportunities for residents; focus on innovation in the economy.

2.5 Key Themes - Environment

Cockburn - Our vision is for a sustainable future that includes responsible environmental management and minimising risk to human health.

Kwinana - A place where our natural environment is managed and protected for future generations.

Synthesis of key themes - environmentally sustainable development; community expectation for local governance to consider how its actions affect broader society; think global act local; corporate social responsibility.

2.6 Key Themes - Infrastructure

Cockburn - Our vision is a City with 'state-of-the-art', well maintained and functional community and civic infrastructure.

Kwinana - A place where residents and businesses share common vision and values on the importance of a sustainable future, whilst still providing space for new homes, businesses, and community facilities. Where facilities and infrastructure are well managed, attractive and provided to meet the needs for now and the future.

Synthesis of key themes - strong focus on high quality community and civic infrastructure; ensuring infrastructure supports our current residents and businesses, while providing for future growth; infrastructure keeping pace with growth and investment; excellence in infrastructure management and planning.

2.7 Key Themes - Governance

Cockburn - Our vision is to be leaders in governance excellence.

Kwinana - Providing effective and visible leadership to the community by focusing on the strategic needs of the Town and making decisions based on quality data and information.

Synthesis of key themes - commitment to governance excellence; a culture of sharing ideas; a learning organisation; governance in close collaboration with the community.

There are strong examples of synergies across both Strategic Community Plans. This speaks broadly of the cultures evident in both organisations, and how the management of the organisations combined with the leadership of both Councils has created very effective organisations in both respects. This importantly establishes a strong base to which a new organisation could evolve, and continue in terms of leading with the community an effective governance and performance orientated organisation.

The creation and sustaining of shared values will be of great importance in underpinning how a new local government entity could perform into the future. Considering the external environment driving reform is beyond the ultimate control of local government, it is felt that Cockburn and Kwinana have positioned themselves in such a way that organisational effectiveness is underpinned by a positive organisational culture. If we consider the importance of culture to the sharing and sustaining of ideas and innovation within an organisation, it is considered that both Cockburn and Kwinana represent organisations with synergies across their cultures.

3.0 Governance of the organisations

Governance excellence represents a key factor underpinning the vision of both organisations. This includes important emphasis upon a professional, well-trained and knowledge based workforce, driving innovation in its support of the civic leadership of the community.

Noting a clear economic imperative which is driving the reform agenda, there appears pressure for change being driven through a framework of microeconomic reform for local government. These reforms, with examples including compulsory local government tendering, contracting out of traditional services and the significant processes of local government reform themselves, are all touted as efforts towards greater efficiency in financial, human and capital terms.

From a post reform perspective, it is considered there will be a significant emphasis placed on making new entities more accountable in their performance. This could be recognised from perspectives of cost reduction, increasing human resource efficiency, increasing outsourcing and the reform/removal of barriers protecting the public service. It is accordingly an important attribute to highlight the ongoing commitments of both organisations to governance excellence, and the synthesis on commitments for innovation, learning and growth, collaboration and participation with the community. That is, both organisations have positioned themselves whereby the formation of a new entity will seek to drive an efficiency and excellence commitment from the perspective of governance.

It is also important to consider new functions which may be created through amalgamation which local government hasn't previously participated within. Growing provision of law and order services; social/affordable housing provision; land development and the like all represent possibilities for a new combined entity to be able to more effectively consider venturing in to.

But this would be reliant upon the strength of an organisation and its local community in terms of broad consideration of economic growth and development and community capacity. The following section illustrates what a combined Cockburn-Kwinana entity could represent as a force in the Perth Metropolitan Region.

4.0 Population and economic growth

4.1 Demographic Characteristics

Cockburn and Kwinana share some unique similarities in respect of its demographic characteristics, representative of a collective sense of community spanning the existing urban areas. Some important highlights include:

Cultural and ethnic diversity

Cockburn having 37.2% and Kwinana 35.9% of residents born overseas (compared with 30.2% Australian average);

Kwinana having 3.9% Aboriginal and Torres Strait Islander residents (compared with 2.5% Australian average).

Service Age Groups

For a combined Cockburn and Kwinana (compared to Australian average):

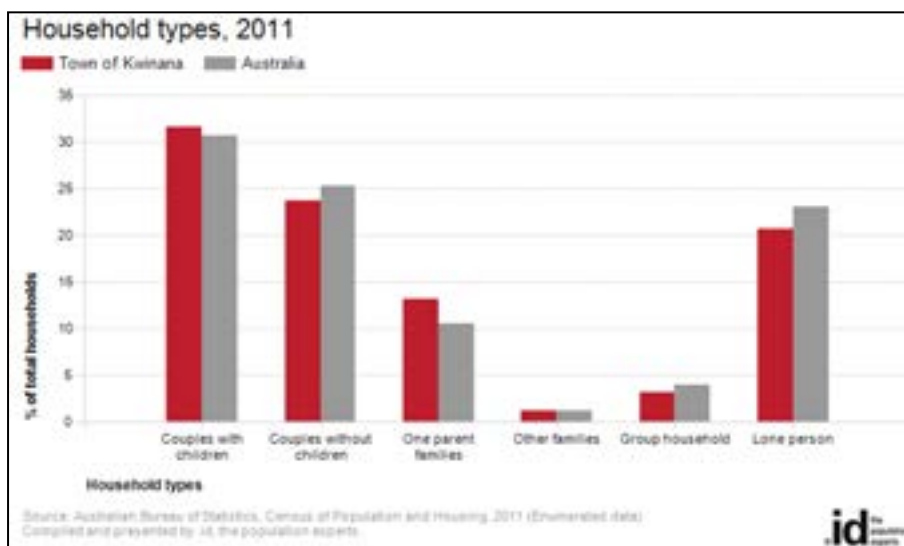
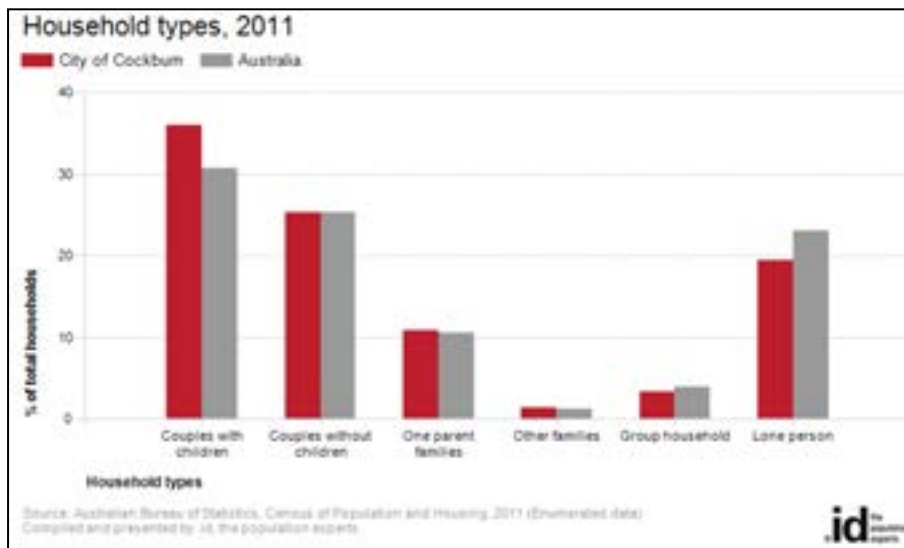
- A larger percentage of 'Babies and pre-schoolers' (8.2% compared to 6.6%);
- A larger percentage of 'Primary schoolers' (9.7% compared to 8.8%);
- A larger percentage of 'Young workforce' (16.7% compared to 13.8%);
- A larger percentage of 'Primary schoolers' (10.1% compared to 8.8%);
- A smaller percentage of 'Empty nesters and retirees' and 'Seniors' (13.2% compared to 17.7%).

But importantly noting emerging trends in...

- 'Parents and homebuilders' (Cockburn and Kwinana);
- 'Young workforce' (Cockburn and Kwinana);
- 'Empty nesters and retirees' (Cockburn);
- 'Older workers & pre-retirees' (Cockburn);
- 'Babies and pre-schoolers' (Cockburn and Kwinana).

Households

Very similar household types, particularly noting the strong 'couples with children' characteristics in both communities.



Dwellings

Clearly emerging trends in both communities towards medium density development.

Employment Industry Groups

In respect of jobs held by resident population, very dominant industry groups in both communities in manufacturing, construction, retail trade and health care and social assistance.

SEIFA Index

Socio-Economic Indexes for Areas ("SEIFA") provides summary measures derived from the ABS to measure different aspects of socio-economic conditions by geographic area. It has a number of important applications, including research into the relationship between socio-economic disadvantage and various health and educational outcomes, determining areas that require funding and services, and identifying new business opportunities. It is comprised of four key indexes, being:

- Index of Relative Socio-Economic Disadvantage;
- Index of Relative Socio-Economic Advantage and Disadvantage;
- Index of Economic Resources;
- Index of Education and Occupation.

An interesting difference exists in respect of the SEIFA index - with Kwinana being 958.1 and Cockburn 1019.0. An amalgamated Cockburn and Kwinana would be clearly focussed on lifting the SEIFA index for all of our communities.

What does this mean?

These demographic characteristics reveal a unique set of circumstances which are shared between Cockburn and Kwinana. These reveal some interesting demands especially on future investment in community infrastructure, which is pivotal in supporting both our current and emerging communities so they are able to access the unique opportunities that living within both Kwinana and Cockburn represents.

