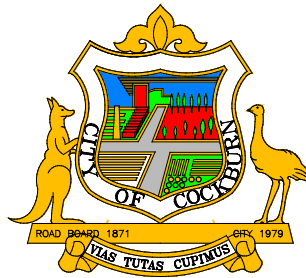


# **CITY OF COCKBURN**



## **SPECIAL COUNCIL MEETING**

## **AGENDA PAPER**

**FOR**

**THURSDAY, 19 SEPTEMBER 2013**

# CITY OF COCKBURN

## SUMMARY OF AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL MEETING TO BE HELD ON THURSDAY, 19 SEPTEMBER 2013 AT 7:30 PM

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## **CITY OF COCKBURN**

### **AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL MEETING TO BE HELD ON THURSDAY, 19 SEPTEMBER 2013 AT 7:30 PM**

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- 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)**

Nil

- 5. APOLOGIES & LEAVE OF ABSENCE**

Nil

- 6. PUBLIC QUESTION TIME**

Nil

- 7. DECLARATION BY COUNCILLORS WHO HAVE NOT GIVEN DUE CONSIDERATION TO MATTERS CONTAINED IN THE BUSINESS**

Nil

## 8 (SCM 19/9/2013) - PURPOSE OF MEETING

The purpose of the meeting is to consider:

1. Tenders for the appointment of an Architect for the Cockburn Regional Aquatic and Community Recreation Facility at Cockburn Central West.
2. Tenders for the appointment of a “step-in” builder to complete the construction of the Cockburn Integrated Health Facility (including Success Library and Cockburn GP Super Clinic) and Fit-out of the Cockburn GP Super Clinic; and
3. Submission to Local Government Advisory Board on amalgamation of the City of Cockburn and the City of Kwinana.

## 9. COUNCIL MATTERS

### 9.1 (SCM 19/9/2013) - TENDER NO. RFT13/2013 - ARCHITECTURAL (DESIGN AND LEAD CONSULTANT) SERVICES - REGIONAL PHYSICAL ACTIVITY AND EDUCATION CENTRE AT COCKBURN CENTRAL WEST (A LACQUIERE) (154/006) (ATTACH)

#### RECOMMENDATION

That Council accept Tender No.RFT13/2013 – Architectural (Design and Lead Consultant) Services – Regional Physical Activity and Education Centre at Cockburn Central West from Sandover Pinder Pty Ltd; in accordance with the price submitted in the confidential attachments.

#### COUNCIL DECISION

### Background

The Regional Physical Activity and Education Centre at Cockburn Central West (RPAEC) is now progressing towards the

commencement of the detailed design phase of the project. The tender for architectural services has been prepared such that two scenarios have been envisaged:

1. A regional aquatic and recreation facility to replace the South Lake Leisure Centre
2. A regional aquatic and recreation facility combined with the training and administration facilities for the Fremantle Dockers Football Club (FFC). Other components such as education and other commercial spaces of the facility are still being finalised.

The City has recently welcomed the announcement of a \$10M grant from the Federal Government and is now awaiting a financial commitment from the State Government for the combined facility to include the FFC and the other venture partners.

Council in May 2013 appointed a Project Manager (NS Projects) and an independent Quantity Surveyor (WT Partnership) to manage the project administration and independently review, manage and provide advice to the parties on the project costs. This decision was subject to the Business Plan being accepted by the Council, which occurred at Council's meeting held on the 11 July 2013.

NS Projects have provided advice to the City on the most appropriate procurement strategy for all aspects of the project which included a number of specialist consultants to be appointed by Council. The procurement method was accepted by the Cockburn Central West Council Reference Group at its meeting held on 18 July 2013.

For the project to proceed to the next phase of design, the City and the FFC are required to engage a Lead Architect who can progress the new concept designs to the level of detail that is required for construction tender and oversee the construction phase from a design perspective. Following the appointment of the Lead Architect the City will advertise tenders for the following sub-consultants that will form the design team for the project;

- Structural Engineer
- Electrical Engineer
- Hydraulic Engineer
- Mechanical Engineer
- BCA Consultant
- ESD Consultant
- Pool Engineer

Tender Number RFT 13/2013 Architect (Design and Lead Consultant) for RPAEC at CCW was advertised on Saturday 20 July 2013 in the Local Government Tenders section of "The West Australian"

newspaper and closed at 2:00pm (AWST) on Thursday 8 August 2013. The tender was also displayed on the City's e-tendering website.

Tenderers were also advised that consideration may be given to both scenarios for the facility and therefore it was a requirement for the tenderers to provide for two (2) tendered prices.

### Submission

Tenders were called on the 20 July under RFT 13/2013 for the Architect (Design and Lead Consultant) for RPAEC at CCW and closed on the 8 August at 2.00pm. The following nine submissions were received:

| <b>Tenderer's Name:</b>                                                                                                              | <b>Date and Time Tender Received:</b> |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| Christou Design Group Pty Ltd                                                                                                        | 13/08/2013 – 12:15pm                  |
| Ashton Raggatt McDougal Pty Ltd<br>Trading As: Arm Architecture and Donovan<br>Payne Sports & Aquatic                                | 13/08/2013 – 12:25pm                  |
| Bollig Design Group Pty Ltd ATF The BDG<br>Trust<br>Trading As: Bollig Design Group                                                  | 13/08/2013 – 12:59pm                  |
| Peter Hunt Pty Ltd and Daryl Jackson Pty Ltd<br>Trading As: Peter Hunt Daryl Jackson<br>Architects                                   | 13/08/2013 – 1:07pm                   |
| Fratelle Group Pty Ltd                                                                                                               | 13/08/2013 – 1:14pm                   |
| Cameron Chisholm & Nicol (WA) Pty Ltd and<br>Peddle Thorp & Walker Pty Ltd<br>Trading As:<br>Cameron Chisholm Nicol & PTW Architects | 13/08/2013 – 1:30pm                   |
| Woodhead Pty Ltd<br>Trading As: Woodhead                                                                                             | 13/08/2013 – 1:32pm                   |
| Sandover Pinder Pty Ltd<br>Trading As: Sandover Pinder Architects                                                                    | 13/08/2013 – 1:43pm                   |
| Cox Howlett & Bailey Woodland                                                                                                        | 13/08/2013 – 1:46pm                   |

## Report

### a. Compliance Criteria

| Criteria Ref. | Description                                                                |
|---------------|----------------------------------------------------------------------------|
| A             | Attendance at the Mandatory Tender Briefing                                |
| B             | Compliance with the Conditions of Tendering                                |
| C             | Compliance with the Specification contained in the Request                 |
| D             | Completion of Form of Tender                                               |
| E             | Compliance with Insurance Requirements                                     |
| E1            | Public Liability Insurance \$40,000,000.00 AUD                             |
| E2            | Professional Indemnity Insurance \$20,000,000.00 AUD                       |
| E3            | Workers Compensation or Personal Accident                                  |
| F             | Completion of Qualitative Criteria                                         |
| G             | Compliance with Architects Registration (WA) Requirement                   |
| H             | Compliance with Fixed Price & Completion of Section 3.7.2                  |
| I             | Compliance with Sub-Contractors Requirements & Completion of Section 3.8   |
| J             | Compliance with & completion of separate Price Schedule in format provided |
| J1            | MS Excel Spreadsheet                                                       |
| J2            | PDF                                                                        |
| K             | Compliance with OSH Requirements                                           |
| L             | Compliance with ACCC Requirements                                          |
| M             | Acknowledgement of any Addenda issued                                      |
| Section 3.4   | Registration Number - Architects (WA)                                      |
| Section 3.5   | Availability                                                               |
| Section 3.6   | Tenderer's Contact Person                                                  |
| Section 3.8   | Sub Contractors - Proposed                                                 |
| Appendix A    | OSH Declaration                                                            |
| Appendix B    | ACCC Warranty                                                              |
| Addenda       | <b>Addendum No.1 issued 5 August 2013</b>                                  |

### b. Compliant Tenders

All nine (9) Tender submissions were deemed compliant

### c. Evaluation Criteria

Tenderers were assessed against the following criteria:

| <b>Evaluation Criteria</b>                       | <b>Weighing Percentage</b> |
|--------------------------------------------------|----------------------------|
| (A) Relevant Experience of Company and Personnel | 30%                        |
| (B) Sustainability Experience                    | 10%                        |
| (C) Company Profile                              | 15%                        |
| (D) Tenderer's Resources                         | 30%                        |
| (E) Methodology                                  | 5%                         |
| Tendered Price                                   | 10%                        |

#### **d. Tender Intent / Requirements**

The City of Cockburn (the Principal) in conjunction with the Fremantle Football Club (FFC) is seeking an appropriately qualified, skilled, experienced, and registered (WA) Architect to undertake the design, documentation and lead consultant role for the construction of the new Cockburn Integrated Regional Physical Activity and Education Centre at Cockburn Central West, Western Australia.

The proposed Contract is for the identification and assessment of concept design options in respect to the new Integrated Centre to develop a schematic design, followed by the development of the detailed design and technical specifications through to documentation, and provision of Architectural and Lead Consultant services through the construction to the conclusion of the Defects Liability Period.

The Principal is planning to build a major aquatic and recreation facility, with a regional and local focus, for providing health, fitness, wellness and recreational opportunities for all sectors of the Cockburn community as well as provide an elite training facility for the Fremantle Football Club and a Tertiary Education Institution.

The Project at this stage is expected to deliver an integrated community facility that includes the Principal's community aquatic and recreation and the FFC's elite training and administration facilities. The current estimated cost of the integrated Centre (including construction, associated works and fit-out costs, contingencies and other costs associated with the development but excluding consultants' fees, and furniture fittings and equipment) is between \$90 million and \$100 million GST Exclusive; and is dependent on final stakeholder involvement and scope.

Tenderers are advised that consideration may be given to scaling back the Centre to only include the Principal's community aquatic and recreation facilities and therefore the Price Schedule (Part 4) includes a requirement for two (2) tendered prices. The estimated cost for the



scaled back Centre (including construction, associated works and fit-out costs, contingencies and other costs associated with the development but excluding consultants' fees and furniture fittings and equipment ) is between \$55 million and \$60 million GST Exclusive.

**e. Evaluation Panel**

The tender submissions were evaluated by the following people:

| <b>Name</b>         | <b>Position &amp; Organisation</b>                                     |
|---------------------|------------------------------------------------------------------------|
| Mr Stuart Downing   | Director, Finance & Corporate Services<br>City of Cockburn             |
| Mr Rob Avar         | Manager, Community Services<br>City of Cockburn                        |
| Mr Adrian Lacquiere | Coordinator, Recreation Services<br>City of Cockburn                   |
| Mr Brad Paatsch     | General Manager, Strategic Projects<br>Fremantle Dockers Football Club |
| Mr Steve McDonald   | Project Manager<br>NS Projects                                         |

**f. Scoring Table**

The below table represents the scoring of the 9 tender submissions from a Qualitative Criteria and Cost perspective. The assessment panel evaluated the Qualitative Criteria for each tender's submission in the absence of any tender values and then consolidated.

| <b>Tender's Name</b>                         | <b>Percentage Scores</b>               |                        |               |
|----------------------------------------------|----------------------------------------|------------------------|---------------|
|                                              | <b>Qualitative Criteria Evaluation</b> | <b>Cost Evaluation</b> | <b>Total</b>  |
|                                              | <b>90%</b>                             | <b>10%</b>             | <b>100%</b>   |
| Sandover Pinder Pty Ltd                      | 62.81%                                 | 9.82%                  | <b>72.63%</b> |
| Bollig Design Group Pty Ltd                  | 62.00%                                 | 10.00%                 | <b>72.00%</b> |
| Cox Howlett & Bailey Woodland                | 62.30%                                 | 8.81%                  | <b>71.11%</b> |
| Peter Hunt Pty Ltd and Daryl Jackson Pty Ltd | 61.47%                                 | 8.88%                  | <b>70.35%</b> |
| Ashton Raggatt McDougal Pty Ltd              | 58.37%                                 | 7.85%                  | <b>66.22%</b> |
| Woodhead Pty Ltd,                            | 57.39%                                 | 8.41%                  | <b>65.80%</b> |

|                                                                         |        |       |               |
|-------------------------------------------------------------------------|--------|-------|---------------|
| Cameron Chisholm & Nicol (WA) Pty Ltd and Peddle Thorp & Walker Pty Ltd | 56.44% | 9.13% | <b>65.57%</b> |
| Christou Design Group Pty Ltd                                           | 57.74% | 6.93% | <b>64.67%</b> |
| Fratelle Group Pty Ltd                                                  | 50.16% | 5.36% | <b>55.51%</b> |

A number of Tenderers partnered with other architectural firms in their submission to jointly deliver the lead design and architectural services for the project.

On the completion of the combined qualitative and quantitative scoring the flowing tenderers were ranked as the top 3 to be shortlisted and proceed to the interview phase.

1. Sandover Pinder Pty Ltd
2. Bollig Design Group Pty Ltd
3. Cox Howlett & Bailey Woodland

#### **g. Summary of Interviews**

On the 27 August 2013 the shortlisted tenderers were invited to attend an interview to respond to a common list of questions as part of the review process. The interview covered the following areas:

1. Project Team locations and level of involvement in the project through each phase
2. Key Personnel covering the design in each of the main building areas (Aquatics, Indoor Courts, Elite Training etc)
3. Details of the their nominated sub consultants
4. Further details on related projects and ESD experience and lessons learnt from previous projects

All 3 Architects attended the interviews with the Panel (Daniel Arndt – Director, Planning and Development and Michael Littleton – Director, Engineers and Works as ex-Officio) on 27<sup>th</sup> August 2013 with those presenting matching the individuals identified within their Tender submission. Each Architect addressed the questions issued in advance along with consistent questions asked by the Panel members to allow a direct comparison. On conclusion of the interviews the Panel reviewed the Architect's response to the questions in order to arrive at a final recommendation. The conclusion of the assessment process recommended Sandover Pinder Pty Ltd should be appointed *for Architectural (Design and Lead Consultant) Services* on behalf of the City of Cockburn and the Fremantle Football Club. This decision was based on the experience Sandover Pinder Pty Ltd and their partner DWP|Suters showed in delivering a number of recent aquatic and high performance facilities as a joint venture. Sandover Pinder Pty Ltd and DWP|Suters demonstrated the best understanding of the emerging

trends and challenges in designing good aquatic and recreation facilities that was a critical focus for the City of Cockburn. Following this reference checks were completed by NS Projects with positive feedback received from other clients.