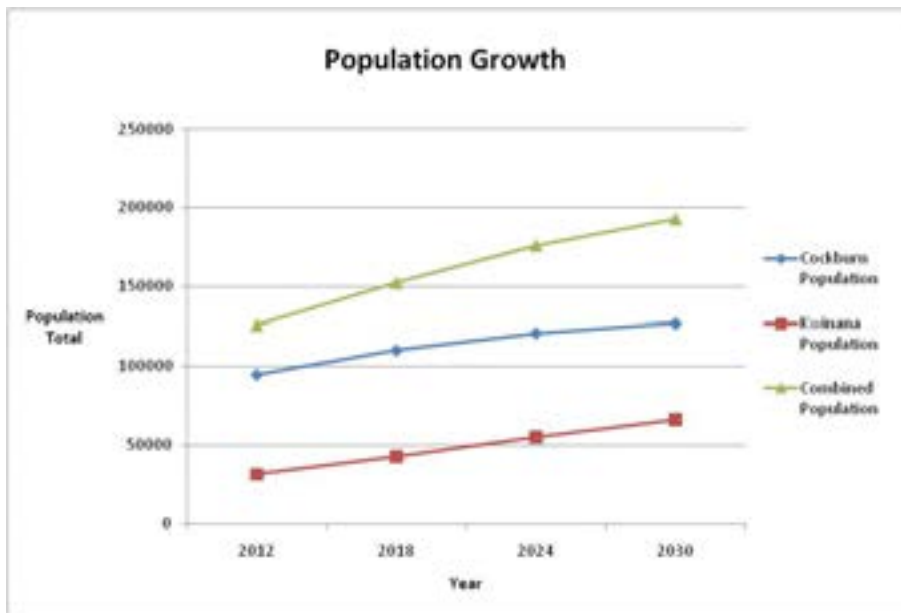
4.2 Broader Development

Both local government areas include established and new residential areas, together with significant industrial and activity centre precincts which underpin of highly performing local economy.

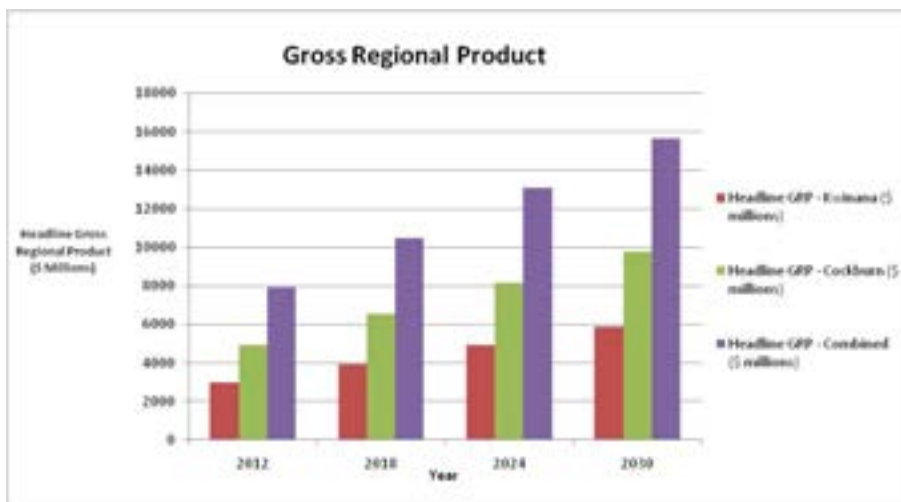
In terms of the residential component of development and growth, both local governments comprise a very similar balance between existing residential areas (being targeted for renewal) and new growth areas (focussed on the key transport infrastructure of the Kwinana Freeway and Perth to Mandurah railway).

The established residential areas feature aged housing stock on larger lots, are in low to moderate socio-economic areas but have good access to services and facilities and help support local centres. It is an excellent reflection on both organisations to having these areas targeted for urban infill and renewal over the past 10 years. Similar to this, there are strong synergies shared with the way in which new residential areas have been coordinated for growth, with Cockburn's Southern Suburbs District Structure Plan area complimented by Kwinana's Eastern Residential Intensification Concept Structure Plan.

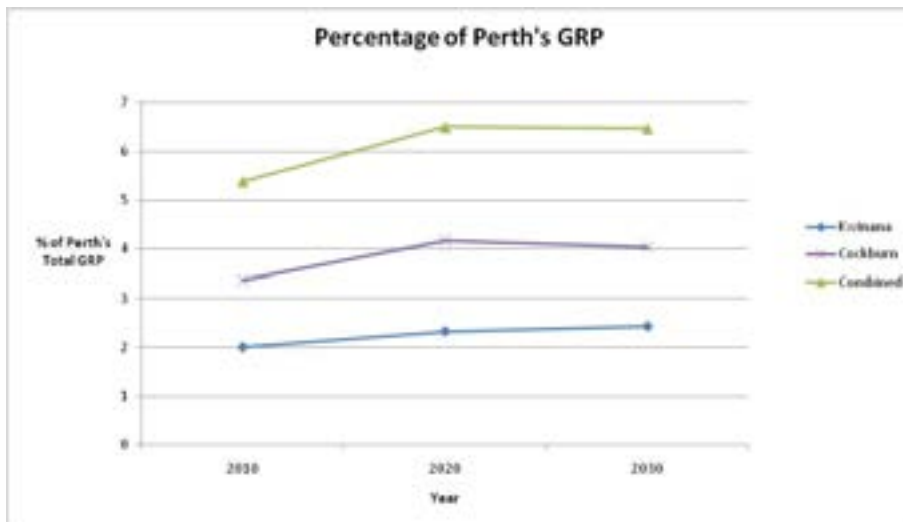
In understanding the potential of a newly formed local government entity, it is important to consider what such would represent as a component of the broader Perth Metropolitan Region. This is illustrated through the following graphs measuring population growth and growth in headline gross regional product:



Key Observation - By 2030 a combined Cockburn-Kwinana will have approached 193,000 residents, and have growth to continue well beyond 200,000. This will place itself within the top five local governments by population size.



Key Observation - By 2030 a combined Cockburn-Kwinana Gross Regional Product would represent a mammoth \$16B in terms of Headline Gross Regional Product.



Key Observation - By 2030 a combined Cockburn-Kwinana Gross Regional Product will represent more than 6.5% of Perth's Gross Regional Product.

By considering the strength of a combined organisation, both in terms of population growth and importantly growth in gross regional product, there are strong fundamentals which underpin the capabilities and opportunities represented through a Cockburn-Kwinana entity. If we consider gross regional product as a measure of standard of living, we see strong indication that residents will continue to benefit as opportunities for employment and local economic development continue to grow.

5.0 Growth of activity centres and economic corridors

Cockburn Central and Kwinana Town Centre are designated as secondary centres under the State Government's Directions 2031 and Beyond Strategic Plan and State Planning Policy No. 4.2 (*Activity Centres for Perth and Peel*). These centres form an important north south axis for the greater region, whereby their planning and development is building intense areas of activity which are driving continued economic and employment growth for the communities.

Both local governments have undertaken detailed planning for their respective town centres, to the point where they are now accommodating a growing mix of commercial, retail, residential and entertainment orientated uses. These mix of uses are being further underpinned by an extensive development of civic uses, representing a visible investment and belief in the future of these town centres for the broader region.

Through also renewing their respective Local Commercial and Activity Centre Strategies, both local governments have established an effective planning framework based upon practical, pragmatic and defensible development requirements. This is considered a further example of synergies which exist between the two local government areas, and how the capabilities of both centres are being supported through effective governance and planning.

Cockburn Central



Kwinana Town Centre



6.0 Regional Growth Advantages

From a regional perspective, a number of advantages will be realised in terms of growth facilitation. These include:

6.1 Jandakot Water Mound

The Jandakot Water Mound affects both local government areas and while governed by State Planning Policy, the local governments have both been exposed to pressure from developers and landowners interested in undertaking more intensive development in this area. The Banjup North urban development within Cockburn, represents a significant test project to consider whether urban development is a possible alternative use on limited parts of the water mound where such are proximate to established communities and infrastructure. It is also noted that a smaller scale project is underway within Kwinana adjoining the Wandi urban precinct.

6.2 Kwinana Air Quality Buffer

The Kwinana Air Quality Buffer is designated by the State Government, however impacts on both local governments. The buffer contains a variety of uses, however the management of uses within and interfacing with the buffer poses similar issues for both local governments. As it stands the buffer is still to be appropriately finalised as a formal mechanism to appropriately inform State and local level planning. As part of participation on the Western Trade Coast Infrastructure Coordinating Committee, both local governments have been advocating for finalisation of the buffer, and the resulting actions in respect of land use and industry control to ensure the continued development of the area forward.

6.3 Western Trade Coast

The local governments comprise the strategic industrial precinct of the Western Trade Coast. The Western Trade Coast encompasses arguably the State's most critical established industrial and strategic assets, covering a landholding of approximately 3,900ha between Munster and Rockingham/Kwinana Beach. It is important to consider the key strategic industries which currently form part of the Western Trade Coast, as well as the planned major industrial investment that is committed into the future. This includes:

Australia Marine Complex

The largest marine industrial precinct in Australia, it represents a strategic cluster of industries servicing the broader marine, defence, oil and gas and resources industries of the State and Australia, as well as international customers. It comprises key precincts of Shipbuilding; Technology; Marine Support; Common User Facility and; Fabrication.

Kwinana Industrial Area

This comprises the State's only dedicated strategic heavy industrial precinct, consisting of a highly diverse range of industries from smaller service industries (fabrication and construction) through to large heavy process industries (oil refinery, alumina, nickel, natural gas, chemical production). It represents a unique industrial ecology, whereby diverse interdependences exist between industries to enable broad economic, social and environmental synergies and benefits to occur. It is a major driver for the Western Australian economy with an annual output worth \$15.77 billion.

The area is also in a unique circumstance considering the hazardous industries which exist in the area. This drives a very important role with strategic land use planning, to ensure that cumulative public risk issues feature as a key influence upon the strategic land use planning functions under both structure plans and the Scheme.

Latitude 32

Latitude 32 represents more than 1400ha of land, one of the largest master planned industrial developments ever undertaken in Australia. It seeks to focus on large-scale industrial lot development designed to meet short, medium and long term market demand for industrial land in the Perth Metropolitan Region. Key components include general industry; transport related industry; intermodal terminal; eco-based and research and development industry; resource recovery; parks and recreation.

Fremantle Outer Harbour / Kwinana Quay

With the Fremantle Inner Harbour quickly moving towards its ultimate port capacity, the Fremantle Outer Harbour / Kwinana Quay is in advanced planning stages and will be developed in Cockburn Sound at the interface between the Cockburn and Kwinana boundaries. This will provide the additional container and general cargo port facilities needed to handle the continued growing trade for the State of Western Australia. Associated with this will be major road and rail infrastructure investment, together with a new intermodal terminal enabling the efficient movement of freight to all its destinations across the region, State and broader Australia.

6.4 Transport Planning

Both local governments are faced with similar traffic pressures, generated not simply by their residential and commercial areas, but the large volumes of traffic accessing strategic employment areas.

Freight Traffic

Freight traffic demands affect both local governments, who continue to experience problems associated with State road and rail based infrastructure investment lagging behind the demand for such. With key freight corridors associated with Anketell Road, Rowley Road, Rockingham Road/Stock Road and the broader Kwinana Freeway network, freight management continues to represent a major challenge for Cockburn and Kwinana to collectively manage.

Public Transport

Cockburn and Kwinana have lead much of Perth's response to transit orientated development. With exemplar projects of Cockburn Central, Belgravia Central and Wellard Village, the region has shown how planning can be appropriately integrated with transit to produce broad benefits for the community. This is set to continue with a committed new railway station at Success, and future stations associated with the Wandi and Mandogalup urban precincts.

Developer Contributions

Recognising the strong current growth which is set to continue for Cockburn and Kwinana, both local governments have shown tremendous leadership in implementing the first developer contribution schemes related to community infrastructure. These provide an important additional source of financial contribution to assist in the significant planned infrastructure investment for the communities going forward. This is in turn supported through other traditional infrastructure contribution plans relevant to 'hard' civil infrastructure contributions toward roads and the like.

7.0 Final Comments - Our Next 20

It is considered that an amalgamated Cockburn and Kwinana local government organisation represents a unique opportunity in which to create an even more effective entity to lead the future of our communities. While an economically more powerful organisation, this paper has illustrated some of the interesting synergies which exist already between these two local governments; and especially the values and organisational cultures which are evident through the various corporate plans and leadership of the respective Councils.

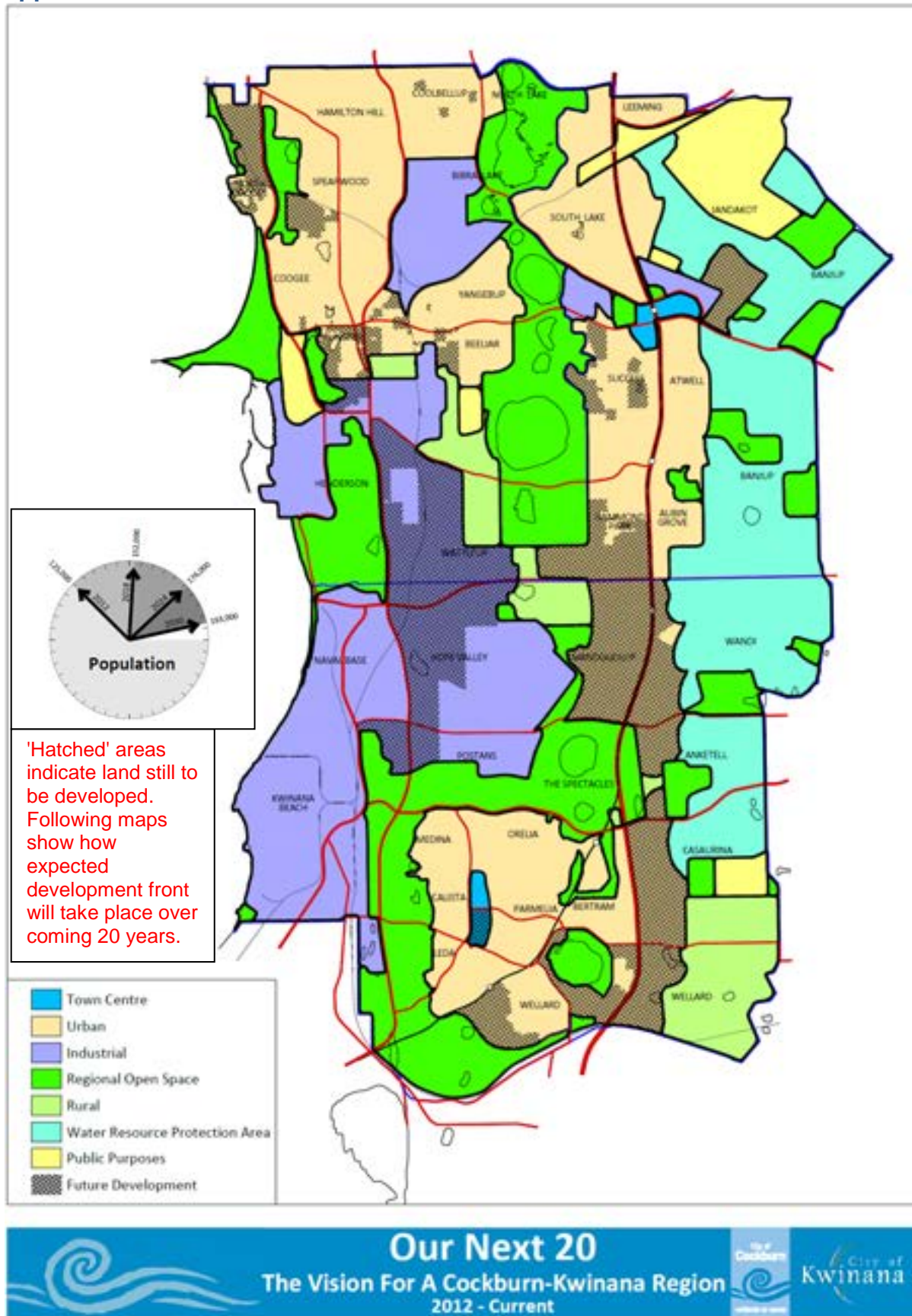
The balance between current and future development (both from the perspective of residential and industrial/commercial development) has the potential to harness a regional powerhouse which is full of immense opportunity for our communities. Also the balance of a northern and southern activity centre node helps to build upon synergies between these centres, especially considering the excellent foundation of accessibility between these centres and the broader Perth Metropolitan Region. This responds strongly to the growth challenges represented by the *Directions 2031 and Beyond* Strategic Plan and associated Sub-Regional Growth Strategy, to the point that both Cockburn and Kwinana demonstrate leadership in meeting and exceeding these challenges.

Furthermore, harnessing the expanding industrial ecologies and competitive advantages of the Western Trade Coast creates a solid platform in which a new organisation could consider more active roles in facilitating development. This is an area of glaring need, given the slow pace of development associated with the Latitude 32 area. If the Western Trade Coast is to function as one of the State's most important project areas for delivering economic and employment generating land uses, a coordinated approach will be highly beneficial and is something that an amalgamated Cockburn and Kwinana would be positioned to achieve.

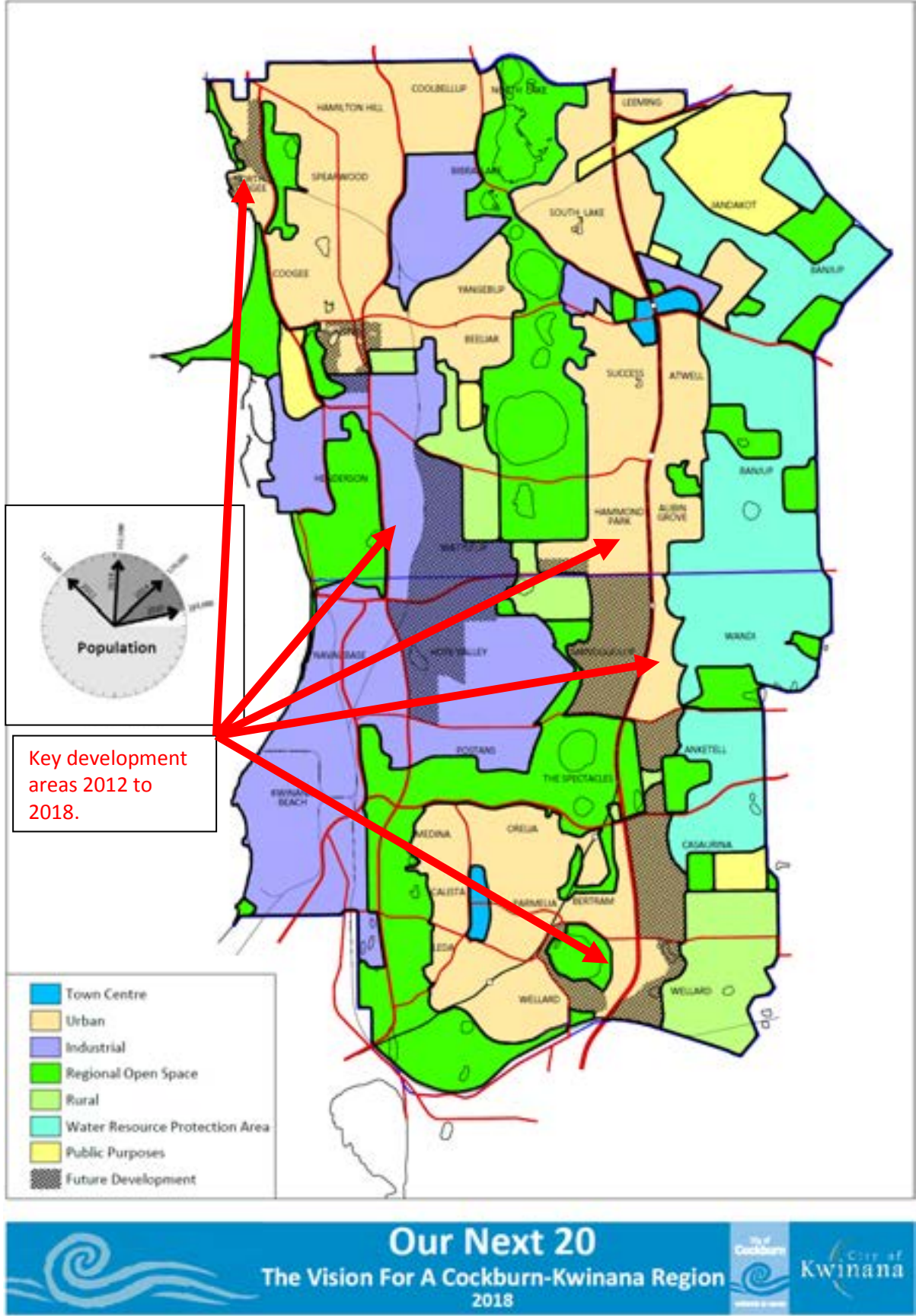
The following maps give a visual perspective of the opportunity which awaits on the horizon of an amalgamated Cockburn and Kwinana local government. The question about what represents most value to our communities, is in itself also about what represents the greatest opportunity for our communities. This consideration of opportunity is what underpins this paper:

Our Next 20...