This recommendation of Sandover Pinder Pty Ltd as the preferred tender was presented to the PCG for endorsement at the meeting held on the 29 August 2013. The PCG approved this endorsement subject to approval by the FFC board and financial checks on Sandover Pinder Pty Ltd and their joint venture partner DWP|Suters. The FFC board officially endorsed this recommendation to appoint Sandover Pinder Pty Ltd at their board meeting held on the 3 September 2013. An independent financial assessment has been completed on both Sandover Pinder Pty Ltd and their joint venture partner DWP|Suters with both rating strongly on the rating agencies Corporate Scorecards. The contract for the services would be between the City of Cockburn and Sandover Pinder Pty Ltd.

Final approval is now required by the City of Cockburn Council to appoint Sandover Pinder Pty Ltd as the preferred tenderer to provide Architectural Services including Lead Design Consultant for the RPAEC.

### **Strategic Plan/Policy Implications**

#### ***Infrastructure***

- Community facilities that meet the diverse needs of the community now and into the future.
- Community infrastructure that is well planned, managed, safe, functional, sustainable and aesthetically pleasing.
- Partnerships that help provide community infrastructure.
- Facilities that promote the identity of Cockburn and its communities.

#### ***Leading & Listening***

- A responsive, accountable and sustainable organisation.

#### ***A Prosperous City***

- Sustainable development that ensures Cockburn Central becomes a Strategic Regional Centre.
- Investment in the local economy to achieve a broad base of services and activities.
- Creation and promotion of opportunities for destination based leisure and tourism facilities.

### **Budget/Financial Implications**

The three (3) year contract would be funded from the CCW project fund and cash flowed accordingly in accordance with the project budgeting requirements.

### **Legal Implications**

Section 3.57 of the Local Government Act 1995 and Part 4 of the Local Government (Functions and General) Regulations 1996 refers.

### **Community Consultation**

N/A

### **Attachment(s)**

The following Confidential Attachments are provided under separate cover:

1. Compliance Criteria Assessment;
2. Consolidated Evaluation Sheet; and
3. Tendered Prices

### **Advice to Proponent(s)/Submissioners**

The Proponent(s) and those who lodged a submission on the proposal have been advised that this matter is to be considered at the Special Council Meeting held on the 19 September 2013.

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

Nil

## **9.2 (SCM 19/9/2013) - TENDER NO. RFT15/2013 - BUILDING CONSTRUCTION SERVICES (COMPLETION OF) COCKBURN INTEGRATED HEALTH AND COMMUNITY FACILITY (S DOWNING) (016/024) (ATTACH)**

### **RECOMMENDATION**

That Council:

- (1) accept Tender No.RFT15/2013 – Building Construction Services (Completion of) Cockburn Integrated Health and Community Facility and fit-out of the Cockburn Super Clinic from Jaxon Pty Ltd for \$22,230,205, in accordance with the Price B submitted in the confidential attachments, for a guaranteed maximum price contract less exclusions and less provisional sums;
- (2) amend the 2013/14 Municipal Budget by transferring the following funds to the Municipal Account - Capital Works Project - Cockburn Integrated Health and Community Facility from:
  - Community Infrastructure Reserve - \$1.54m
  - Land Development Reserve \$4.49m

- GP Super Clinic Reserve \$2.1m
- (3) make application to the Federal Government for \$3.358m and Lotteries West for \$1.0m.

**TO BE ADOPTED BY AN ABSOLUTE MAJORITY**

## **COUNCIL DECISION**

### **Background**

The original contract for the construction of the Cockburn Integrated Health and Community Facility (CIHCF) at Success was awarded to Gavin Constructions (Marago Nominees Pty Ltd trading as) on 13 September 2011 for \$32.9m. The contract was to build 7,856 square meters of space consisting of:

- Success Library (1,486 Sq M)
- Cockburn GP Super Clinic (2,488 sq m)
- Integrated Health Facility (3,582 sq m)
- Meeting rooms (300 sq m)
- Parking facilities (211 undercover) and 80 bays at grade

Gavin Construction took possession of the site on 10 October 2011. On the 26 June 2013, Gavin Construction's owner Sean Gavin advised Council that he had received advice to the effect that he should place the company (Marago Nominees) into Official Administration of the Supreme Court of WA with WA Insolvency Solutions Pty Ltd being appointed the Administrators of the company Marago Nominees Pty Ltd. The reason behind the appointment was that to continue trading, the directors may breach the "trading whilst insolvent" provisions of the Corporations Act. This came about as a result of the company having a client fail to pay the final \$2m instalment of a construction contract in Karratha. This in turn triggered a Supreme Court Statutory Demand from a creditor owed money in relation to the Karratha contract.

Once Council became aware of the Administrator being appointed, the Council through its legal adviser, Jackson McDonald seized control of

the construction site from Gavin Constructions, seized all materials present including building materials and placed the site under its own security. The Council has allowed firms back onto the site for removal of personal tools and equipment after confirming with the Administrator.

Gavin Constructions had twelve active contracts with approximately \$20m owed to various creditors. The Company, Marago Nominees Pty Ltd has now been placed in liquidation.

Upon seizing control of the construction site, Council made arrangements for the fencing, dongas and security to be placed into the management of the Council. At the same time, the Council commissioned the Architects, Bollig Design Group (BDG) to undertake a review of the construction to date in conjunction with a range of professional service firms. BDG being the projects architects were also appropriately qualified to undertake the review having done a similar job when the builder walked off the Raine Square Building in the City of Perth (multi-storey building valued at \$400m)

The purpose of the review was to document every aspect of the construction at the date of seizing control of the construction site so as to determine what had been finished and the state of the finish, what remains to be finished, any damage suffered by the building with the builder walking off the site and finally what needed immediate rectification so as to make the construction as safe place. The review was both written and video.

At the end of May 2013, the Council's independent firm of Quantity Surveyors, Davis Langdon, certified that 66% of the building had been completed. It is estimated at the date the builder walked off the job, 70% of the building had been completed.

The Council immediately advertised an Expressions of Interest (EOI) on 3/7/2013 for an appropriately qualified step in builder to complete the Job, being 30% of the building remaining to be completed. The EOI closed on 17/7/2013 with seven builders submitting their qualifications as Step-In Builders.

Of the seven builders, four were invited to submit prices for a RFT 15/2013, they were:

1. Pindan Contracting (builder of the surf club) – ( the actual tender was submitted by Pindan Pty Ltd as trustee for the Chamois Unit Trust.
2. Cockram Esslemont (builder of the Council Administration Extension).
3. PS Structures (builder of FESA head office at Cockburn Central).
4. Jaxon Pty Ltd.

Of the other builders, two did not have relevant building experience in Perth (they were infrastructure builders in the North West) and one was deemed too small. Two builders have since withdrawn citing recently won contracts as the reason.

The tenderers have been asked to provide two prices:

- Price A - to finish the outstanding work including rectification works plus assume warranting work to date; and
- Price B - to finish outstanding work including rectification works but not assuming the warranties for the work to date.

In addition, the Council has requested a price to fit-out the Integrated GP Super Clinic being 2,488 square meters of space. This was always intended to be completed as part of the building project but time constraints made it appropriate for the Step-In Builder to complete the fit-out. The Library Fit-Out has always been part of the initial construction contract and will be completed as part of the new building contract. Only the provision of moveable furniture in the library was deemed to be a separate contract and a separate tender is being prepared for this contract.

The Council has made all appropriate payments to the former builder in accordance with the contract and based on legal advice will receive no claim of any preference payments from the Administrator.

The Council has received a number of claims from sub-contractors with these being referred firstly to the liquidator of Marago Nominees Pty Ltd or to Council's solicitors, Jackson McDonald. Each of these has been referred back to the Administrator of Marago Nominees.

In summary, Council has made the following certified payments:

|                                             |           |
|---------------------------------------------|-----------|
| Approved Building Contract                  | \$32.29m  |
| Variations Budget                           | \$1.62m   |
| Total Building Contract                     | \$33.90m  |
| Value of work Completed and paid at 31/5/13 | \$22.69m  |
| Balance of Building Contract                | \$11.214m |
| Fit-out of GP Super Clinic                  | \$2.10m   |
| Total Cost to Complete                      | \$13.314m |
|                                             |           |
| Budget remaining                            | \$11.214m |
| Bank Guarantees                             | \$1.50m   |
| GP Super Clinic Fit-Out                     | \$2.10m   |
| Total                                       | \$14.814m |

The Council has secured a number of tenants for the overall facility including:

- GP Super Clinic (2,488 Sq m) – 95% leased
- Integrated Health Facility (3,582 Sq m) – 80% leased
- Meeting rooms (300sq m) will receive casual income

Part of the criteria for selecting a builder is for early access for Centrelink, GP Super Clinic and Library to provide for fit out. Centrelink require their office to be open to the public on 1 July 2014.

## Submission

Tenders were called on the 9 August 2013 under RFT 15/2013 for Building Construction Services (Completion of) Cockburn Integrated Health and Community Facility d on the 6 September 2013 but later extended to 13 September 2013 at the request of the tendering parties two submissions were received:

| <b>Tenderer's Name:</b>                              | <b>Date and Time Tender Received:</b> |
|------------------------------------------------------|---------------------------------------|
| Pindan Pty Ltd as trustee for the Chamois Unit Trust | 13/09/2013 – 1:24pm                   |
| Jaxon Pty Ltd                                        | 13/09/2013 – 1:43pm                   |

## Report

### a. Compliance Criteria

| <b>Criteria Ref.</b> | <b>Description</b>                                              |
|----------------------|-----------------------------------------------------------------|
| A                    | Attendance at the Mandatory Tender Briefing                     |
| B                    | Compliance with the Conditions of Tendering                     |
| C                    | Compliance with the Specification contained in the Request      |
| D                    | Completion of Form of Tender                                    |
| E                    | Compliance with Insurance Requirements                          |
| E1                   | Public & Product Liability Insurance \$A20,000,000              |
| E2                   | Professional Indemnity Insurance \$A10,000,000                  |
| E3                   | Workers Compensation                                            |
| E4                   | Plant & Equipment Insurance                                     |
| E5                   | Motor Vehicle (Comprehensive) & 3 <sup>rd</sup> Party Liability |
| F                    | Completion of Qualitative Criteria                              |
| G                    | Compliance with Building Services (WA) Requirement              |



|             |                                                                            |
|-------------|----------------------------------------------------------------------------|
| H           | Compliance with Fixed Price and Completion of Section 3.8.2                |
| I           | Compliance with Sub-Contractors Requirements & Completion of Section 3.10  |
| J           | Compliance with & completion of separate Price Schedule in format provided |
| J1          | MS Excel Spreadsheet                                                       |
| J2          | PDF                                                                        |
| K           | Compliance with OSH Requirements                                           |
| L           | Compliance with ACCC Requirements                                          |
| M           | Acknowledgement of any Addenda issued                                      |
| Section 3.4 | Registration Number - Builders                                             |
| Section 3.5 | Availability                                                               |
| Section 3.6 | Tenderer's Contact Person                                                  |
| Section 3.8 | Sub Contractors - Proposed                                                 |
| Appendix A  | OSH Declaration                                                            |
| Appendix B  | ACCC Warranty                                                              |
| Addenda     | <b>Addendum No.1 issued 23 August 2013</b>                                 |
|             | <b>Addendum No.2 issued 29 August 2013</b>                                 |
|             | <b>Addendum No.3 issued 11 September 2013</b>                              |

**b. Compliant Tenders**

All two (2) Tender submissions were deemed compliant

**c. Evaluation Criteria**

Tenderers were assessed against the following criteria:

| <b>Evaluation Criteria</b>                       | <b>Weighing Percentage</b> |
|--------------------------------------------------|----------------------------|
| (A) Relevant Experience of Company and Personnel | 50%                        |
| (B) Methodology                                  | 10%                        |
| Tendered Price                                   | 40%                        |

**d. Tender Intent / Requirements**

The Principal requires the services of a suitably qualified, registered and experienced Commercial Building Construction Contractors to undertake the completion of construction and the (partial) fit-out of the

Cockburn Integrated Health and Community Facility on the corner of Beeliar Drive and Wentworth Parade, Success Western Australia.

The integrated Health and Community Facility is a mixed use two storey high building with a partially underground undercroft car park with 211 car bays and includes a GP super clinic, allied health services, Department of Human Services offices (Centrelink), pharmacy, café, library and medically related office areas. Within the building, these services are linked via a central internal street gallery that continues through one of the two main entries out onto a landscaped forecourt, from which the alfresco area of the café can be accessed.

The facility has an estimated 7,856 m<sup>2</sup> of office space and the total site construction area is approximately 15,000 m<sup>2</sup> and construction is approximately 70% completed.

The Principal, for this project, has appointed Bollig Design Group as the Architect and Superintendent; and AECOM Group - Davis Langdon Australia as the Quantity Surveyor.

Gavin Construction had partially completed the works at the time the Principal issued the notice referred to above. The constructed component of the works is referred to as the "Prior Works".

No representations are made in respect of the stage of completeness of the Prior Works or the extent of any defects in the Prior Works.

As part of the scope of works to be completed by the Contractor, the Contractor must carry out the works described in the Specification – Part 2. The Contractor will be liable for these works in accordance with the terms and conditions of the Contract.

**The following wording only applies to Tender Price A (Contractor assuming all risk in the Prior Works).**

The Contractor is required to carry out all necessary due diligence, Site and other investigations to determine the extent of completeness of the Prior Works and the extent of defects therein. The Contractor will be liable for the completion of the works, the Prior Works and any defects in the works or the Prior Works. Without limiting the above obligations, the Contractor must include in the scope of works to carry out under this Contract the works described in the document titled "Remedial Works" which will form part of the Contract Documents.