Appendix 1 - 2012

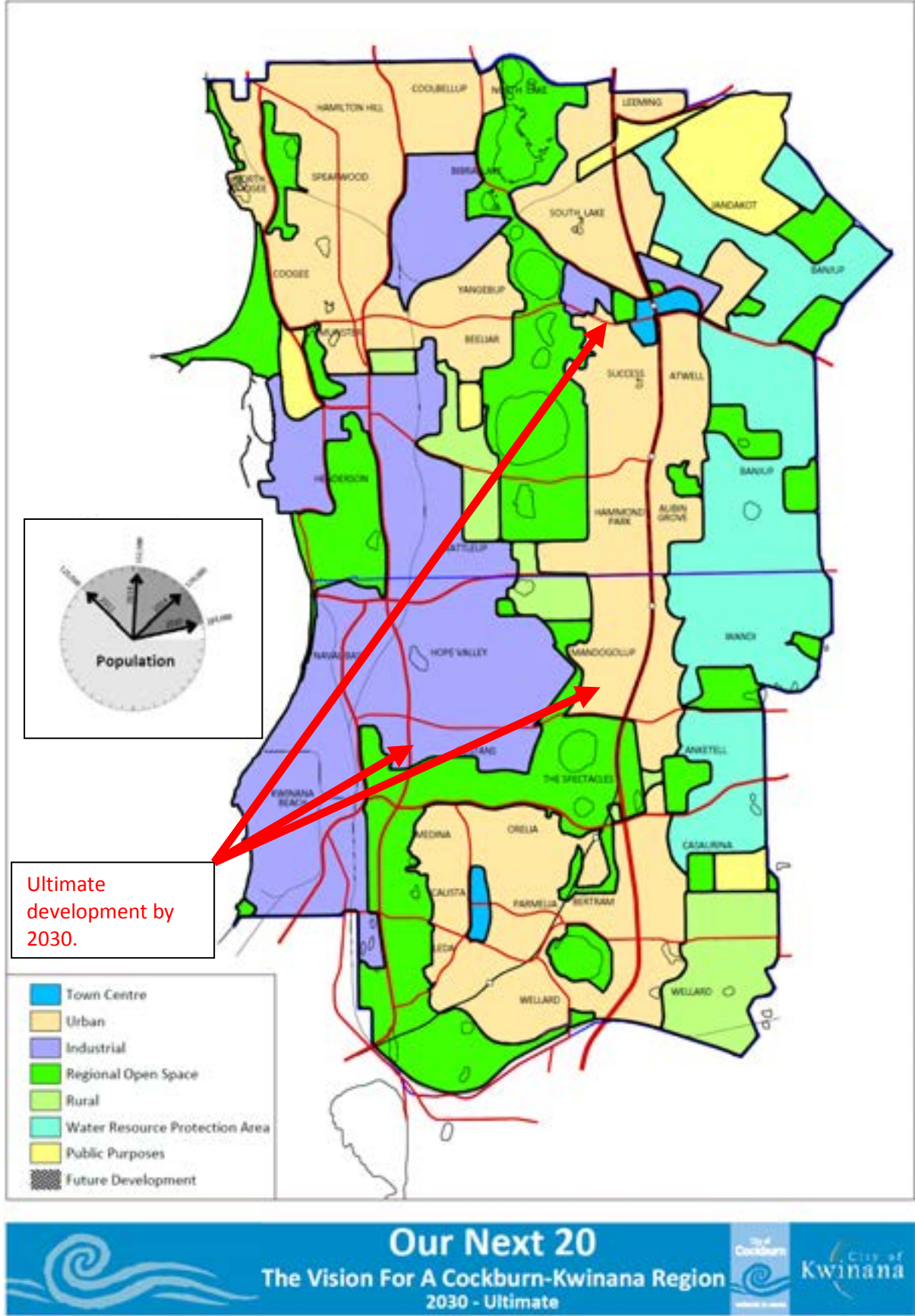


Appendix 2 - 2018



[illegible]

Appendix 4 - 2030





A BOUNDARY CHANGE PROPOSAL AFFECTING THE CITIES OF COCKBURN AND KWINANA

FINANCIAL ANALYSIS AND IMPACT



October 2013

Table of Contents

Page

1.	EXECUTIVE SUMMARY	1
2.	INTRODUCTION.....	2
3.	FINANCIAL OVERVIEW – OPERATING INCOME & EXPENDITURE	2
3.1	OPERATING INCOME	2
3.2	RATES	3
3.3	COMBINING TWO DIFFERENTIAL RATING SYSTEMS.....	5
3.4	FEES AND CHARGES.....	7
3.5	INTEREST INCOME	8
3.6	OTHER OPERATING INCOME.....	8
4.	OPERATING EXPENDITURE	9
4.1	EMPLOYEE COSTS	9
4.2	MATERIALS AND CONTRACT	10
4.3	UTILITY CHARGES	10
4.4	DEPRECIATION.....	11
4.5	INTEREST.....	11
4.6	INSURANCE.....	11
4.7	OTHER EXPENDITURE.....	12
5.	OPERATING SURPLUSES/DEFICITS	12
5.1	KWINANA	12
5.2	COCKBURN	13
6.	BALANCE SHEET	13
6.1	ASSETS	13
7.	STAFF	14
8.	RESERVES.....	15
9.	FUTURE CAPITAL EXPENDITURE PROGRAMS, ETC.	15
10.	COST OF AMALGAMATIONS	16
11.	KEY TRANSITION ISSUES.....	17
11.1	FINANCIAL MANAGEMENT.....	17
11.2	HUMAN RESOURCES AND ORGANISATIONAL STRUCTURE ISSUES	18
11.3	INFORMATION SYSTEM & TECHNOLOGY ISSUES	19
12.	CONCLUSIONS	21
13.	RECOMMENDATIONS.....	22

1. Executive Summary

- Report is to review the financial issues around the amalgamation between the Cities of Cockburn and Kwinana by way of a boundary change (Combined Entity or CE)
- Benchmark comparisons make amalgamated City third largest revenue and fifth largest spending Local Government in Metropolitan Perth (post LG Reform)
- Rates revenue growth over the next ten years will exceed eight to nine percent, with growth in residential and industrial rates
- Fees and charges income bigger in Cockburn but operating grants bigger per capita in Kwinana with significant interest income with the combined entity
- Payroll benchmarks place CE at the best ratio of pay to total operating revenue
- Material and contracts expenditure is an area of review for potential savings
- Little savings to be expected from insurance, utilities or depreciation but the free cash generated by depreciation will ensure capital refurbishment over the next ten years is maintained
- Payment of interest in Kwinana is expected to rise in the short term with Cockburn also expected to incur debt associated with the capital community infrastructure plan
- Both Local Governments have developer contribution plans for community infrastructure in place to fund this item
- Cockburn has recorded operating surpluses over the last five years but Kwinana have recorded varying operating surpluses and deficits over the same period using depreciation or debt to fund short term operating expenditure
- The Robson Review's review into Local Government's finances rated Cockburn sustainable but rated Kwinana as weak and marginal
- Both Local Governments have substantial cash holdings on the balance sheet with little other current assets. Infrastructure assets dominate non-current assets
- Current liabilities are dominated by borrowings on the Kwinana balance sheet with a substantial liability for a retirement village, which is matched with an diminishing asset on the balance sheet
- Staff provisions covering annual and long service liabilities exceed \$8m with Cockburn and Kwinana having a staff entitlement reserve
- A series of costs (\$7.5m) have been identified that will need to be funded if the amalgamation is to proceed. The funder of the costs has not been identified
- The savings over a five year period post amalgamation have been discussed including the natural attrition of staff management positions
- A series of key transition issues for finance and information services/technology have been listed with comments on each issue.

2. INTRODUCTION

The basis for this report is the potential boundary change of the City of Cockburn over the City of Kwinana into one new amalgamated Local Government. The report has been commissioned by the CEO of the City of Cockburn with the aim to demonstrate the financial position of each Local Government prior to and the strength post any amalgamation. The report has been prepared by the Director of Finance and Corporate Services at the City of Cockburn.

The report examines the financial viability before and after the amalgamation, reviewing operating revenues and expenditures; then comparing these with a range of Local Governments; such as Stirling, Melville/Fremantle/East Fremantle, Perth/Vincent (50%) and Swan/Mundaring. This group was chosen because the financial size of a combined entity would put the new Local Government in this group in terms of income and expenditure after the Local Government Reform in its current form had been completed.

A brief balance sheet review has been undertaken looking for key issues including debt, cash holdings, reserves and infrastructure assets.

The ability of a combined entity to deliver the 10 year long term financial plans for each Local Government has not been reviewed, as both Local Governments are currently reviewing their respective financial plans in light of the new integrated planning framework. This could be a powerful incentive for the amalgamation if the outcomes contained in the individual plans were guaranteed.

The key for any amalgamation is for a combined entity to maintain the current level of services for their communities.

There is a brief discussion on the costs associated with any amalgamation of the two cities, though no discussion has been canvassed as to the funding source. The funding of the City of Greater Geraldton (Geraldton/Greenough/Mullewa) was \$5.25m, which was provided by the State Government in two tranches.

Indicative savings associated with any amalgamation have also been discussed across a five year time frame. Some of the cost savings would come from natural attrition of staff numbers, initially in management, but a comprehensive staffing requirement for the merged Local Government has not been undertaken at this time.

3. FINANCIAL OVERVIEW – OPERATING INCOME & EXPENDITURE

3.1 Operating Income

A combined operating income statement is tabled below. The numbers provided are extracted from the 2013/14 Municipal Budgets. This would make the combined Local Government the third largest metro municipal Local Government by total revenue behind Perth/Vincent (50%) \$224m, Stirling (\$198m) (along with Swan/Mundaring and Melville/Fremantle/East Fremantle) and fifth in rate revenue behind Swan/Mundaring (\$116m) and

Stirling (\$115m), Wanneroo (\$110m) and Melville/Fremantle/East Fremantle (\$98m).

Table 1 – Operating Income 2013/ 14 Cockburn and Kwinana

Operating Income	Kwinana 2013/14	% of t.rev	Cockburn 2013/14	% of t.rev	Combined 2013/14	% of t.rev
Rates	28,208,725	54.9%	57,916,814	47.2%	86,125,539	49.5%
Operating Grants	9,301,700	18.3%	9,046,274	7.4%	18,347,974	10.5%
Reimbursements & Donations	550,934	1.0%	474,614	0.4%	1,025,548	0.6%
Fees and Charges	9,509,049	18.5%	50,208,232	40.9%	59,717,271	34.5%
Interest	1,856,000	3.6%	5,044,826	4.1%	6,900,826	3.9%
Income from property	1,676,645	3.2%		0.0%	1,676,645	0.9%
Fines and Penalties	206,600	0.4%		0.0%	216,600	0.1%
Other Revenue	28,400	0.1%	10,066	0.0%	38,466	0.0%
Total Revenue	\$51,348,053		\$122,700,826		\$174,048,879	

3.2 Rates

The table below demonstrates the breakup of rating income for each Local Government and the combined Local Government.