**The following wording only applies to Tender Price B (Contractor not assuming the risk in the Prior Works).**

The Contractor is required to carry out all necessary due diligence, Site and other investigations to determine the extent of completeness of the Prior Works. The Contractor will be liable for the completion of the works described in the Contract Documents taking into account the extent of the Prior Works. Regardless of whether the Contractor is

required to assume the risk in and liability for the Prior Works, the Contractor must include in the scope of works to carry out under the Contract, the works described in the document titled "Remedial Works" which will form part of the Contract Documents.

It would be the Council's intention to adopt Price B given the gap between Price A and B. The risk is deemed acceptable given Council has indemnities from the Architect and Design Engineers.

#### **e. Evaluation Panel**

The tender submissions were evaluated by the following people:

| <b>Name</b>          | <b>Position &amp; Organisation</b>                                                                                 |
|----------------------|--------------------------------------------------------------------------------------------------------------------|
| Mr Stuart Downing    | Director, Finance & Corporate Services<br>City of Cockburn                                                         |
| Mr Rob Avard         | Manager, Community Services<br>City of Cockburn                                                                    |
| Mr Michael Littleton | Director, Engineering Services<br>City of Cockburn                                                                 |
| Mr Edwin Bollig      | Principal Architect,<br>Bollig Design Group<br>Included was Mr Ray Crocker, Project<br>Superintendent (non-voting) |
| Mr Steve Millar      | Quantity Surveyor<br>Davis Langdon                                                                                 |

#### **f. Scoring Table**

The below table represents the scoring of the 9 tender submissions from a Qualitative Criteria and Cost perspective. The assessment panel evaluated the Qualitative Criteria for each tender's submission in the absence of any tender values and then consolidated.

| <b>Tender's Name</b>                                    | <b>Percentage Scores</b>                       |                            |               |
|---------------------------------------------------------|------------------------------------------------|----------------------------|---------------|
|                                                         | <b>Qualitative<br/>Criteria<br/>Evaluation</b> | <b>Cost<br/>Evaluation</b> | <b>Total</b>  |
|                                                         | <b>60%</b>                                     | <b>40%</b>                 | <b>100%</b>   |
| Pindan Pty Ltd as trustee for<br>the Chamois Unit Trust | 45.13%                                         | 37.87%                     | <b>83.01%</b> |
| Jaxon Pty Ltd                                           | 42.87%                                         | 40%                        | <b>82.87%</b> |
|                                                         |                                                |                            |               |

### **g. Financial Assessment of Tenderers**

As per Council policy for purchasing, an independent financial assessment was undertaken on both Tenderers as the tender value was over \$1m. A copy is provided as part of the confidential information attached. Both were deemed suitable and had sufficient financial resources to undertake the work subject of this tender.

### **Strategic Plan/Policy Implications**

#### ***Infrastructure***

- Community facilities that meet the diverse needs of the community now and into the future.
- Community infrastructure that is well planned, managed, safe, functional, sustainable and aesthetically pleasing.
- Partnerships that help provide community infrastructure.
- Facilities that promote the identity of Cockburn and its communities.

#### ***Leading & Listening***

- A responsive, accountable and sustainable organisation.

#### ***A Prosperous City***

- Sustainable development that ensures Cockburn Central becomes a Strategic Regional Centre.
- Investment in the local economy to achieve a broad base of services and activities.

### **Budget/Financial Implications**

The contract would be funded from the following Reserves of Council as per the Budget:

|                                            |          |
|--------------------------------------------|----------|
| Community Infrastructure Reserve           | \$1.54m  |
| Land Development & Investment Fund Reserve | \$14.99m |
| GP Super Clinic Reserve                    | \$4.20m  |
| Bank guarantees                            | \$1.50m  |
| Total Budget                               | \$22.23m |

An application will be made to the Federal Government for additional contribution totalling \$3.358m and to Lotteries West for \$1.0m for the community meeting facilities. The success of either application is unknown. When discussing the matter with the Federal Government, the initial response was positive however with the change from the ALP to the Liberal Party at the recent election, the City's positive view is tempered with the understanding that the GP Super Clinic concept is not favoured.

A detailed financial analysis is provided in the confidential attachment.

Funds remain in the Community Infrastructure Reserve for key community projects as per the Long Term Financial Plan including the new recreation centre at Cockburn Central West and the Skatepark.

### **Legal Implications**

Section 3.57 of the Local Government Act 1995 and Part 4 of the Local Government (Functions and General) Regulations 1996 refers.

### **Community Consultation**

N/A

### **Attachment(s)**

The following Confidential Attachments are provided under separate cover:

4. Consolidated Evaluation Sheet and Tendered Prices
5. Individual Evaluation Assessments – Jaxon Pty Ltd and Pindan Pty Ltd
6. Analysis on Tenderers
7. Analysis on Tendered Prices
8. Independent Financial Analysis on Tenderer – Jaxon Pty Ltd
9. Independent Financial Analysis on Tenderer – Pindan Pty Ltd

### **Advice to Proponent(s)/Submissioners**

The Proponent(s) and those who lodged a submission on the proposal have been advised that this matter is to be considered at the Special Council Meeting held on the 19 September 2013.

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

Nil

## **9.3 (SCM 19/9/2013) - SUBMISSION ON AMALGAMATION OF THE CITIES OF COCKBURN AND KWINANA TO THE LOCAL GOVERNMENT ADVISORY BOARD (1054) (S CAIN) (ATTACH)**

### **RECOMMENDATION**

That Council:

- (1) adopts the attached joint proposal on amalgamation of the Cities of Cockburn and Kwinana;
- (2) agrees 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 the LGA which would amalgamate the districts of the City of Cockburn and the City of Kwinana

- (3) endorses the formation of a Local Implementation Committee to oversee the amalgamation process, with the committee to have equal representation from each City;
- (4) appoints the City's representatives on the Local Implementation Committee to be the:
  - a. Mayor
  - b. Two Councillors
  - c. Chief Executive Officer; and
- (5) initiates further community communication to keep residents and ratepayers abreast of information on this project.

#### **COUNCIL DECISION**

### **Background**

On 30 July 2013 the Minister for Local Government and Communities, Hon Tony Simpson MLA, announced the State Government's response to the Metropolitan Local Government Review. The Review Panel, chaired by Professor Alan Robson, issued its final report in October 2012 recommending a restructure of metropolitan Local Governments consolidating them from 30 Local Government Authorities (LGAs) down to 12.

Minister Simpson advised that, after reviewing the Panel's findings, the State Government had opted for a slightly less radical change, proposing to consolidate the number of LGAs to 14.

The Government's proposal would leave three of the current LGAs intact, with eleven Local Governments being impacted through boundary change, amalgamation or combination. One of these new Local Governments would be formed from a merger of the City of Cockburn with the City of Kwinana.

The Government would use the existing provisions of Section 2 of the Local Government Act (the Act), which deals with amalgamations, to implement its proposals. A key element of this is a requirement for merging LGAs to make a submission to the Local Government Advisory Board (LGAB) to commence the amalgamation process.

### **Submission**

N/A

### **Report**

The Local Government Reform process was initiated by the Government in February 2009. It has had a number of iterations in that time and seven reports have been presented to Council on this topic since.

The most significant outcome of the review process was the appointment of the Metropolitan Local Government Review panel in August 2011. The Panel issued an interim report in April 2012 and following further industry consultation, their Final Report was released in October 2012.

The State Government acknowledged the Final Report, but did not make any immediate response to its findings. It opted to allow a further period of consultation until April 2013, just after the March State election.

The announcement on 30 July 2013 provided direction as to what structure the Government wanted for local government in the metropolitan area. It also outlined how it wanted this to be achieved; essentially through a process of 'voluntary' restructuring. However, it was also made clear what actions the Government would take if its preferred model of reform was not progressed. Local Governments have been asked to cooperate with the State Government, but where this does not occur, the State intends to initiate unilateral action to effect reform.

Prior to the Government's announcement, the Cities of Cockburn and Kwinana had been in active dialogue regarding an amalgamation. For both Cities there was a preference that, if change had to occur, it would be more beneficial for the two to merge together as opposed to being merged with other LGAs. An essential element of this was a desire to merge on the existing boundaries of each City. This is exactly the outcome the Government announced for both Cities on 30 July.

LGAB Submission. The Government has set a cut-off date of 4 October 2013 for LGAs to put forward their submissions to the LGAB. Under the Act a proposal to the LGAB can be for:

- creation or abolition of a local government,
- an amalgamation of existing local governments, or
- boundary changes to a local government.

Each of these options has its advantages and disadvantages. Without arguing the merits of these at this time, the option pursued to date has been the preferred Government process which is a voluntary amalgamation of the Cities of Cockburn and Kwinana. Following an informal resolution at a joint meeting of the City's Elected Members on 3 September 2013 to this effect, the attached submission to the LGAB has been prepared.

The key elements of the proposal are:

1. **Consistent.** The draft proposal is consistent with the Government's proposal for the Cockburn-Kwinana area. It is premised on amalgamation using the current boundaries of the two LGAs.
2. **Rationale.** There is sound logic to the proposal, with synergies across many areas underpinning the strength of the new LGA. The amalgamation creates a new City that will be home to 8% of the projected population for metropolitan Perth. It will also be the home of some of the State's most significant industrial areas.
3. **Name.** The new City will have an interim name of 'Greater City of Cockburn-Kwinana'; however, there is a strong preference among Elected Members to look for a new name prior to formal amalgamation. To achieve this, a naming and branding strategy will be pursued prior to the Government formalising the name, which would occur on issue of Governors Orders in August 2014.
4. **Representation.** The proposed representative model is based on a geographically based four ward model; with west, central, east and south wards. Each ward will have three Councillors, with an additional two Councillors allocated to the south (Kwinana) ward for a transition period. The community will directly elect the Mayor, ie a popularly elected mayor as per Cockburn's current system. The transitional arrangements will see a Council of 15 Elected Members; ie a Mayor and 14 Councillors, elected in October 2015. Half of those elected would be for two year term to 2017, the other half for a four year term to 2019. Thereafter, there will be a reduction of one Councillor from the south ward at the 2017 elections and another at the 2019 elections. As at 2019 all wards will have equal representation; ie 3 Councillors.



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 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 at Farrington Road.
  - 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 2).
  - 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 \$7.5M. This is significant 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. The Government also announced that it would prefer the existing Elected Members of each merging LGA, if they were actively cooperating on an amalgamation, to manage the transition process. This would allow local input on the transition process, with the opportunity to guide this, up until the appointment of Commissioners, who will govern the new City from 1 July 2015 until Council elections are held in October 2015. However, where there was no 'active' cooperation the Government flagged its intent to bring forward the appointment of Commissioners to manage the transition process.

The proposed local governance arrangement requires establishment of a Local Implementation Committee (LIC). 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. A Metropolitan Implementation Committee (MetRIC) would be formed as a steering committee to oversee the sector wide transition, with the Chair of each LIC being a representative to that steering committee.

Through the discussions with the City of Kwinana it has been recommended that the LIC comprise the following representatives from each City:

- Mayor
- Two Councillors
- Chief Executive Officer

The LIC can commence meeting anytime after the LGAB proposal has been submitted. Meetings of the LIC are likely to be on a monthly basis and will continue until all transition issues are resolved. To assist the LIC in its tasks WALGA, the Local Government Managers Association and the DLG&C are putting together a comprehensive 'Toolkit'. This document will provide detailed guidance on the myriad of strategic and operational matters that need to be resolved prior to 1 July 2015. As the Toolkit won't be finalised until 1 December 2013, the initial meetings of the LIC will be focussed on developing the communications plan and giving the committee members a broader overview of the outcomes they must achieve.

The City's LIC representatives can be formally appointed by a Council resolution, or informally appointed through a voluntary arrangement between Elected Members, at this time. Should the former option be selected, any Elected Member appointed to the LIC, but also subject to re-election to Council in October 2013, would need to be replaced through another resolution of Council if they are not re-elected.

Community Engagement. The City has provided a stream of media to the community on this topic over many months. Articles have appeared in the *Cockburn Soundings*, the City's website, in media releases and in the local newspapers. However, experience in other States where Local Government reform occurred has shown the level of understanding on this topic remains relatively low, often right up to the amalgamation date.

Through the LGAB process there is a requirement for any proposal to be subject to community consultation. The LGAB will initiate public hearings and invite submissions on each of the proposals put to it. This would be the best time to hold any community forum(s) as it would be actively promoted and focussed on specific issues. It is important

that the City not dilute the potential interest in this process, hence the recommendation to only hold community forums when the LGAB assessment is underway.

However, in the interim a Communications Plan is required to make residents more aware of the issues and how the City is dealing with these. The City is preparing a draft document, but as this matter is common for both Cities, it could be addressed by the LIC.

Conclusion. The submission of an LGAB proposal will - commence the process that potentially leads to an amalgamation of the Cities of Cockburn and Kwinana. Once submitted a proposal cannot be withdrawn.

The proposed submission is in accordance with the Government's strategic objectives for the Reform of Local Government in our region. In supporting this proposal the City of Cockburn will be entering a partnership with its preferred solution; ie the amalgamation of the Cities of Cockburn and Kwinana on their existing boundaries.

Negotiations between the Elected Members of each City have been proactive and positive. This has led to finalisation of the joint submission to the LGAB. While change of this magnitude will bring its challenges, there has been a willingness to see a bigger picture and the bigger opportunity that it presents our residents and ratepayers.

## **Strategic Plan/Policy Implications**

### ***Leading & Listening***

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

## **Budget/Financial Implications**

The Government has provided an initial allocation of \$200,000 to support Local Governments that put a submission into the LGAB. The Government has also promised additional financial assistance, but not quantified this as yet.

The City has estimated the cost of an amalgamation at around \$7.5M. The LGAB submission seeks for the Government to fully fund this expenditure.

## **Legal Implications**

N/A

### **Community Consultation**

The LGAB will initiate a public consultation phase as part of its deliberations. As this won't commence until early 2014, it has been recommended that the City provides regular communication to residents and ratepayers on this important issue.

### **Attachment(s)**

1. Joint submission to the Local Government Advisory Board to create the Greater City of Cockburn-Kwinana.
2. Letter from City of Rockingham dated 12 September 2013.