Overall each Local Government is very similar in that the vast majority (over 90%) of total properties are residential improved and residential vacant, but produce less than 60% of the overall rating income. A substantial part of the rating income is provided by industrial and commercial rates. In the case of Cockburn this is 40%, but in the case of Kwinana the percentage is 42%. Kwinana has three major ratepayers in the UV rating category (BP, CSBP and Alcoa) but are industrial and as such are included in the above percentage. A concern is that Kwinana requires Ministerial approval to levy rates over the big three noted above as Kwinana breach the 100% rule provided in the Local Government Act (they are in fact 965% greater than the 100% rule hence Ministerial approval).

The overall mix is line with other industrial type Local Governments such as Belmont and Canning where the residential/non-residential mix is 42%/58% and 50%/50% respectively, but well ahead of Local Governments like Stirling, Joondalup and Swan.

Table 2 – Rating mix 2013/ 14 Municipal Budget

	Cockburn				Kwinana				Combined			
	Number		Rates \$m		Number		Rates \$m		Number		Rates \$m	
Residential	37,467	93%	\$33.1	59%	12550	93%	\$14.3	52%	50,017	92%	\$47.3	56%
Commercial	591	1%	\$7.5	13%	233	1.7%	\$1.67	6%	824	2%	\$9.2	11%
Industrial	2,139	5%	\$15.2	27%	413	3%	\$9.98	36%	2,522	5%	\$25.2	30%
UV	340	1%	\$0.7	1%	300	2.3%	\$1.76	6%	640	1%	\$2.5	3%
Total	40,537		\$56.5		13,496		\$27.7		54,033		\$84.2	

The significant difference between Kwinana and Cockburn is the average rates for residential properties. Kwinana's average rate per residential

property is \$1,137 whereas Cockburn's is \$883 or 29% higher. The minimum payment rate is also significantly different with Kwinana at \$883 and Cockburn at \$657 or 34%. This could cause friction in future years and the issue is addressed later in the report as part of the harmonisation of rating between the two Local Governments.

The overall burden of rating on residential property between the two Local Governments' is reduced when waste management and security levies are taken into account, as noted below:

Table 3 – Bundle of rating charges 2013/14 Per average residential property

	COC	COK	COC	COK
	Gen Rates	Gen Rates	Min Pay	Min Pay
Rates	883	1,137	657	883
Waste	408	310	408	310
Co-Safe	60	-	60	-
Total	\$1,352	\$1,447	\$1,125	\$1,193
More Expensive in Kwinana per residential property		\$95		\$68

So overall, Kwinana is more 6% to 7 % more expensive than Cockburn for the average ratepayer, however, Kwinana has more revenue available for the municipal fund because of lower waste levies and no Co-Safe (security) levy.

Both Local Governments have a number of large commercial / industrial ratepayers:

- Cockburn – AMC, Gateway and Jandakot City at Jandakot airport. The latter two are growth ratepayers with the AMC largely fully developed. Given the current plans of Jandakot City and Gateway over the next five years rating income could easily triple from these sites. These three presently contribute less than 7% of the overall total of rates for Cockburn.
- Kwinana – BP, CSBP and Alcoa are the major ratepayers (the Big Three) and contribute 18.1% of the overall rating income for Kwinana. The new shopping centre at Kwinana town centre will be a growth centre. There may be some risk that Alcoa or BP closes their respective facilities in the current shakeout of resources sector, as this would significantly weaken total rate income, though this course of action seems unlikely. In addition the Minister for Local Government has expressed a demand for more substantial reasons for extraordinary increases in rates over the norm.

Future growth is the key to increasing this income source. Cockburn has identified 20,000 to 25,000 residential lots/dwellings over the next twenty years with Kwinana having a similar number over a similar period. Other potential developments such as; Banjup North in Cockburn, Kwinana Industrial Core Area, Kwinana Town Centre or land around the Motorplex, have not been factored into this review. If these proceed they will only add to this growth.

The 'jewel in the crown' for rating purposes for a combined entity is the industrial estate known as Latitude 32, as the following table outlines:

Table 4 – Impact on development of Latitude 32

Latitude 32	Cockburn		Kwinana		Total	
Size	1,000	Ha	400	ha	1,400	Ha
Developable Land	65%		65%		65%	
	650	Ha	260	ha	910	Ha
Current UV	\$0.0635	sqm	\$0.1905	sqm		
GRV VL	\$0.5734	sqm	\$0.5734	sqm		
GRV Improved	\$1.8047	sqm	\$1.8047	sqm		
Rates uplift						
Current UV	\$412,774		\$495,329		\$908,103	
UV to GRV VL	\$3,727,356		\$1,640,037		\$5,367,393	
GRV V.L. to GRV Imp	\$11,730,568		\$5,630,673		\$17,361,240	

These numbers are only approximate and derived from Landcorp's web site, but one can see the uplift factor Cockburn could expect if the land is converted from the current UV vacant/market garden type land to GRV industrial land. Both Cities currently receive limited rating income from the current property owners, with Landcorp paying substantial rates, but to the WA Government instead of the respective Local Government. These figures are in today's dollars and have not been inflated for rate increases over the next five to ten years. It would make sense from both a planning and economic sense for Latitude 32 to be developed under one Local Government planning structure looking at the relevant infrastructure rather than two Local Governments.

Reviewing the Long Term Financial Plans for both Local Governments, Cockburn expects rating income to increase by 8% p.a. for the next eight years and Kwinana by 10% p.a. for a similar period. This increase in rating income consists of rate in the dollar increases and growth in value and number of properties.

3.3 Combining two differential rating systems

Cockburn and Kwinana both adopt Differential Rating systems, as provided under section 6.33 of the Local Government Act using similar rating categories, but have different number of sub-categories (Cockburn 15, Kwinana 27). The dilemma, however, is the disparity in GRV valuations between the two municipalities as this makes integration a complex issue.

The average residential GRV for Kwinana properties is \$12,779, which is 25% lower than Cockburn's average GRV value of \$16,178. Consequently, Kwinana has higher rates in the dollar than Cockburn to achieve the yield required from each property. Consolidating these positions to achieve the equivalent value of rating income from the combined rate base would require a disproportionate treatment of ratepayers in both Local Governments.

If Cockburn's rate in the dollar were used Kwinana ratepayers would receive a benefit from reduced rates, with the overall impact reducing residential rates by \$4.5m. While if Kwinana's rates were used Cockburn ratepayers would be penalised through higher rates, with \$9.6m generated from Cockburn residential properties.

Any outcome that results in one community being worse off than before amalgamation is clearly unacceptable.

Recent changes to the Local Government Act allow for differential rates to be applied on the basis of a district where the purpose is to maintain rating equity between amalgamated municipalities. The Act provides for a five year transition period which should allow sufficient time to harmonise rating charges and lessen the impact over time. The effective use of minimums may also lessen the overall impact on each community. But here Kwinana at \$883 is 34% higher than Cockburn at \$657.

The key issue is the harmonisation of the residential rate in the dollar between Cockburn and Kwinana. As you will note from the table below the difference in the residential rate in the dollar is currently 3 cents. To move Cockburn up to Kwinana would increase rates on Cockburn ratepayers by \$9.6m annually. Reducing Kwinana's rate in the dollar to Cockburn would mean a loss in rating income by \$4.5m.

The five year transition provision in the Local Government Act which provides the window to have separate differential rates whilst attempting to harmonise rates in aims to minimise this variance between two different rating systems. As one can see from the table below, after five transition years where the rate in the dollar increases by 4% annually the gap, now is 3.5 cents between the two Councils Even if the Kwinana rate is frozen and Cockburn increases by 4% pa, the gap at the end of the four years remains 2.5 cents. Translated into actually dollars the gap is \$4.5m, assuming the Kwinana rate is lowered to match Cockburn.

The solution is both sets of ratepayers receive the annual increase and at the end of the fifth year, the Kwinana rate is lowered to match Cockburn. The impact of this is a one off decrease in rating income of \$4.5m. which is inclusive of both rate in the dollar and minimum payment rates. Further research will need to be undertaken so the gap post harmonisation is not so dramatic and the gap amortised over say ten years for example an specified area rate is enacted to slow down the diminution for an additional five years.

Table 5 – Transition over 5 years for Residential Rates

Rating Category & No. of Properties	Option 1 – Cockburn Rate in the dollar - 4% annual increase	Option 1 – Kwinana Rate in the dollar – 4% annual increase	Option 2 Cockburn Rate in the dollar -4% annual increase	Option 2 Kwinana Rate in the dollar – No annual increase
Residential Improved Total number in Kwinana is 7,076	5.089	8.058	5.089	8.058
Year 1	5.29	8.38	5.29	8.058
Year 2	5.50	8.71	5.50	8.058
Year 3	5.72	9.06	5.72	8.058

Year 4	5.95	9.42	5.95	8.058
Year 5	6.19	9.80	6.19	8.058
Difference at end of Year 5		3.6¢		1.86 ¢

The harmonisation for commercial and industrial properties is more palatable as the gap is not as large other than for the big three industrial ratepayers

Table 6 – Transition over 5 years for commercial & Industrial rates

Rating Category & No. of Properties	Cockburn Rate in the \$ with a 4.0% annual increase	Kwinana Rate in the \$ with 4.0% annual increase
Industrial/commercial. Total properties in Kwinana No. 656	7.66	8.37
Year 1	7.97	8.70
Year 2	8.29	9.05
Year 3	8.62	9.42
Year 4	8.96	9.72
Year 5	9.32	10.18
Gap at end of four year transition period		0.85 cents

Overall the harmonisation of key rating categories is significant in terms of potential rating income loss to the overall combined Local Government. Some of this would be taken up in growth and rate in the dollar increases or reallocation from municipal funds to services fees such as waste management or Co-safe, but not all of the loss. Further analysis is required to ensure that the loss during the harmonisation process is minimised.

The new Local Government would also have to seek retention of the Kwinana's State Agreement Act rates for BP, CSBP and Alcoa, as well as Cockburn Cement for Cockburn. This outcome is not guaranteed; however, as the existing rates were justifiable there is a solid case for the status quo to remain.

Table 7 - Rates from State Agreements Lands

State Agreement Land – Rates	Cockburn		Kwinana		Total
GRV	\$4m	UV	\$115m		\$119m
Rates	\$0.48m		\$5.02m		\$5.5m
% of overall rates	0.86%		18.10%		6.38%

3.4 Fees and Charges

There is a large discrepancy in this income item as the following table indicates:

Table 8 – Income from Fees and Charges

Operating Income	Kwinana 20/13/14	% of total rev	Cockburn 20/13/14		Combined 20/13/14	% of t.rev
Fees and Charges	\$9.51m	18.5%	\$50.21m	40.9%	\$59.72m	34.5%

For Kwinana approximately 40% of the above income item is derived from Waste Collection levies, whereas for Cockburn 75% of the Fees and Charges income item is derived from Waste Collection and Disposal activities. The balance is a range of general Local Government activities, which are governed by a range of State Government Regulations and Acts, such as planning and building fees, Co-Safe levy; aquatic centres entry fees amongst other income items.

The majority of this fee income is either governed by external legislation that stipulates fee increases, or in the case of Waste Collection, fees imposed by other agencies as is the case of Cockburn with the SMRC. In the end, most of the fee or charge income is specifically related to the provision of a service such as the waste collection service. There is little or no surplus that can be applicable to the provision of other services. In the case of some services, such as aquatic pools, these require a subsidy from the municipal fund to fully cover their operating costs.

3.5 Interest Income

Large metropolitan Local Governments are typically cash rich and generate substantial cash either from payments such as rates paid up front, or cash resulting from provisions for depreciation. A further source of interest income is the cash contained in the reserves. The following table demonstrates the cash income:

Table 9 - Interest Income

Operating Income	Kwinana 2013/14	% of total rev	Cockburn 2013/14		Combined 2013/14	% of total rev
Interest	\$1.856m	3.6%	5.044m	4.1%	\$6.900m	3.9%

Although this is an above the line income source, not all of it is allocated to municipal spending. A portion of the income needs to be allocated to reserves and is therefore considered a below line (non-operating cost) item. Unless a Local Government generates a surplus on the operating account, interest allocated to reserves is taken from the free cash generated from depreciation.

Lower interest rates will impact on future budgets despite what amounts are retained in the municipal fund or allocated to reserves.

3.6 Other Operating Income

Table 10 - Other Operating Income

Other Operating Income	Kwinana 2013/14	% of t.rev	Cockburn 2013/14	% of t.rev	Combined 2013/14	% of t.rev
Operating Grants	9.30m	18.3%	9.04m	7.4%	18.34m	10.5%
Reimbursements and Donations	0.55m	1.0%	0.47m	0.4%	1.02m	0.6%
Income from property	1.67m	3.2%		0.0%	1.67m	0.9%
Fines and Penalties	0.21m	0.4%		0.0%	0.21m	0.1%

Operating grants are similar in quantum but are different in relativity to the overall total operating income of the Local Government. Both Local Governments receive State and Federal Government Operating grants to

provide services for HACC, out of school care and a range of other government funded social programs.

There may be concern this income would diminish if the two Local Governments came together with the relevant Government Department reducing grant funds. Initial inquiries indicate that the majority of the grant money is provided on a needs basis, so any loss should be minimal as the amalgamation of two Local Governments does not reduce the need in the community. There may be scope to deliver these services more efficiently or utilise the services for a third party provider; eg not-for-profit operator, but this level of analysis could only be undertaken post an amalgamation.

4. OPERATING EXPENDITURE

A review of operating expenditure in the 2013/14 adopted budgets for the combined entity of \$164.7m places the combined Local Government fifth in size behind Stirling (\$191m) with Perth/Vincent (50%) (\$186m), Swan/Mundaring (\$172m), Melville/Fremantle/East Fremantle (\$169m).

Table 11 - Operating Expenditure – 2013/14 Adopted Budgets

	Kwinana		Cockburn		Combined	
Operating Expenditure	2013/14	% of t.rev	2013/14	% of t.rev	2013/14	% of t.rev
Employee Costs	21.1m	39%	41.7m	38%	62.8m	38%
Materials and Contracts	20.8m	38%	30.5,	28%	51.3m	31%
Utility Charges	2.1m	4%	4.3m	4%	6.5m	4.0%
Leases	0.3m	0%		0%	0.3m	0.0%
Depreciation	8.5m	15%	22.2m	20%	30.7m	19%
Interest	1.3m	2%	0.2m	0%	1.4m	1.0%
Insurance	0.6m	1%	2.0m	2%	2.6m	2%
Other	0.4m	1%	8.7m	8%	9.1m	5%
Total Expenses	55.1m		109.5m		164.7m	

Costs are compared with a percentage of total revenue as many of the costs are derived from a range of revenues not only rates income.

4.1 Employee Costs

This is the largest operating cost and potentially a source of savings for a combined Local Government. The Government has previously indicated that staff would have a two year employment guarantee, (Ministerial statement in his pre-Robson commentary of Local Government amalgamations and staffing), so any changes in the first two years would be by natural attrition or voluntary separation only. The detail about the human resource aspect and organisational structure issues are dealt with in a further report from the Cockburn Manager, Human Resources.

Benchmarking against five Local Governments (Stirling, Swan/Mundaring Perth/Vincent (50%) Melville/Fremantle/East Fremantle and a combined Cockburn/Kwinana) provides an interesting comparison or labour costs:

Table 12 - Five Local Government Comparisons – Payroll Expenditure

Payroll Expenditure	Payroll Expense \$m	T.Rev \$m	% pay to T. Rev	T. Op. Expense \$m	% pay to TOE
Stirling	89.8	198	45.3%	191.3	46.9%
Cockburn/Kwinana	62.7	175	35.8%	164.7	38.0%
Melville/Frem./E.Fre m.	75.6	175	43.2%	169.5	44.6%
Perth/Vincent(50%)	68.2	224	30.4%	186.0	36.6%
Swan/Mundaring	74.0	175	42.2%	171.6	43.1%
Total Payroll	370.3	947	39.0%	883.1	41.9%

The combined Local Government has the second lowest percentage of staff costs per total revenue dollar or total operating expense dollar behind a Perth/Vincent. If the other Local Governments achieved COC/COK %'s the collective savings would be in the order of \$58m to \$106m p.a depending if you use the comparison to total revenue or total operating expenses. However, it should be noted that an 'apples with apples' comparison cannot be comprehensively concluded, as any outsourced operation has the equivalent labour cost reported as part of the total contract expenses.

4.2 Materials and Contract

The table below is a comparison between five comparison Local Governments including a combined Cockburn and Kwinana.

What the table demonstrates is that there is no set benchmark in terms of a % of total operating revenue other than Cockburn/Kwinana falls below the average, but it is in line with Stirling and in line with overall average of the five Local Governments. The combined Local Government could save between 2 - 3% of overall expenditure on this item, as the economies of scale are factored in to future budgets, plus the elimination of duplications.

Table 13 – Comparison with four large Local Governments and combined Local Government of Materials and Contracts

Materials and Contracts	M&C Exp \$m	T.Rev \$m	% m&c: T Rev	T. O.Exp \$m	% m&c : TOE
Stirling	58.9	198	29.7%	191.3	30.8%
Cockburn/Kwinana	51.3	175	29.3%	164.7	31.1%
Melville/Frem./E.Frem.	52.1	175	29.7	169.5	30.7%
Perth/Vincent(50%)	55.5	224	24.7%	186.0	29.8%
Swan/Mundaring	45.6	175	26.0%	171.6	26.5%
Total Material & Contracts	263.4	947	27.8%	883.1	29.7%

4.3 Utility Charges

This covers electricity, gas, water and telecoms. The most substantial part of this is electricity taken from the monopoly provider Synergy. Both Local Governments are trying to maximise their take up of renewable energy solutions to minimise their day to day consumption and subsequent cost. What can't be reduced at present is the cost of street lighting, now at \$3m (for approximately 16,000 lights) for a combined Local Government. This is a non-contestable charge and no efficiencies are likely.

In comparison, gas and water charges are relatively minor expenses. Telecommunications are in a reducing cost environment only off set by the

internal demand for more access to data and mobile telecommunications. Water rates are minor with no charges for consumption from own source bores. This may change in future as the Department of Water has suggested introducing fees for groundwater, but it is not a consideration in this analysis.

4.4 Depreciation

This is a 'paper' charge put through the accounts as required by Australian Accounting Standards. The total cost of \$30.6m for a combined entity will increase in the next five to ten years as the cost of new community infrastructure hits the financial statements in the form of depreciation.

The primary function of this expense is to provide a 'sinking fund' for future replacement/refurbishment of current ageing assets. What it has been actually used for is the construction of new assets in the main or to supplement operating expenditures. Cockburn has a plan to move from the current 40% spend of depreciation free cash on existing assets to 80% over the five years. A combined entity will aim to adopt this strategy. It will be made easier as both Cockburn and Kwinana have DCP funds coming into the coffers to fund the construction program of community infrastructure.

4.5 Interest

The current expenditure is for the debt associated with the City of Kwinana's loan portfolio, which will have to be serviced for the next 10 to 15 years. The current debt of \$22m as of July 2013 rising to \$30m at 30 June 2014. One is highly critical of the forecast as a number of projects are behind schedule. Some of this debt will be repaid by the introduction of the Kwinana Developer Contribution Plan (DCP) for Community Infrastructure assets. The interest bill on the new debt will be around \$1.2m per year but rising as the quantum of debt increases as per the Long Term Financial Plan.

In addition Cockburn will look to borrow up to \$25m over the next three years to fund the Cockburn Central West project using the DCP funds to repay the borrowings over a ten to fifteen year timeframe. Depending on interest rates from WATC, this would add \$0.5m to 0.75m to the overall interest bill to the combined entity.

4.6 Insurance

It is anticipated that there will be little or no savings for this item given the nature of the Cooperative insurance scheme in place for all local governments in WA. Workers compensation insurance premiums will only fall if payrolls fall and/or claims fall. The overall payroll cost may fall as a result of labour savings, but with strong growth in both Local Governments total staff numbers would increase over the next decade.

Public liability insurance will continue to escalate; this is due to expansion going on across both cities. Building insurance will also increase as new assets added in accordance with the Ten Year Financial Plans. Given the history of amalgamations in Perth, Local Government assets are not

disposed in any amalgamation process they are converted into low rental high liability community assets.