### **Advice to Proponent(s)/Submissioners**

N/A

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

N/A

## **10. (SCM 19/9/2013) - RESOLUTION OF COMPLIANCE (SECTION 3.18(3), LOCAL GOVERNMENT ACT 1995)**

### **RECOMMENDATION**

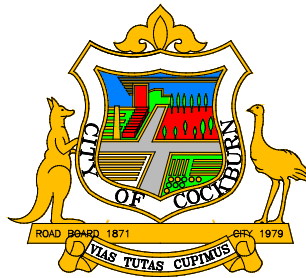
That Council is satisfied that resolutions carried at this Meeting and applicable to items concerning Council provided services and facilities, are:-

- (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, 19 SEPTEMBER 2013**



25 September 2013

CoK Ref: D13/62453

Chairman  
Local Government Advisory Board  
GPO Box R1250  
PERTH WA 6844

Dear Cr Congerton

**LOCAL GOVERNMENT ACT 1995 – PROPOSAL (Schedule 2.1)**

At Council meetings held on 19/09/2013 and 25/09/2013 respectively, the City of Cockburn and the City of Kwinana resolved to submit a joint proposal to the Local Government Advisory Board pursuant to clause 2 (1) (c) of Schedule 2.1 of the *Local Government Act 1995* (a copy of which is attached).

The City of Cockburn and the City of Kwinana also attach the following, pursuant to clause 2 (2):

- *“Joint Submission to create the Greater City of Cockburn-Kwinana” which sets out the nature of the proposal, the reasons for the proposal and the effects of the proposal on local governments.*

Please contact either Chief Executive Officer if you require any further information.

Logan Howlett  
Mayor  
City of Cockburn

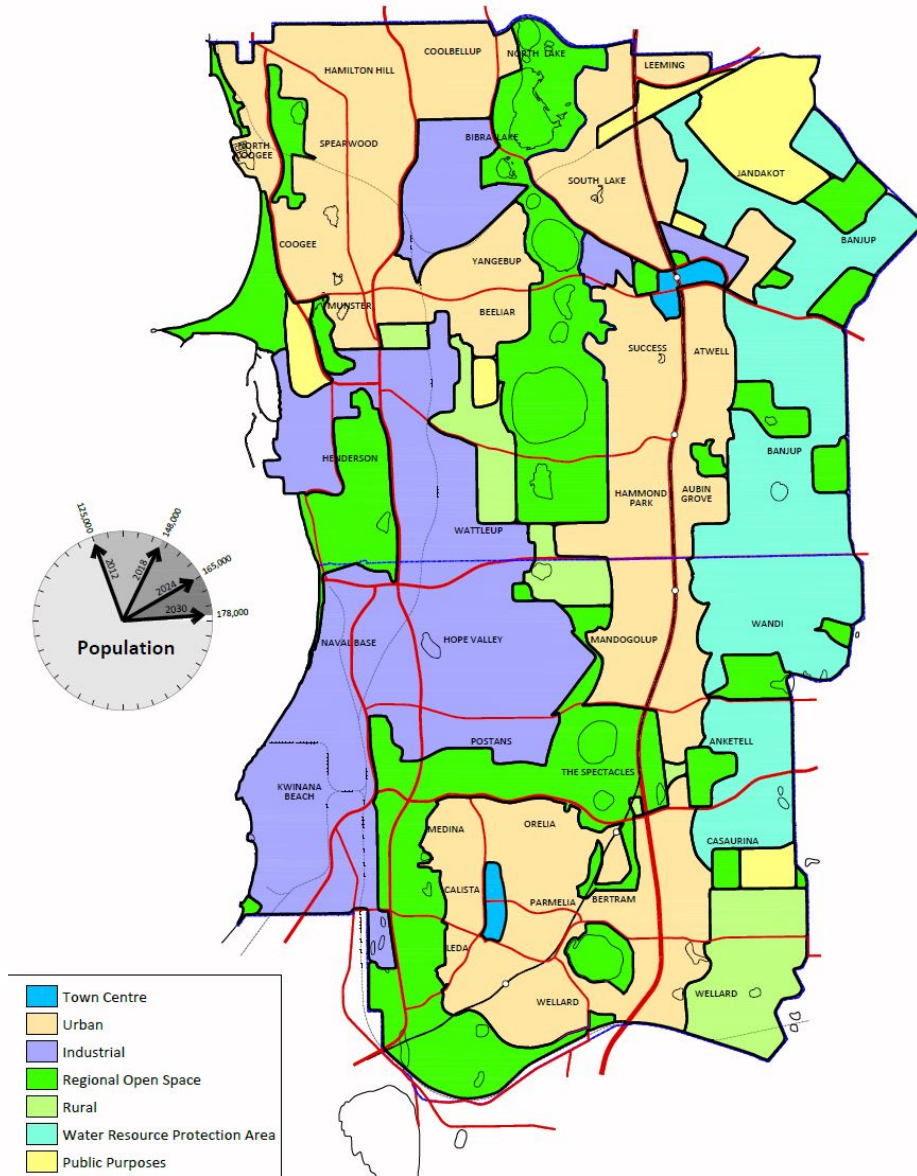
Carol Adams  
Mayor  
City of Kwinana

Stephen Cain  
Chief Executive Officer  
City of Cockburn

Joanne Abbiss  
Chief Executive Officer  
City of Kwinana

**SUBMISSION TO THE LOCAL GOVERNMENT ADVISORY BOARD**

**TO CREATE THE GREATER CITY OF COCKBURN-KWINANA**



**SEPTEMBER 2013**



## **Proposal**

The Cities of Cockburn and Kwinana propose to amalgamate with their existing boundaries to create the Greater City of Cockburn-Kwinana (GCCCK). This amalgamation 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 amalgamation of our two cities is believed to be in the best strategic interests of the communities comprising the two local governments and businesses operating within Cockburn and Kwinana.

## **Rationale**

The amalgamation 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 amalgamation has been selected are:

1. The amalgamated local government will be consistent with scale sought by the Robson Report and the State Government. In 2026 the GCCCK will have 8.03% of the projected Metropolitan Perth population of 2,276,900.
2. 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.
3. The amalgamation 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.
4. The amalgamated local government will combine two local governments who have demonstrated best practice community engagement, high quality place management and who have strongly invested in community development.
5. The proposed amalgamation represents the optimal financial viability outcome compared with any other amalgamation option. GCCCK will also provide an excellent spread of rates base mix and opportunities for revenue growth.
6. 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.



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.

7. The two local governments have common ecology and landforms with similar environmental challenges. GCCK will be entirely located on the Swan Coastal Plain with a limestone coast, dune systems and wetlands.

### **Principles and Key Actions**

Significant 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 amalgamation process and outcomes:

1. There must be a phased process for representation from the two existing local governments with an initial imbalance favouring the City of Kwinana.
2. The Mayor to be elected by popular election.
3. The interim name of the merged local government to be “Greater City of Cockburn-Kwinana” with further community consultation to resolve the longer term name before Governor’s Orders are issued in 2014.
4. The new local government to come into being on 1 July 2015. Adequate funding to be allocated by the State Government to support the amalgamation process.
5. Local governance be used to manage the transition to the new amalgamated local government.
6. The amalgamation being undertaken on the existing boundaries of Cockburn and Kwinana. Any anomalies are to be resolved outside of the LGAB process.
7. A moratorium being placed on any externally initiated change to the new boundaries of the amalgamated body for five years.
8. 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 1. Under this option balanced representation is to be phased in between 2015 and 2019 as detailed in Table 1.

The initial imbalance of two councillors favouring the City of Kwinana is to ensure that due attention is given to amalgamation issues impacting on Kwinana and to provide for a smooth transition from the current representation.

**Table 1: Proposed Transition**

|                               | Electors<br>July<br>2013 | Electors<br>July<br>2015 | Electors<br>July<br>2021 | Elected<br>Members<br>2015 | Elected<br>Members<br>2017 | Elected<br>Members<br>2019 to<br>2021 | Councillor<br>Elector<br>Ratio<br>2015 | Councillor<br>Elector<br>Ratio<br>2021 | % Ratio<br>Deviation<br>2015 (2021) |
|-------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|----------------------------|---------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------|
| East Ward                     | 20 293                   | 21 304                   | 24 335                   | 3                          | 3                          | 3                                     | 1:7 101                                | 1:8 112                                | -22.8%<br>(-4.1%)                   |
| Central<br>Ward               | 21 538                   | 22 263                   | 24 440                   | 3                          | 3                          | 3                                     | 1:7 421                                | 1:8 147                                | -28.3%<br>(-4.6%)                   |
| West Ward                     | 17 714                   | 18 676                   | 21 563                   | 3                          | 3                          | 3                                     | 1:6 225                                | 1:7 188                                | -18.4%<br>(+7.8%)                   |
| South Ward                    | 16 876                   | 18 455                   | 23 167                   | 5                          | 4                          | 3                                     | 1:3 691                                | 1:7 722                                | +36.2%<br>(+0.9%)                   |
| Sub Total                     | 76 421                   | 80 698                   | 93 505                   | 14                         | 13                         | 12                                    | 1: 5 783                               | 1:7 792                                | +0.0%                               |
| Popularly<br>Elected<br>Mayor |                          |                          |                          | 1                          | 1                          | 1                                     |                                        |                                        |                                     |
| New LGA                       | 76 421                   | 80 698                   | 93 505                   | 15                         | 14                         | 13                                    |                                        |                                        |                                     |

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

### **Funding for Amalgamation**

The costs of amalgamation have been estimated in the Financial Analysis and Impact Assessment document attached.

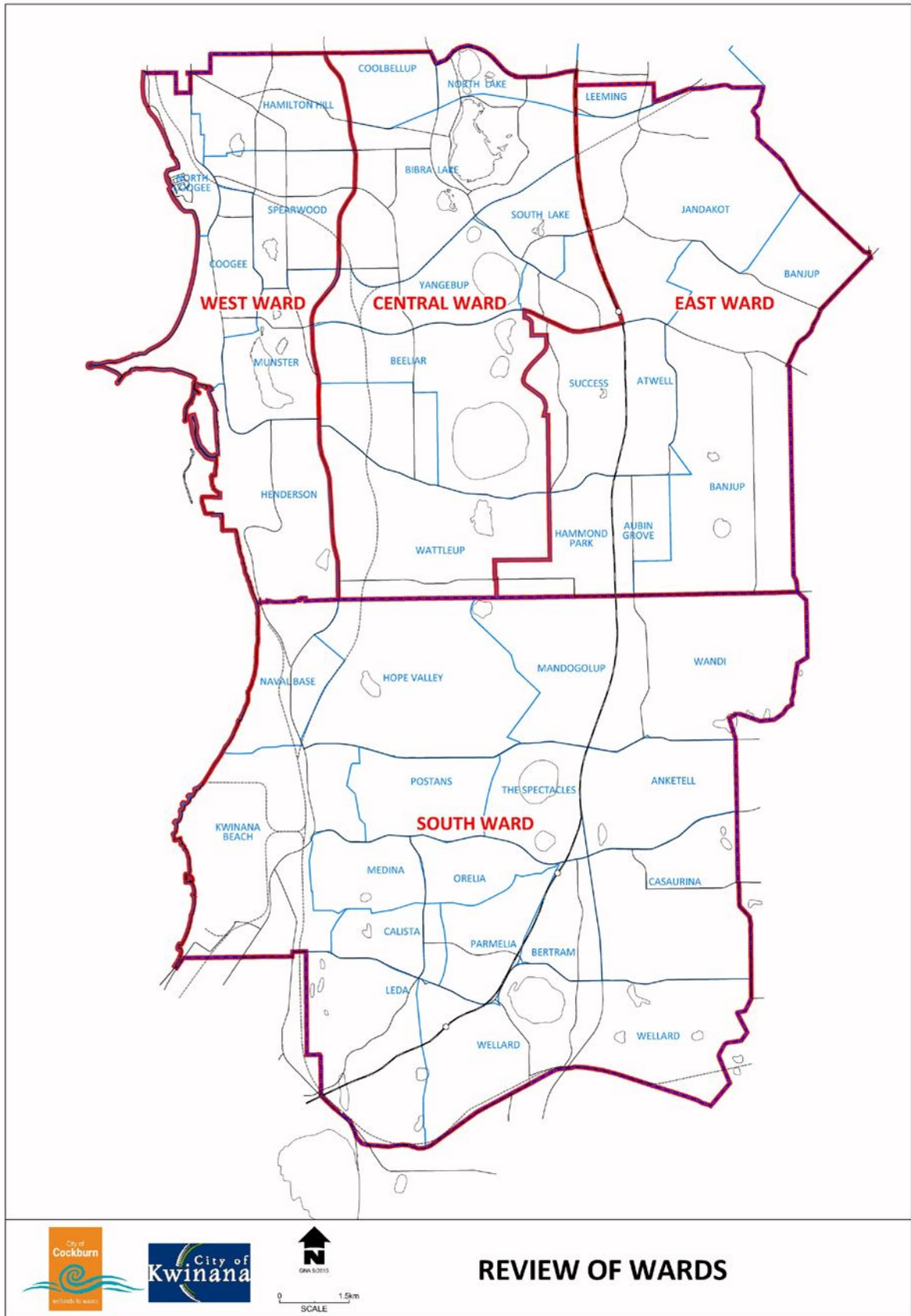
The costs of \$7.5 million include provision for business process review and harmonisation, resolving pay disparity, training in new protocols and processes, new equipment, redundancy and contingencies.

**Table 2: Funding Required for Amalgamation**

|                    | 2013/14<br>\$m | 2014/15<br>\$m | 2015/16<br>\$m | Total<br>\$m |
|--------------------|----------------|----------------|----------------|--------------|
| Amalgamation Costs | \$0.2m         | \$4.0m         | \$3.3m         | \$7.5m       |

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

**Figure 1: Proposed Ward Structure**



### **Name of Amalgamated body**

The simplest approach is to hyphenate the name of the two existing bodies to reflect the origin of the amalgamated body ie the **Greater City of Cockburn-Kwinana**. This has frequently been used in Western Australia for local government amalgamations (ie Kalgoorlie-Boulder, Bridgetown- Greenbushes, and Broomehill-Tambellup). The use of Greater City has also been used in Western Australia for the Greater City of Geraldton. Around Australia there are further examples such as the Greater Cities of Geelong, Taree, Shepparton, Dandenong and Bendigo as well as the Greater Shire of Hume. This name has been adopted as an interim measure as the preferred approach is to engage with the community on the new name to reflect our vibrant new entity. The Local Implementation Committee will undertake a process to engage in community consultation to determine a suitable name to be included in the Governor's Orders scheduled to be issued in August 2014.