4.7 Other Expenditure

The significant item for this expenditure is the payment of the Landfill Levy to the State Government. For 2013/14 this amounts to \$4.5m. This is offset by the revenue stream from the Henderson Waste Management Facility. Cockburn also has a donations budget of \$1m and fuel for the Local Governments fleet of over \$1m.

5. OPERATING SURPLUSES/DEFICITS

The table below is a five year comparison of the Cockburn and Kwinana operating positions. It shows that Cockburn has been returning operating surpluses, whereas Kwinana has consistently produced operating deficits. Kwinana has effectively relied on the free cash from depreciation to fund their day to day operations, supplemented by borrowings on the capital account.

Table 14 – Closing Operating Position 2009/10 to 2013/14 for Kwinana and Cockburn

Financial Year	Kwinana	% surplus: Rev	Cockburn	% surplus: Rev	Combined	% surplus: Rev
2009/10	1.6m	4%	3.25m	4%	4.85m	4%
2010/11	-0.5m	-2%	8.11m	8%	7.61m	5%
2011/12	3.4m	7%	9.03m	8%	12.43m	8%
2012/13	1.27m	2%	13.88m	12%	15.15m	9%
2013/14	-3.82m	-7%	13.15m	11%	9.33m	5%
Cumulative Total over 5 years	1.95m	1%	47.42m	9%	49.37m	6.41%

This a significant item, in that Local Government can direct the cash generated from depreciation to refurbishment of existing portfolio of assets especially where there is supplementary cash from DCP plans coming into Local Government. Without the cash backing of depreciation through running operating surpluses, both Local Governments will not be able to implement their respective Asset Management Plans.

The Back Report published as part of the Robson **Metropolitan Local Government Review** made the following comments about the respective Local Governments:

5.1 Kwinana

The Town's operating results are considered weak although show an improving trend. For the period under review the Town performs poorly against the benchmarks. In recent years the operating surplus ratio is considered weak at -1.1% in 2010/11 whilst the 5 year rolling average is -2.3%.

The Town's financial position is considered as marginal based on the 2010/11 financial results. This arises from a weak operating result (although with an improving trend); -1.1% in 2010/11 with -2.3% on a

5 year rolling average , reasonably high debt (\$11.930m, up from \$2.82m in 2006/07) and an accumulation of savings through reserve funds of \$12.691m with Reserves (ex SAR/SC/TPS/DCP) of \$12.083m, up from \$7.361m in 2006/07).

Issues that will affect financial sustainability will arise from the Town's ability to improve the present the operating result, to manage the debt levels and to address the slight decline in the written down value of the Town's infrastructure assets.

5.2 Cockburn

The City's operating results are considered strong and show an improving trend. For the period under review the City meets only 50% of the benchmarks. In recent years the operating surplus ratio is considered strong at 8.6% in 2010/11 whilst the 5 year rolling average is 3.7%.

The City's financial position is considered as sustainable based on the 2010/11 financial results. This arises from a strong operating result (and with an improving trend); 8.6% in 2010/11 with 3.7% on a 5 year rolling average , no debt and an accumulation of savings through reserve funds of \$49.844m with Reserves (ex SAR/SC/TPS/DCP) of \$42.068m, up from \$30.389m in 2006/07).

Issues that will affect financial sustainability will arise from the City's ability to fund the declining value of the City's property, plant and equipment.

A copy of the reports' comments on Cockburn and Kwinana is available on request.

6. BALANCE SHEET

6.1 Assets

The table below demonstrates a number of key items derived primarily from the 2011/12 balance sheet (the 2012/13 balance sheets are still being finalised):

- Substantial cash holdings especially in reserves
- Kwinana has \$22m in WATC debt forecast to rise to \$30m in the 2013/14 budget papers. Cockburn will have \$3.5m in debts associated with Underground power (paid off in 2015 and \$1m for a state government guaranteed loan)
- Kwinana has a liability for a retirement village leaseholders funds matched by the building asset. The diminishing value of the physical asset is a concern as there is no corresponding reserve fund for future capital needs – This is poor management when compared with the City of South Perth.

- There is a significant value of infrastructure assets of approximately \$650m in the combined entity.
- There are also a significant number of Local Government property assets (buildings).
- Staff liability provisions are \$8m for annual and long service leave. Cockburn cash backs these liabilities, Kwinana does not.
- Net assets of the combined entity will exceed \$1billion.

Table 15 – Balance Sheets Kwinana and Cockburn 2011/12

Balance Sheet	2011/12	2011/12	2011/12
	Kwinana	Cockburn	Combined
Total Current Assets	35,810,493	85,440,658	121,251,150
Total Current liabilities	20,151,976	16,827,514	36,979,490
Net Current Assets	15,658,516	68,613,144	84,271,660
Non-Current Assets			
Property Plant and Equipment	177,792,593	760,538,472	938,331,065
Total Non-Current Assets	182,444,269	768,157,767	950,602,036
Non-Current Liabilities			
Total non-Current liabilities	30,725,475	3,704,080	34,429,555
Net Assets	167,377,310	833,066,831	1,000,444,141
Equity			
Reserves - Cash Backed	24,110,992	60,792,979	84,903,971
Total Equity	167,384,310	833,066,829	1,000,451,139

7. STAFF

A more detailed report on staff related issues has been prepared by the Manager, Human Resources, with the following extracts included for background:

- Initially, there would be little change in the staffing structures for the most functions in a two year transition process. Management would collaboratively need to identify resourcing requirements for the achievement of transition milestones.
- Transition project teams would need to be established comprised of the respective experts/champions from each of the functional areas. There may be a need to bring in casual support at different times to ensure business as usual.
- Potential amalgamation efficiencies from combining teams and functions.
- Following amalgamation, it is anticipated that some reduction in staffing levels will be achieved. This is purely derived from the effects of size and scale and the outcome of business process refinements implemented during the transition period.
- Natural attrition will provide the opportunity to downsize where appropriate.
- Staff Accommodation would be split between the two Administration Centres. Neither existing administration centre will be able to fully accommodate the new combined entity. Whilst this won't be an issue during the early transition period, it will need to be properly considered before the new Local Government at some stage in 2014 or 2015.

- One initiative is for specific functional areas to be predominantly based at the one location, for example a revenue team, budgeting and financial planning team, financial accounting team could be in one location. This would allow staff from each Local Government to come together and form expanded teams with minimal alteration to building layouts.
- A range of IR matters would need to be resolved. Both organisations have Enterprise Agreements due to expire in late 2013, with the City of Cockburn successfully concluding theirs in August 2013 and Kwinana still to finalise it EA; however, there are provisions available to extend these until a new single agreement can be struck.

8. RESERVES

Both Local Governments have adequate reserves as the following table demonstrates. Both will rely on some form of debt borrowings to complete a schedule of assets acquisition programs.

Table 16 – Reserves – Five Years 2009/10 to 2013/14 as per adopted budget

	Kwinana	Cockburn
2009/10	\$12.6m	\$24.1m
2010/11	\$5.1m	\$29.4m
2011/12	\$18.7m	\$40.9m
2012/13	\$9.2m	\$51.6m
2013/14	\$24.01m	\$62.3m

Both Local Governments have detailed long term reserves through the Ten Year Financial Plans with Kwinana having a core \$3m in long term cash backed reserves whilst Cockburn has a core \$30m in long term cash reserves.

9. FUTURE CAPITAL EXPENDITURE PROGRAMS, ETC.

A copy of future capital expenditure plans contained in Cockburn's Long Term Financial Plan 2012 - 2021 and Kwinana's Long Term Financial Plan 2013 – 2032 is available on the websites of both Councils.

Again both Local Governments have developer contribution plans (DCP) in place to fund community infrastructure in part and in nominated areas/projects. Both plans have been ratified by the WAPC and duly gazetted. The table below highlights the impact of revenue and expenditures as a result of the DCP

Table 17 – Approved DCP for Community Infrastructure

Local Government	Period	Capital Spend	DCP Funds	Local Government Funds	External Funding	Pre-funding by Local Government
Cockburn	20 years	\$147.2m	\$56.5m	\$90.7m	-	\$28m
Kwinana	25 years	\$108.5m	\$67.8m	\$17.8m	\$22.9m	\$39.96m

10. COST OF AMALGAMATIONS

The following table demonstrates the potential cost of amalgamations:

Table 18 – Potential costs of amalgamation

Probable Case	Year 1	Year 2	Total
Training	750,000	750,000	
Business Process Re-engineering	750,000	550,000	
Contingency (including equipment)	650,000	500,000	
Pay disparities	1,108,800		
Redundancies	1,455,000		
Cost	4,713,800	1,800,000	6,513,800

This does not take into account the cost of dealing with administration offices or staff relocation costs. A provision for redundancy has been included, though a number of managers could leave voluntarily as other employment opportunities become available across all Local Governments. One cost that is considered vital is business process review. Bringing two Local Governments together will provide an ideal opportunity to review all processes to streamline them for example the need to do building approvals or health inspections.

A number of efficiency measures would have to be achieved in order to get a 3% cost saving aside from economies of scale and natural attrition of excess management. This saving would also include a reduction in the payments to elected members as a result of a reduction from the current 18 to 13 Elected Members which includes a popularly elected Mayor. As can be demonstrated below, a fiscally disciplined Local Government can pay for the cost of the amalgamation within a five year cycle. Funds from the State would be an additional benefit and would prevent service delivery being impeded by the reallocation of municipal funds to the task of amalgamation.

Table 19 – Potential cost savings over a 5 year period

Salaries - Potential redundancies/Payout of contracts		Year 1	Year 2	Year 3	Year 4	Year 5
CEO	1	-\$0.280m				
Directors	3	-\$0.675m				
Managers	10	-\$1.500m				
Non Payment of 1 set of CEO/Directors			\$0.955m	\$0.988m	\$1.023m	\$1.058m
Training new & existing staff		-\$0.750m	-\$0.750m			
Business Process Re-engineering		-\$0.750m	-\$0.550m			
Contingency		-\$0.650m	-\$0.500m			
General Pays						
CoC to Match CoK Pay & Conditions		-\$1.108m	-\$1.142m	-\$1.176m	-\$1.211m	-\$1.248m
Total Op Ex	\$153.459m					
Less						
Depreciation	\$29.223m	Target Savings %	1%	1.5%	3%	3%
Total Net OpEx with exp growth 5%	\$124.235m	Target Savings \$	\$1.242	\$2.143m	\$4.472m	\$4.658m
Annual (Cost)/Saving		-\$5.713m	-\$0.745m	\$1.955m	\$4.283m	\$4.469m
Cumulative		-\$5.713m	-\$6.458m	-\$4.503m	-\$0.219m	\$4.250m

Salaries - Potential redundancies/Payout of contracts		Year 1	Year 2	Year 3	Year 4	Year 5
(Cost)/Saving						

A key staff issue will be the Enterprise Agreement with areas of difference such as superannuation contributions; additional weeks leave both annual and personal being at variance in the two EAs.