### **Local Governance**

Recent amalgamations have been undertaken using Commissioners from each of the amalgamating local governments with an independent chairman. A model incorporating local governance in this or a similar form is favoured.

The preferred option considered was for five Commissioners be appointed on July 1, 2015.

Under this option the Mayor of each of the cities is to be appointed as a Commissioner with a further Commissioner appointed from Elected Members at each local government with an independent Commissioner appointed as chair.

The terms of the Commissioners are to run from July 1, 2015 until the election on October 17, 2015.

**The recommended approach is to use two Commissioners from each local government with an independent chair.**

### **Boundaries of Amalgamated Body and Anomalies**

The boundaries for this submission 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 amalgamated body and a moratorium of five years on any boundary change that is not initiated by the Greater City of Cockburn-Kwinana will be sought.

As part of developing a combined submission, the Cities of Kwinana and Cockburn have 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 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 amalgamation process and remove community concern if the amalgamation proceeds on the existing boundaries.

Both Cockburn and Kwinana prefer that any 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 submission 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 amalgamation proposal is not to commence until a CEO is appointed to manage the transition 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.

### **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. There are no facilities that straddle or are near the new boundaries of the GCCK.

*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 attached identifying "IGA size and greater shopping centres". There are no shopping centres that straddle or are near the new boundaries of the GCCK.

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

### **Physical and Topographic Features**

*Physical and topographic features may be man-made and will vary from area to area.*

*They may include:*

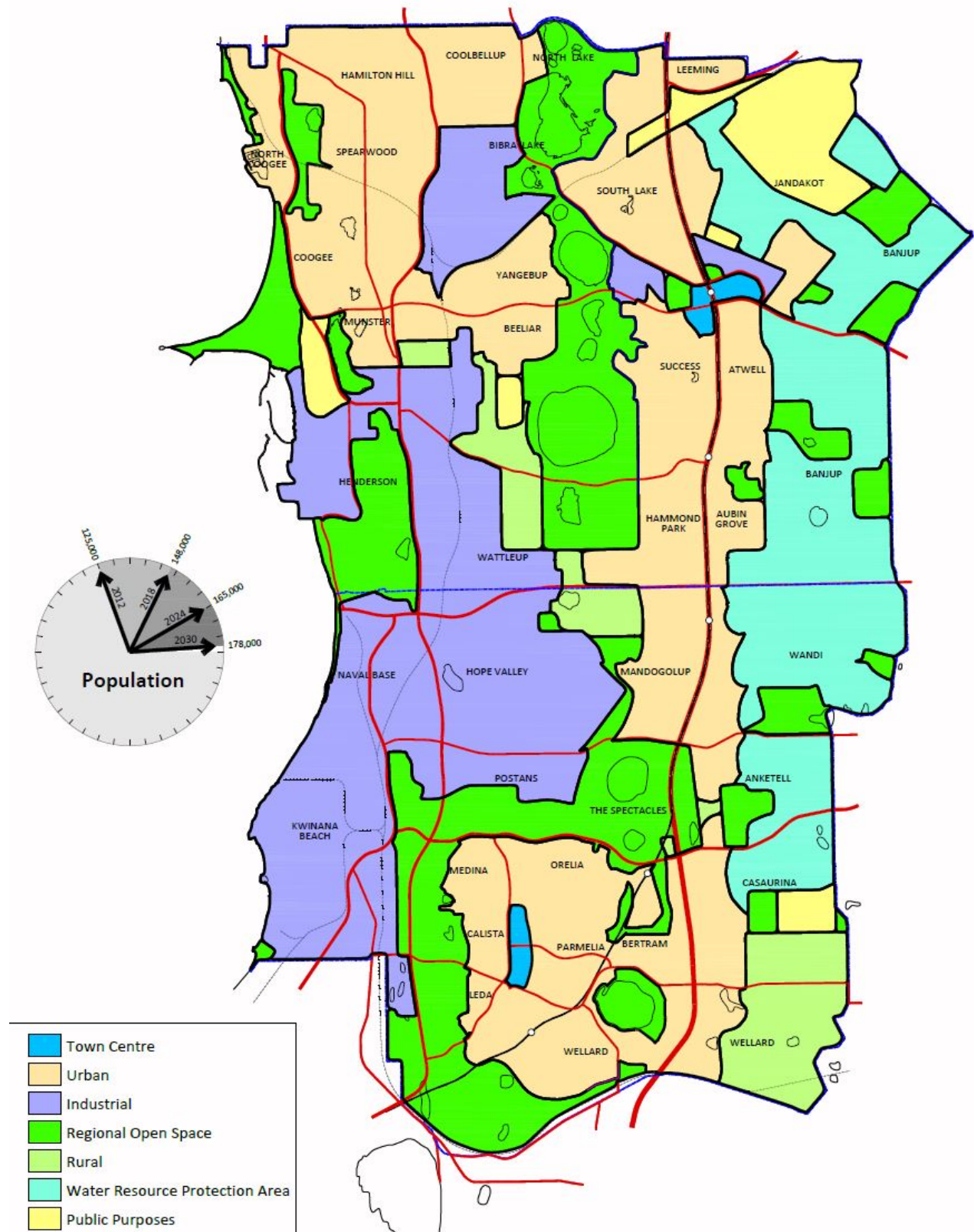
- *Water features (such as rivers)*
- *Catchment boundaries*
- *Coastal plains and foothills*
- *Parks and reserves, and*
- *Man made features (such as railway lines or freeways).*

*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.*

The amalgamated 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 GCCK simplifies the management of the Kwinana Buffer Zone and Kwinana Airshed. The Jandakot Water Mound also straddles the shared boundary. The amalgamated body will also assist in responding to the challenges of climate change.

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

### **Figure 2: Map of Greater City of Cockburn Kwinana**



## 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 that propose amalgamating 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 3: Long Term Growth**

|                                   | <b>Population ABS 2012</b> | <b>Population Perth-Peel<br/>3.5 million</b> |
|-----------------------------------|----------------------------|----------------------------------------------|
| Greater City of Cockburn- Kwinana | 131,702                    | 250,000                                      |
| Perth Metropolitan Area           | 1,808,788                  | 3,237,700                                    |
| GCCK as a percentage of Perth     | 7.28%                      | 7.72%                                        |

**Source ABS 3218.0 released August 30 2013**

GCCK 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 GCCK becomes scarcer. Table 3 shows that around 2050 it is expected that 250,000 people will live in GCCK.

### ***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 has 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 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 GCCK 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.

### **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.*

The attached Financial Analysis and Impact Assessment supports the claim that GCCK 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.

### **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.*

GCKK will be a model of local government service delivery in Australia.

### **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 amalgamating local governments. The Chair of the LIC will be the Mayor of the City of Cockburn and the Mayor of the City of Kwinana on monthly rotation. The Deputy Chair of the LIC will be the Mayor of the City of Kwinana and the Mayor of the City of Cockburn on monthly rotation. The implementation committee is planned to be established in October 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 and the Mayor of the City of Kwinana on monthly rotation.

### **Attachments**

- Map locating significant sporting, leisure, library and other community facilities
- Map locating shopping centres

Two other documents were prepared in 2012 as part of the amalgamation process looking at planning and finance issues. These documents do not form part of the submission but are provided to give context. The documents are “Our Next 20” and “Financial Analysis and Impact Assessment”.

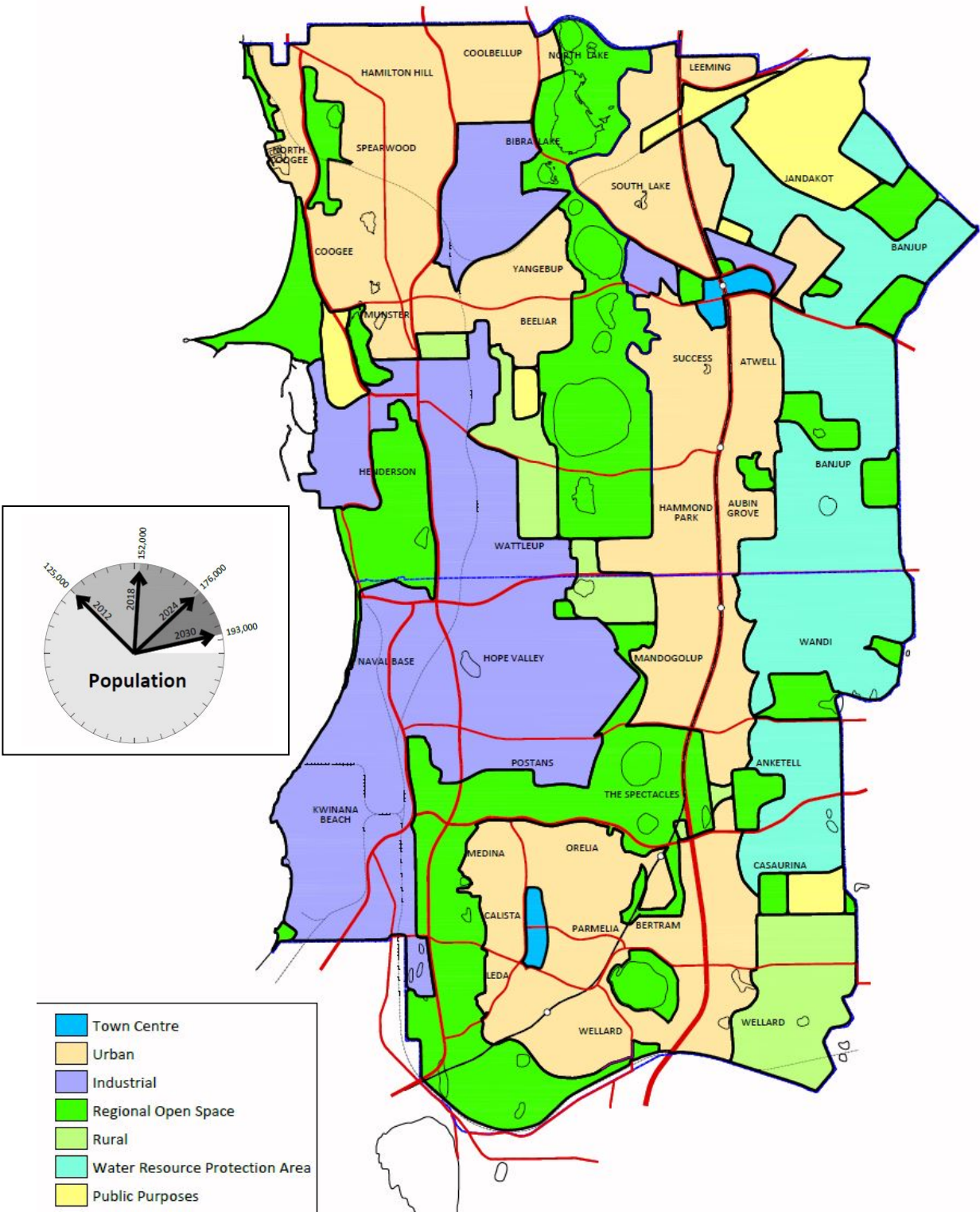


# Our Next 20

## The Vision For A Cockburn-Kwinana Region

2030 - Ultimate





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## 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):

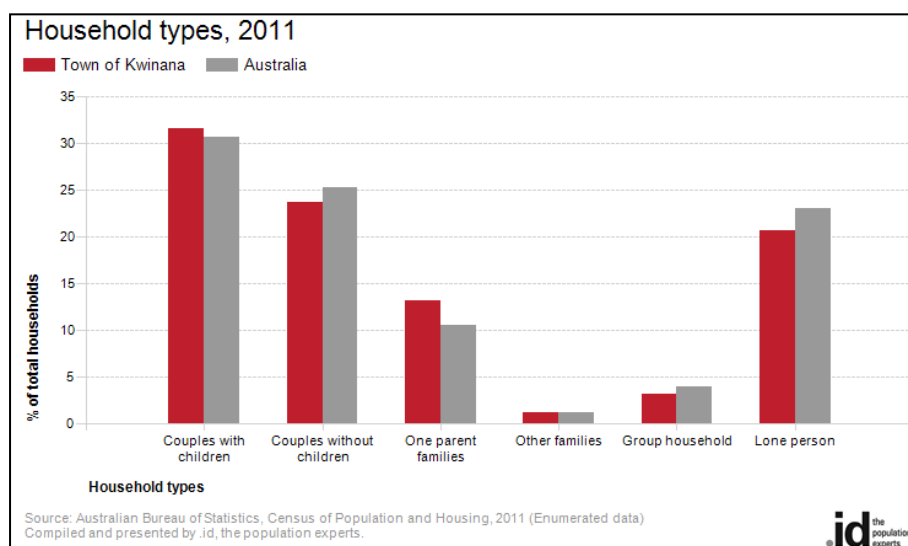
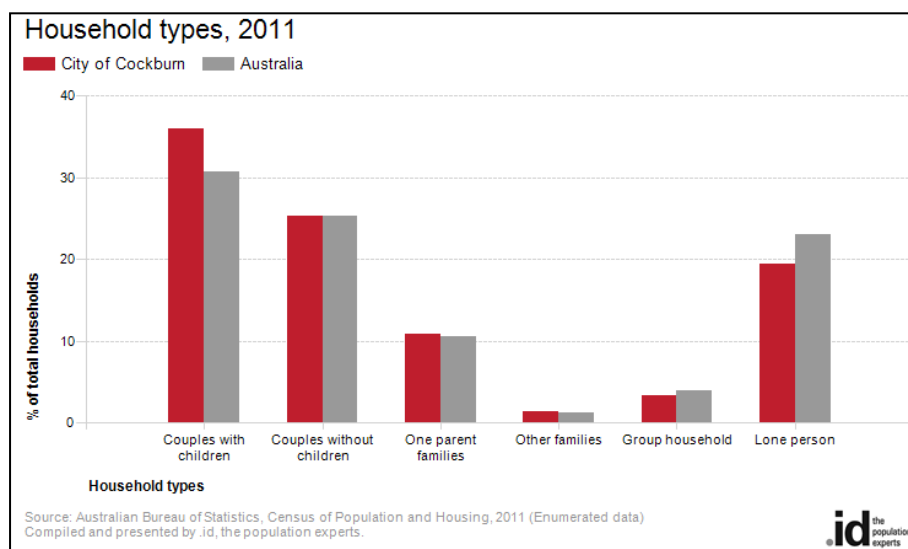
- A larger percentage of 'Babies and pre-schoolers' (8.2% compared to 6.6%);
- A larger percentage of 'Primary schoolers' (9.7% compared to 8.8%);
- A larger percentage of 'Young workforce' (16.7% compared to 13.8%);
- A larger percentage of 'Primary schoolers' (10.1% compared to 8.8%);
- A smaller percentage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