A review of the latest Local Government amalgamation – Geraldton and Greenough and then into Mullewa – cost indicated an overall cost of :

Stage 1 – Geraldton and Greenough – cost \$3.56m with a state contribution of \$1.3m or 36.5%

Stage 2 – Greater Geraldton and Mullewa – cost \$5.13m with a state contribution of \$3.95m or 76.9%

Overall, the combined communities contributed \$3.61m to the amalgamations of the three councils in a two stage process. It should be noted that the State did not fund \$3.5m of the \$5.7m upgrade to the administration facility and depot relocation.

11. KEY TRANSITION ISSUES

During any transition period, each local government will need to adopt a blue print for the amalgamation of key systems. The selection of an Enterprise System to operate Financial Management, Human Resources and Information Management is will be a major undertaking. Key issues with potential solutions are dealt with below.

11.1 Financial Management

Consolidation and rationalisation of banking and payment systems

Both Local Governments use different banks and banking systems to collect their revenues and manage the treasury functions. A review will need to be undertaken to compare the advantages of each arrangement and adopt a preferred solution or combination of solutions. Given the extended transition period, this should be relatively easy to achieve.

Solution: Roll over to NAB for banking and payments

Indicative rating revenues from the combined entities

Combined modelling for how many years (i.e. each year up to 1st year of new entity)

Solution: Kwinana rates data base to be inserted into the Cockburn Modelling software to model outcomes for next four years.

Governance and Local Government Act issues:

A policy and delegated authorities review will need to be completed with respect to the harmonisation of financial management policies and practices.

Solution: This should be undertaken jointly by a working party of senior management of both Local Governments and progressively put to a joint working party of Elected Members for adoption in readiness for the new Local Government.

Development of a new Chart of Accounts

In conjunction with the development of a new organisation and business structure, a new chart of accounts will need to be developed.

Solution: It will be desirable to consolidate data from each Local Government during any transition period into the new chart to facilitate consolidated reporting to a new Local Government. An alternative is to amend the Cockburn chart of accounts to reflect the new organisational reporting structure and roll this over the entire new Local Government.

11.2 Human Resources and Organisational Structure issues

The area is covered in more detail in a separate report by the Manager, Human Resources. The scope of this report covers:

1. Organisation Structure
2. Due diligence including:
 - Industrial Relations setting
 - Workers Compensation history
 - Outstanding IR and EEO Claims
 - Open Workers Compensation claims
 - Safety record
 - Collective Agreements in place and nominal expiry dates, key conditions
 - Physical locations – centralising of staff in common functions, regrouping, accommodation issues
3. Systems in place for recruitment, payroll, performance management and other human resource management functions
 - Current salary rates and future obligations for rises (cost)
 - Change Management strategies and resourcing
 - Employee retention and engagement to reduce loss of productivity
 - Development of a new Enterprise Agreement
 - Consolidation of employee information and management systems such as payroll
 - Review of policies and procedures – priorities, adopting best practice policy and procedure for a combined entity
 - Redefining core business whether or not it includes service delivery on behalf of state government and generally conducted by not-for-profit agencies
4. Governance Issues

- Local Government Act 1995 (WA) as it relates to employment contracts
- Industrial Relations requirements – the creation of a new entity
- Transmission of business requirements under the Fair Work Act

11.3 Information System & Technology Issues

A review of the various systems in place is being prepared. Clearly there is difference, but given the relative size of each current organisation it would be more economical that Cockburn's enterprise wide system would be installed at Kwinana. This is proposed as it would be cheaper re-training an estimated 245 Kwinana staff rather than approximately 455 Cockburn staff. The current operating costs for Kwinana's Civica enterprise system are assumed to be equivalent to Cockburn's Technology One system, so total licensing costs should be similar overall.

Infrastructure to connect the two Local Governments

Fibre based Communication is required between Kwinana and Cockburn. Ideally this will also enable access to commercial fibre services for managed services. System redundancy also needs to be considered should this fibre link become unavailable. There is no current commercial provider of fibre that could be dedicated to enabling this to occur, however, recent NBN announcements this may be completed in the next few years. An interim arrangement will have to be developed to cover the transition to the NBN.

IS Organisational Structure

There will need to be an IT support team at each site for a limited period of time, until transition is complete. The major task will be to design a new system architecture encompassing the following:

Merge / Redesign/Creation of the two Operating Architecture Environments

- Active-Active DR
- Exchange
- Domain Controllers
- Network IP Redesign
- Active Directory
- Routers
- Network switches
- Domain Names
- Internet Feeds
- Website

Telephony

There will need to be a selection and rollout of the best Telephony and Call Centre System. Cockburn is tendering for new phone system in 2012/13 and this could be combined with Kwinana, which currently has a managed service from Telstra.

Redesign of Security

Under the assumption two major sites (Cockburn & Kwinana) will be retained within the new municipality, the current security models including IT Systems, Applications, Building Access Control and CCTV will need integration. Cockburn is currently looking at a new security system and this could be rolled out for the combined entity.

Upgrade of Kwinana Desktops Fleet to VDI/Virtualisation

Additional resources and funding will be required to migrate Kwinana to the VMware View VDI technology as currently used at Cockburn. This will mean:

- Eventual Replacement of existing PCs (these can be used as thin clients initially)
- Full Software discovery to create Inventory, thus ensuring application delivery to VDI environment

Upgrade of Kwinana IT Support Skills

In addition to the disparate ERP systems Cockburn has implemented progressive technologies such as VDI and Lync telephony, which Kwinana IT Support will need to be trained on. Some of this training is high cost technical vendor training.

Business Systems

A full discovery and inventory of all software in both Local Governments will be required leading into a selection and implementation process. Kwinana will use Technology One suite of products with Civica being abandoned apart from the Library. It is recommended that Kwinana adopt Civica's Spydus managed service.

There is potential for every department to have disparate systems – not only in the core systems but also other satellite systems;

- GIS,
- CCTV,
- Call Centre,
- recreation centre software,
- aged care,
- day care,
- fuel monitoring,
- printing services.

Enhancement of IT based Policies/Processes/Governance

The combined entity, with its increased size will require a complete review of the policies, processes & the introduction of more refined organisation wide governance in place. This would include change management, Risk Management, SLA's on service delivery & possibly introducing an ITIL based environment - all will require additional staff training.

- Developing Workflows

- Business processes...systems designed around it
- System security - based around job roles - what work
- System documentation
- Many issues will arise through Data merging.
- Website

Other considerations:

- May facilitate the creation of a Data Centre for the region to further share resources with other Local Governments
- Ability to outsource IT Service Delivery
- Kwinana has a best of breed solution while Cockburn has centralised around Technology One.
- Investigate Cloud Solutions and Managed Services

12. CONCLUSIONS

1. A Local Government consisting of Cockburn and Kwinana would form the one of the larger metro Local Governments by revenue, rating income and operating expenditure. Both Local Governments are growth Local Governments with an 8 to 10% p.a. increase in rating income over the next five to ten years arising from increased number of properties (residential and commercial/industrial). The harmonisation differential rating systems over a five to ten year period is going to be a challenge, especially for residential rates where there is a significant difference in property values and the rate in the dollar.
2. There is a difference in services fees for waste management, Co-safe (security) and pool inspection fees with Cockburn's charges being higher. Interest income is more substantial in Cockburn than Kwinana due to higher reserves and operating surpluses. Kwinana has an income stream from property, which to date Cockburn does not. Operating grants form a higher percentage of total revenue for Kwinana even though both Local Governments receive similar levels of income. Retention of these is a matter of concern so they are not lost then replaced with municipal income to retain the same services.
3. Operating expenditure is significant with payroll being at 38% of the overall spend. When compared with the big four Local Governments the combined entity expenditure on payroll indicates a high level of efficiency. Materials and contracts will be subject to much scrutiny to achieve cost efficiencies due to economies of scale. Benchmark data does not appear to show a significant under or over spend in this area. There will be little saved in utilities, interest expense or insurance. Depreciation is a non-cash entry, with the impact on asset management plans and refurbishment significant, cash backing of depreciation is necessary for sound long term financial management.
4. The operating surplus for Cockburn is not matched by Kwinana, which indicates they are using cash generated from depreciation to fund operating expenses and reserve transfers for such items as interest to reserves. The

Robson Report does not rate the Kwinana financial data reviewed favourably. There are clearly areas in the governance area that could be reviewed.

5. The balance sheets of both Local Governments reflect substantial cash and infrastructure assets as one would expect. Kwinana has a retirement village asset matched with an increasing liability for that asset. In addition Kwinana has upto \$30m of debt on the balance sheet. Cockburn will have upto \$25m of debt associated with CCW – Regional Recreation Facility.
6. There are a series of financial, human resource and information technology/systems issues that will need to be considered as a transition occurs. In the main it would be more cost effective to roll out Cockburn systems within Kwinana due the relative size of the current entities and the cost of re-training.
7. Amalgamation is an expensive process and will cost around \$8m on initial estimates over a three year transition period. Cost savings could be achieved to recoup this amount over five years, but would require fiscal discipline to ensure that the benefits flow back to the community. A plan has been formed to fund some of this on the basis that some funding is provided by State Government.
8. The financial amalgamation of the two Councils is a significant undertaking, but there are significant upsides for both sets of ratepayers and residents over the long term ensuring delivery of the capital expenditure programs.

13. RECOMMENDATIONS

1. A detailed review is undertaken using the updated Ten Year Financial Plans, to quantify the impact of an amalgamation on service delivery and delivery of the respective capital spending/funding plans.
2. A study is undertaken on the training requirements and costs for rolling out a Cockburn Enterprise Wide IS solution on the combined Local Government.
3. A study on the process re-engineering that would be required on all Local Government business processes post amalgamation and the way they could be implemented at the commencement of the amalgamation process.