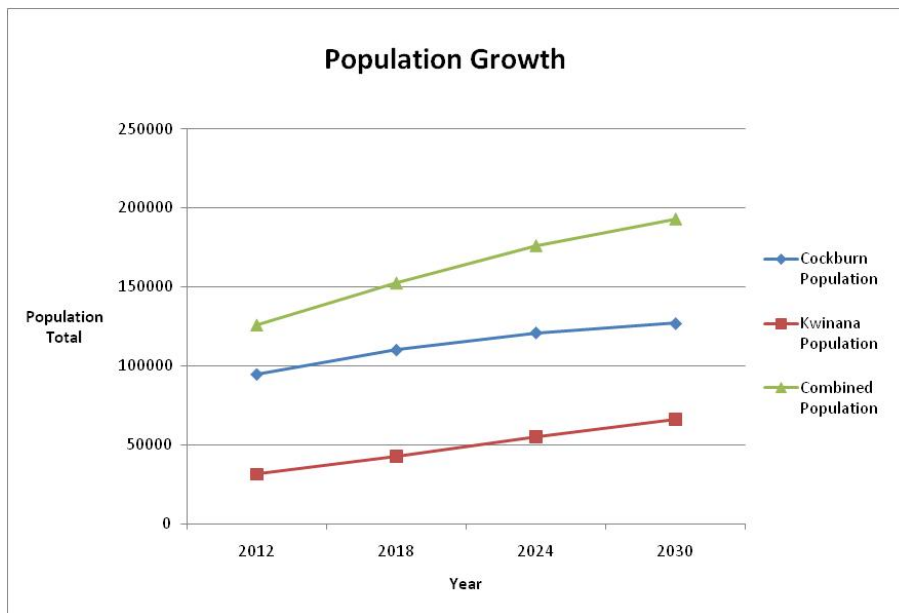
## 4.2 Broader Development

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.

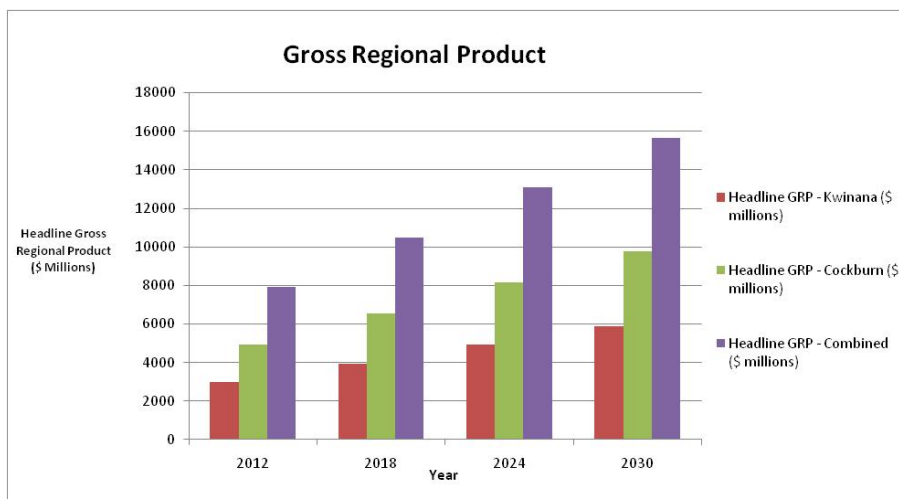
In terms of the residential component of development and growth, both local governments comprise a very similar balance between existing residential areas (being targeted for renewal) and new growth areas (focussed on the key transport infrastructure of the Kwinana Freeway and Perth to Mandurah railway).

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.

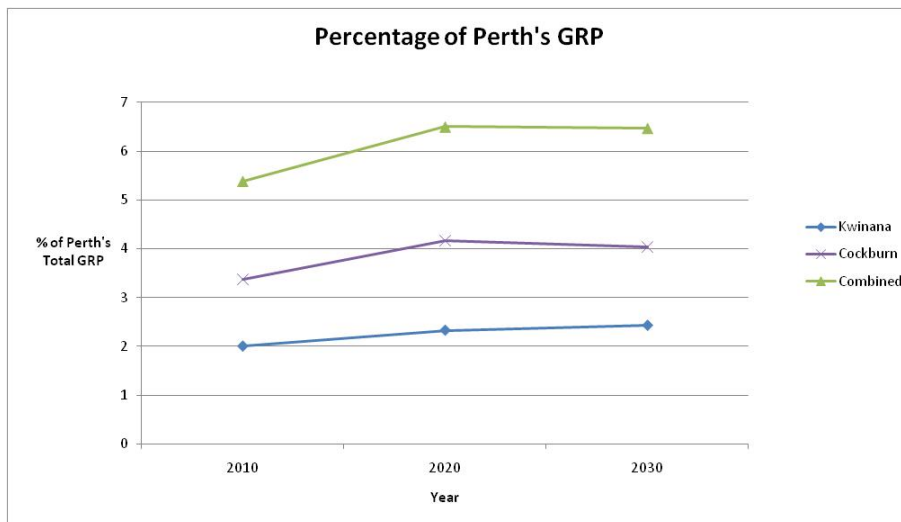
In understanding the potential of a newly formed local government entity, it is important to consider what such would represent as a component of the broader Perth Metropolitan Region. This is illustrated through the following graphs measuring population growth and growth in headline gross regional product:



*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.

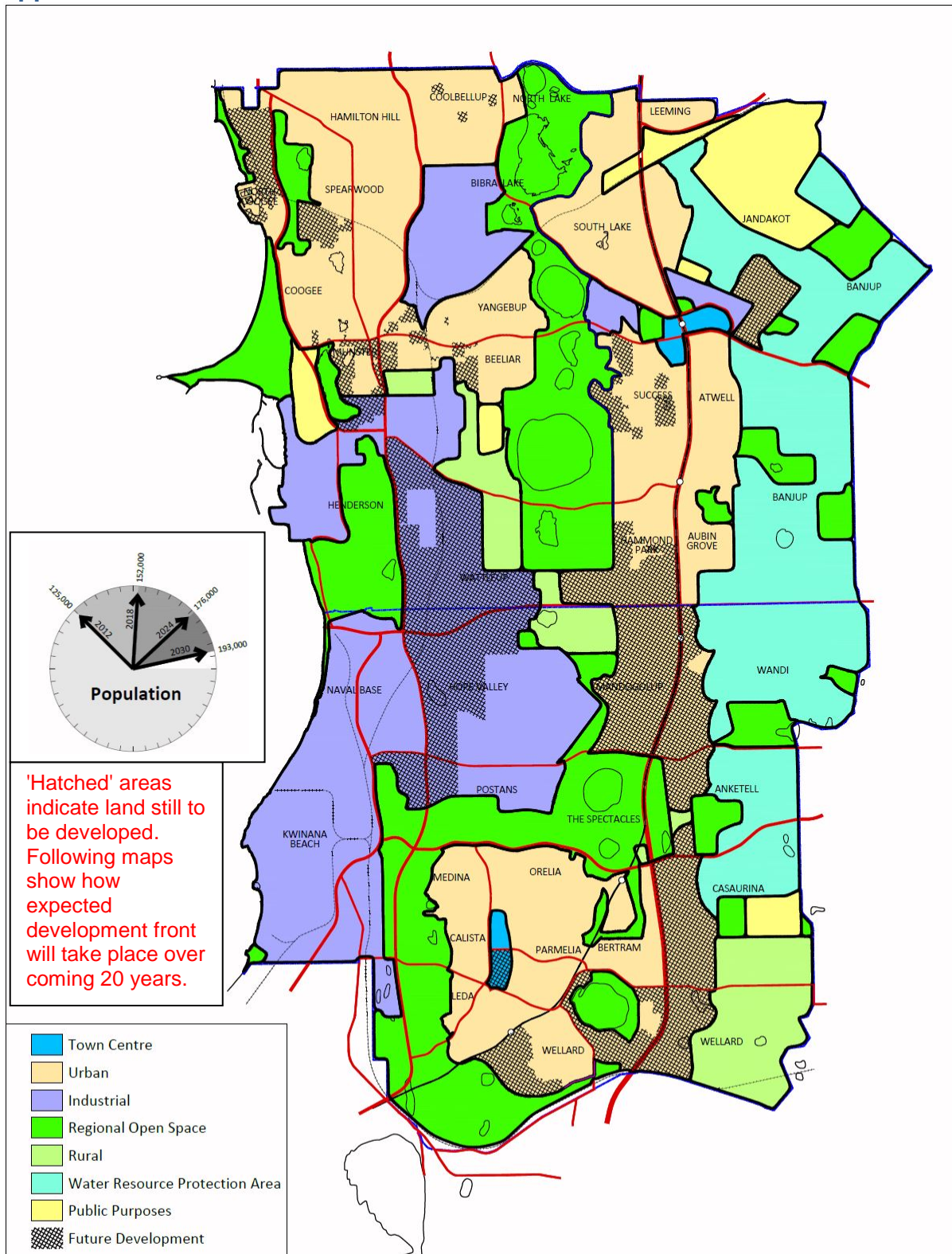
Furthermore, harnessing the expanding industrial ecologies and competitive advantages of the Western Trade Coast creates a solid platform in which a new organisation could consider more active roles in facilitating development. This is an area of glaring need, given the slow pace of development associated 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:

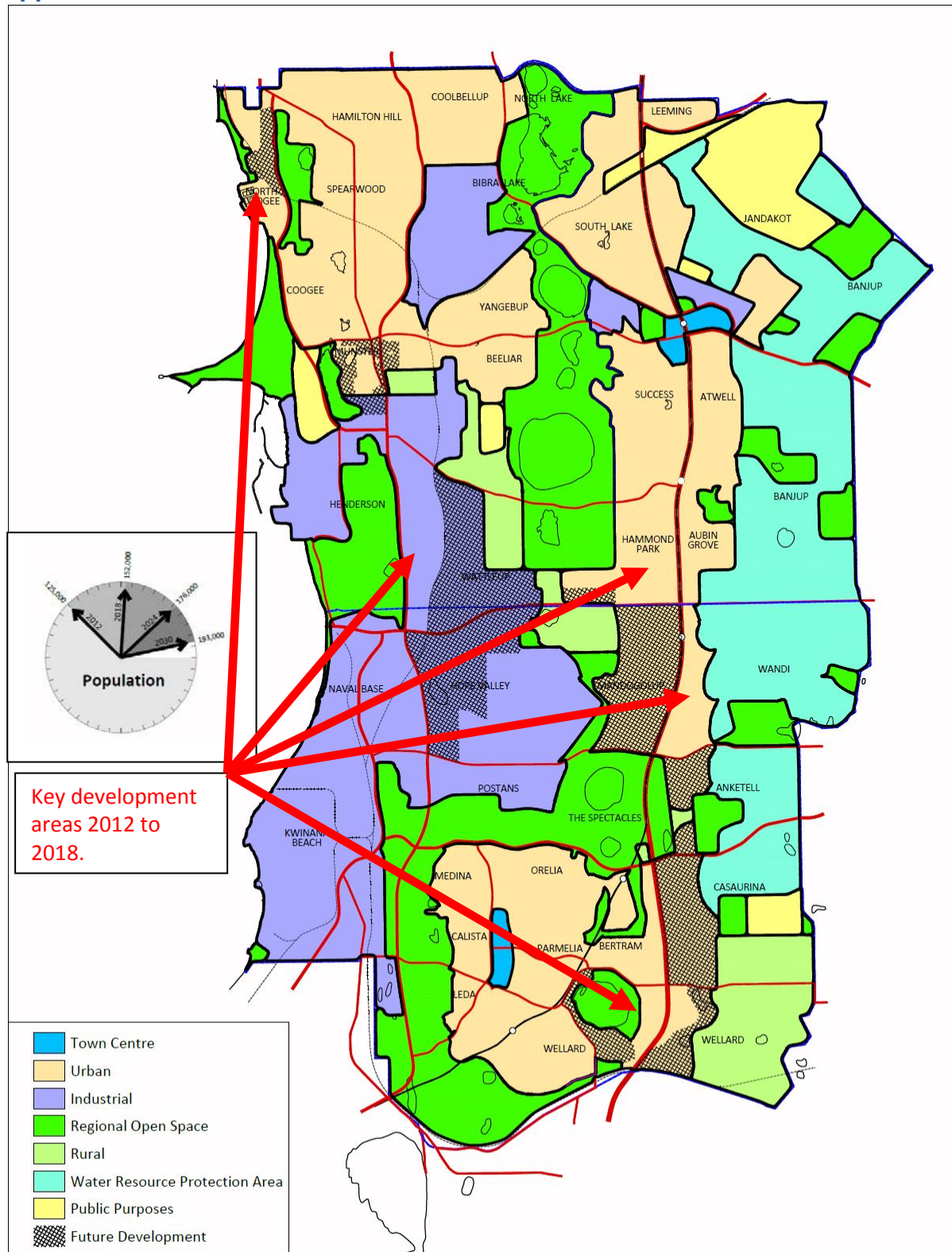
*Our Next 20...*



## Appendix 1 - 2012

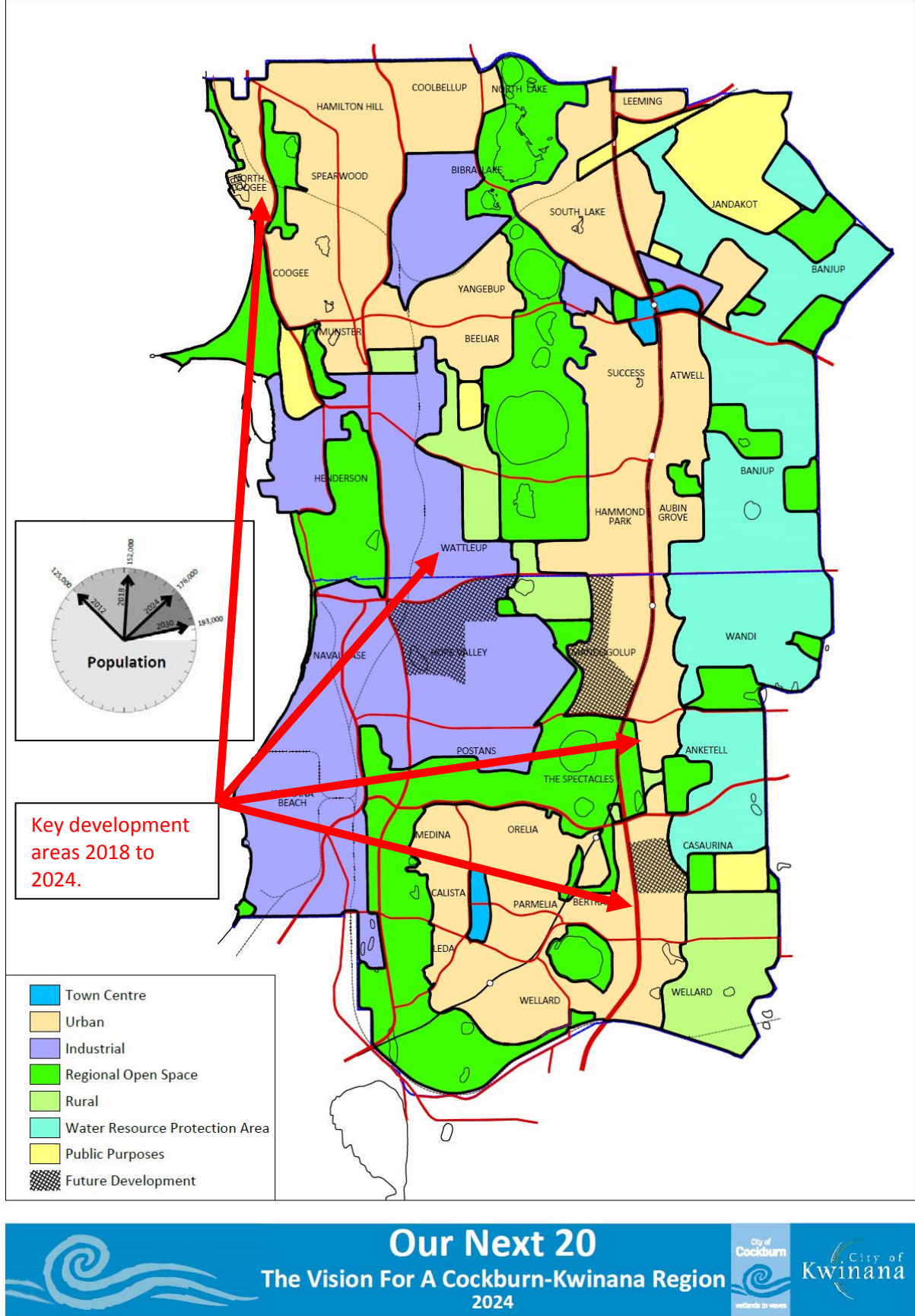


## Appendix 2 - 2018



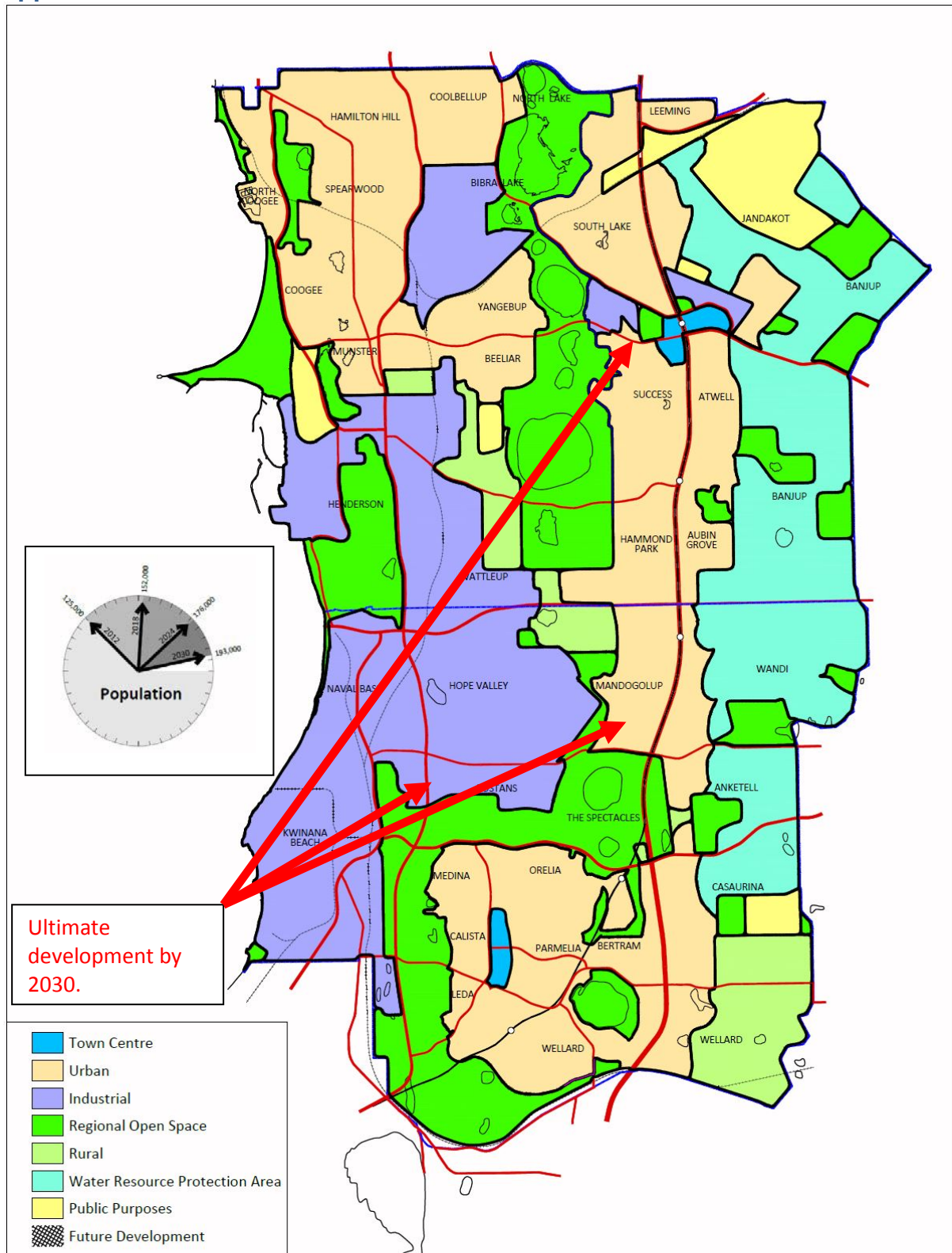


Appendix 3 - 2024





## Appendix 4 - 2030





## **FINANCIAL ANALYSIS & IMPACT INCLUDING IS ISSUES**

### **AMALGAMATION WITH THE CITY OF KWINANA**

**December 2012**

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## 1. EXECUTIVE SUMMARY

- Report is to review the financial issues around the voluntary amalgamation between the Cities of Cockburn and Kwinana (Combined Entity or CE)
- Rates revenue growth over the next ten years will exceed eight to nine percent, with growth in residential and industrial rates significant
- 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 – the only ones in Perth
- Cockburn have an operating surplus over the last four years but Kwinana have recorded operating deficits using depreciation or debt to fund short term operating expenditure
- 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 asset side of the balance sheet
- Staff provisions covering annual and long service liabilities exceed \$8m with Cockburn cash backing their provision
- A series of costs 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 position
- 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 voluntary amalgamation of the Cities of Cockburn and Kwinana into one new amalgamated Local Government. 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, Wanneroo, Joondalup and Swan. 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.

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 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 Geraldton group was around \$5m, which was provided by the State Government. The funding of the amalgamation of the Shires of Narrogin and Cuballing with the Town of Narrogin might be an interesting indicator as to how the State will proceed in future.

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 2012/13 Municipal Budgets. This would make the combined Local Government the second largest metro municipal Local Government by total revenue behind Stirling (\$190m) and fourth in rate revenue behind Stirling (\$110m), Wanneroo (\$99m) and Swan (\$86m).

Table 1 – Operating Income 2012/13 Cockburn and Kwinana

| Operating Income           | Kwinana 2012/13     | % of t.rev | Cockburn 2012/13     | % of t.rev | Combined 2012/13     | % of t.rev |
|----------------------------|---------------------|------------|----------------------|------------|----------------------|------------|
| Rates                      | 26,264,744          | 57.0%      | 54,229,000           | 47.6%      | 80,493,744           | 50.3%      |
| Operating Grants           | 7,028,527           | 15.2%      | 8,456,698            | 7.4%       | 15,485,225           | 9.7%       |
| Reimbursements & Donations | 483,483             | 1.0%       | 431,710              | 0.4%       | 915,193              | 0.6%       |
| Fees and Charges           | 9,063,615           | 19.7%      | 45,176,634           | 39.7%      | 54,240,249           | 33.9%      |
| Interest                   | 1,746,000           | 3.8%       | 5,561,342            | 4.9%       | 7,307,342            | 4.6%       |
| Income from property       | 1,386,201           | 3.0%       |                      | 0.0%       | 1,386,201            | 0.9%       |
| Fines and Penalties        | 116,700             | 0.3%       |                      | 0.0%       | 116,700              | 0.1%       |
| Other Revenue              | 28,600              | 0.1%       | 12,976               | 0.0%       | 41,576               | 0.0%       |
| <b>Total Revenue</b>       | <b>\$46,117,870</b> |            | <b>\$113,868,360</b> |            | <b>\$159,986,230</b> |            |

### 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 (around 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 49%. 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. 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 2012/13 Municipal Budget

|              | Cockburn      |     |             |     | Kwinana       |     |             |     | Combined      |     |             |     |
|--------------|---------------|-----|-------------|-----|---------------|-----|-------------|-----|---------------|-----|-------------|-----|
|              | Number        |     | Rates \$m   |     | Number        |     | Rates \$m   |     | Number        |     | Rates \$m   |     |
| Residential  | 36,886        | 92% | \$31.1      | 58% | 11,216        | 87% | \$12.4      | 48% | 48,102        | 91% | \$43.4      | 55% |
| Commercial   | 541           | 1%  | \$6.6       | 12% | 911           | 7%  | \$2.2       | 9%  | 1,452         | 3%  | \$8.9       | 11% |
| Industrial   | 2,112         | 5%  | \$15.2      | 29% | 399           | 3%  | \$4.9       | 19% | 2,511         | 5%  | \$20.1      | 25% |
| UV           | 339           | 1%  | \$0.7       | 1%  | 310           | 2%  | \$6.3       | 24% | 649           | 1%  | \$6.9       | 9%  |
| <b>Total</b> | <b>39,878</b> |     | <b>53.6</b> |     | <b>12,836</b> |     | <b>25.8</b> |     | <b>52,714</b> |     | <b>79.3</b> |     |

The significant difference between Kwinana and Cockburn is the average rates for residential properties. Kwinana's average rate per residential property is \$1,105 whereas Cockburn's is \$843. The minimum payment rate is also significantly different with Kwinana at \$841 and Cockburn at \$627. 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 and the State Govt's FESA ESL levy are taken into account, as noted below:

*Table 3 – Bundle of rating charges 2012/ 13 Per average residential property*

|                                                      | <b>COC</b>       | <b>COK</b>       | <b>COC</b>     | <b>COK</b>     |
|------------------------------------------------------|------------------|------------------|----------------|----------------|
|                                                      | <b>Gen Rates</b> | <b>Gen Rates</b> | <b>Min Pay</b> | <b>Min Pay</b> |
| Rates                                                | 843              | 1,106            | 627            | 841            |
| Waste                                                | 390              | 300              | 390            | 300            |
| Co-Safe                                              | 55               | -                | 55             | -              |
| ESL                                                  | 260              | 211              | 194            | 160            |
| <b>Total</b>                                         | <b>\$1,548</b>   | <b>\$1,617</b>   | <b>\$1,266</b> | <b>\$1,301</b> |
| More Expensive in Kwinana per residential property   |                  | \$68             |                | \$36           |
| BUT More M/Funds in Kwinana per residential property | \$178            |                  | \$102          |                |

So overall, Kwinana is 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 and contribute 19.5% 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. This action would be seen as unlikely.

Future growth is the key to increasing this income source. Cockburn has identified 20,000 residential lots 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                | 827         | Ha  | 573         | ha  | 1,400        | Ha |
| Developable Land    | 65%         |     | 65%         |     | 65%          |    |
|                     | 538         | Ha  | 372         | 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          | \$341,364   |     | \$709,558   |     | \$1,051,923  |    |
| UV to GRV VL        | \$3,082,524 |     | \$2,349,353 |     | \$5,431,877  |    |
| GRV V.L. to GRV Imp | \$9,701,180 |     | \$8,065,938 |     | \$17,767,118 |    |

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 28). 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 \$14,048, which is 25% lower than Cockburn's average GRV value of \$17,489. 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 \$2.9m. 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 four 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.

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 \$2.9m.

The four 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 four 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 \$2.4m, 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 fourth year, the Kwinana rate is lowered to match Cockburn. The impact of this is a one off decrease in rating income of \$3.5m.

*Table 5 – Transition over 4 years for Residential Rates*

| <b>Rating Category &amp; No. of Properties</b>        | <b>Option 1 - Cockburn Rate in the dollar - 4% annual increase</b> | <b>Option 1 - Kwinana Rate in the dollar – 4% annual increase</b> | <b>Option 2 Cockburn Rate in the dollar -4% annual increase</b> | <b>Option 2 Kwinana Rate in the dollar – No annual increase</b> |
|-------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| Residential Improved Total number in Kwinana is 7,018 | 4.859                                                              | 7.872                                                             | 4.859                                                           | 7.872                                                           |
| Year 1                                                | 5.053                                                              | 8.187                                                             | 5.053                                                           | 8.187                                                           |
| Year 2                                                | 5.255                                                              | 8.515                                                             | 5.255                                                           | 8.187                                                           |
| Year 3                                                | 5.465                                                              | 8.855                                                             | 5.465                                                           | 8.187                                                           |
| Year 4                                                | 5.684                                                              | 9.209                                                             | 5.684                                                           | 8.187                                                           |
| Difference at end of Year 4                           |                                                                    | 3.5¢                                                              |                                                                 | 2.5¢                                                            |
|                                                       |                                                                    |                                                                   |                                                                 |                                                                 |

The harmonisation for commercial and industrial properties is more palatable as the gap is not as large.

*Table 6 – Transition over 4 years for commercial & Industrial rates*

| Rating Category & No. of Properties                     | Cockburn Rate in the \$ with a 4.5% annual increase | Kwinana Rate in the \$ with 4.5% annual increase |
|---------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------|
| Industrial Improved Total properties in Kwinana No. 244 | 7.319                                               | 7.825                                            |
| Year 1                                                  | 7.648                                               | 8.177                                            |
| Year 2                                                  | 7.992                                               | 8.545                                            |
| Year 3                                                  | 8.352                                               | 8.930                                            |
| Year 4                                                  | 8.728                                               | 9.332                                            |
| Gap at end of four year transition period               |                                                     | 0.6¢                                             |

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 | \$113m  |  | \$117m  |
| Rates                        | \$0.55m  |    | \$4.8m  |  | \$5.35m |
| % of overall rates           | 1.02%    |    | 18.60%  |  | 6.74%   |

### 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 2012/13 | % of total rev | Cockburn 2012/13 |       | Combined 2012/13 | % of t.rev |
|------------------|-----------------|----------------|------------------|-------|------------------|------------|
| Fees and Charges | 9,063,615       | 19.7%          | 45,176,634       | 39.7% | 54,240,249       | 33.9%      |

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

Local Governments are cash rich and generate substantial cash either from payments such as rates paid up front, or free cash as a result of 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*

| <b>Operating Income</b> | <b>Kwinana 2012/13</b> | <b>% of total rev</b> | <b>Cockburn 2012/13</b> |      | <b>Combined 2012/13</b> | <b>% of total rev</b> |
|-------------------------|------------------------|-----------------------|-------------------------|------|-------------------------|-----------------------|
| Interest                | 1,746,000              | 3.8%                  | 5,561,342               | 4.9% | 7,307,342               | 4.6%                  |

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.

Kwinana allocated 28.5% or \$500,000 to reserves in the 2012/13 adopted budget with the balance spent in the operating account. Cockburn allocated \$2,024,000 or 36% to reserves with the balance available to fund municipal activities.

### 3.6 Other Operating Income

*Table 10 - Other Operating Income*

| <b>Other Operating Income</b> | <b>Kwinana 2012/13</b> | <b>% of t.rev</b> | <b>Cockburn 2012/13</b> | <b>% of t.rev</b> | <b>Combined 2012/13</b> | <b>% of t.rev</b> |
|-------------------------------|------------------------|-------------------|-------------------------|-------------------|-------------------------|-------------------|
| Operating Grants              | 7,028,527              | 15.2%             | 8,456,698               | 7.4%              | 15,485,225              | 9.7%              |
| Reimbursements and Donations  | 483,483                | 1.0%              | 431,710                 | 0.4%              | 915,193                 | 0.6%              |
| Income from property          | 1,386,201              | 3.0%              |                         | 0.0%              | 1,386,201               | 0.9%              |
| Fines and Penalties           | 116,700                | 0.3%              |                         | 0.0%              | 116,700                 | 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 for the combined entity of \$153.4m places the combined Local Government second in size behind Stirling (\$188m) with Wanneroo (\$140m), Joondalup (\$126m) and Swan (\$120m) a respective third, fourth and fifth behind the combined entity.

*Table 11 - Operating Expenditure – 2012/13 Adopted Budgets*

|                         | Kwinana           |            | Cockburn           |            | Combined           |            |
|-------------------------|-------------------|------------|--------------------|------------|--------------------|------------|
| Operating Expenditure   | 2012/13           | % of t.rev | 2012/13            | % of t.rev | 2012/13            | % of t.rev |
| Employee Costs          | 19,522,902        | 42%        | 38,696,843         | 34%        | 58,219,745         | 36.4%      |
| Materials and Contracts | 18,948,129        | 41%        | 28,219,539         | 25%        | 47,167,668         | 29.5%      |
| Utility Charges         | 1,948,089         | 4%         | 4,484,950          | 4%         | 6,433,039          | 4.0%       |
| Leases                  | 199,582           | 0%         | -                  | 0%         | 199,582            | 0.0%       |
| Depreciation            | 7,056,510         | 15%        | 22,167,314         | 19%        | 29,223,824         | 18.3%      |
| Interest                | 1,425,198         | 0%         | -                  | 0%         | 1,425,198          | 0.9%       |
| Insurance               | 590,597           | 1%         | 1,886,700          | 2%         | 2,477,297          | 1.6%       |
| Other                   | 517,963           | 0%         | 7,794,821          | 0%         | 8,312,784          | 5.4%       |
| <b>Total Expenses</b>   | <b>50,208,970</b> |            | <b>103,250,167</b> |            | <b>153,459,137</b> |            |

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, () 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, Wanneroo, Joondalup, Swan and a combined Cockburn/Kwinana) provides an interesting comparison of 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             | 85.6                | 190.2        | 45.0%           | 188.6              | 45.4%        |
| Cockburn/Kwinana     | 58.2                | 159.9        | 36.4%           | 153.4              | 37.9%        |
| Wanneroo             | 60.1                | 138.2        | 43.5%           | 140.6              | 42.7%        |
| Joondalup            | 48.9                | 116.5        | 42.0%           | 122.5              | 39.9%        |
| Swan                 | 57.6                | 125.9        | 45.8%           | 120.1              | 48.0%        |
| <b>Total Payroll</b> | <b>310.4</b>        | <b>730.7</b> | <b>42.5%</b>    | <b>725.2</b>       | <b>42.8%</b> |

The combined Local Government has the lowest percentage of staff costs per total revenue dollar or total operating expense dollar. If the other Local Governments achieved COC/COK %'s the collective savings would be in the order of \$45m p.a. 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*

| <b>Materials and Contracts</b> | <b>M&amp;C Exp \$m</b> | <b>T.Rev \$m</b> | <b>% m&amp;c: T Rev</b> | <b>T. O.Exp \$m</b> | <b>% m&amp;c : TOE</b> |
|--------------------------------|------------------------|------------------|-------------------------|---------------------|------------------------|
| Stirling                       | 59.5                   | 190.2            | 31.3%                   | 188.6               | 31.5%                  |
| Cockburn/Kwinana               | 47.2                   | 159.9            | 29.5%                   | 153.4               | 30.7%                  |
| Wanneroo                       | 38.8                   | 138.2            | 28.1%                   | 140.6               | 27.6%                  |
| Joondalup                      | 43.1                   | 116.5            | 37.0%                   | 122.5               | 35.2%                  |
| Swan                           | 27.3                   | 125.9            | 21.7%                   | 120.1               | 22.7%                  |
| Total Material & Contracts     | 215.8                  | 730.7            | 29.5%                   | 725.2               | 29.8%                  |

## 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 \$29m 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 \$17m as of July 2012 will be supplemented by another \$13.6m (planned in the 2012/13 budget) less capital repayments of \$10m by June 2013. Some of this will be repaid by the introduction of the Kwinana Developer Contribution Plan (DCP) for Community Infrastructure assets. Kwinana intends to repay \$10m of borrowings by June 2013. The interest bill on the new debt will be around \$1m to \$1.2m per year

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 2012/13 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 four year comparison of the Cockburn and Kwinana operating positions. It shows that Cockburn has been returning operating surpluses, whereas Kwinana has 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 2012/13 for Kwinana and Cockburn*

| Financial Year | Kwinana   | % surplus:<br>Rev | Cockburn     | % surplus:<br>Rev | Combined  | % surplus:<br>Rev |
|----------------|-----------|-------------------|--------------|-------------------|-----------|-------------------|
| 2009/10        | 4,290,511 | -12%              | 3,251,930.00 | 4%                | 1,038,581 | -1%               |
| 2010/11        | 4,229,135 | -11%              | 8,106,185    | 8%                | 3,877,050 | 3%                |
| 2011/12        | 600,530   | -1%               | 4,683,317    | 5%                | 4,082,787 | 3%                |
| 2012/13        | 4,091,100 | -9%               | 10,618,193   | 9%                | 6,527,093 | 4%                |

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

## 6. BALANCE SHEET

### 6.1 Assets

The table below demonstrates a number of key items:

- Substantial cash holdings especially in reserves
- Kwinana has \$17m in WATC debt.
- 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.
- 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 in its reserves; Kwinana has now adopted this practice. .
- Net assets of the combined entity will exceed \$1billion.
- Appendix 1 presents a consolidated balance sheet for FY12/13



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 is being 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; 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 2008/09 to 2012/13 as per adopted budget*

|         | <b>Kwinana</b> | <b>Cockburn</b> |
|---------|----------------|-----------------|
| 2008/09 | 11.8           | 28.4            |
| 2009/10 | 12.6           | 24.1            |
| 2010/11 | 5.1            | 29.4            |
| 2011/12 | 18.7           | 40.9            |
| 2012/13 | 9.2            | 51.6            |

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

## 9. FUTURE CAPITAL EXPENDITURE PROGRAMS, ETC.

Refer to the Appendix 3 for a copy of the list of future capital expenditure plans contained in Cockburn's Plan for the District 2010 – 2020 and Kwinana's Financial Management 10 Year Plan – 2008/90 Review. These documents are being redeveloped as part of the Government's Integrated Planning Framework.

Again both Local Governments have developer contribution plans (DCP) in place to fund community infrastructure. 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*

| <b>Local Government</b> | <b>Period</b> | <b>Capital Spend</b> | <b>DCP Funds</b> | <b>Local Government Funds</b> | <b>External Funding</b> | <b>Pre-funding by Local Government</b> |
|-------------------------|---------------|----------------------|------------------|-------------------------------|-------------------------|----------------------------------------|
| 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            | 750,000   | 550,000   |           |
| Contingency (inc equipment) | 650,000   | 500,000   |           |
| Pay disparities             | 1,108,800 |           |           |
| Redundancies                | 2,455,000 |           |           |
| Cost                        | 5,713,800 | 1,800,000 | 7,513,800 |

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. 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        |           | -\$1,176m | -\$1,211m | -\$1.248m |
| Total Op Ex                                           | \$153.459m |                  |           |           |           |           |
| Less                                                  |            |                  |           |           |           |           |
| Depreciation                                          | \$29.223m  | Target Savings % |           | 1.5%      | 3%        | 3%        |
| Total Net Op Ex with exp growth 5%                    | \$124.235m | -                | -         | \$2.143m  | \$4.472m  | \$4.658m  |
| Annual (Cost)/Saving                                  |            | -\$5.713m        | -\$0.745m | \$1.955m  | \$4.283m  | \$4.469m  |
| Cumulative (Cost)/Saving                              |            | -\$5.713m        | -\$6.458m | -\$4.503m | -\$0.219m | \$4.250m  |

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.

## 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 1<sup>st</sup> 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 located in Appendix 2. 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 200 Kwinana staff rather than approximately 400 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 merged Local Government consisting of Cockburn and Kwinana would form the second largest metro Local Government by revenue and the fifth largest by rating income, compared to other existing Local Governments. 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 four 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 36% 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.
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 up to \$20m of debt on the balance sheet. Cockburn will have up to \$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.

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. APPENDICES

#### Appendix 1 – Copy of detailed financial statements

|                                      | Town/City of Kwinana |                   |                   |                   |     | City of Cockburn  |                   |                    |                    |     | Amalgamated City of Cockburn and Kwinana |                    |                    |                    |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|-----|-------------------|-------------------|--------------------|--------------------|-----|------------------------------------------|--------------------|--------------------|--------------------|
| Operating Statement by Nature & Type | 2009/10              | 2010/11           | 2011/12           | 2012/13           |     | 2009/10           | 2010/11           | 2011/12            | 2012/13            |     | 2009/10                                  | 2010/11            | 2011/12            | 2012/13            |
| Rates                                | 19,535,178           | 21,608,566        | 24,536,647        | 26,264,744        |     | 41,942,306        | 46,480,806        | 49,291,816         | 54,229,000         |     | 61,477,484                               | 68,089,372         | 73,828,463         | 80,493,744         |
| Op Grants                            | 6,751,090            | 6,621,040         | 9,021,194         | 7,028,527         |     | 7,181,249         | 8,109,058         | 7,233,689          | 8,456,698          |     | 13,932,339                               | 14,730,098         | 16,254,883         | 15,485,225         |
| Reimbursements and Donations         |                      |                   | 574,190           | 483,483           |     | 615,327           | 880,290           | 426,573            | 431,710            |     | 615,327                                  | 880,290            | 1,000,763          | 915,193            |
| Fees and Charges                     | 7,005,368            | 8,147,788         | 8,293,871         | 9,063,615         |     | 32,810,171        | 38,056,586        | 39,598,773         | 45,176,634         |     | 39,815,539                               | 46,204,374         | 47,892,644         | 54,240,249         |
| Interest                             | 1,118,000            | 1,280,950         | 1,544,000         | 1,746,000         |     | 3,339,396         | 5,111,307         | 4,672,478          | 5,561,342          |     | 4,457,396                                | 6,392,257          | 6,216,478          | 7,307,342          |
| Income from property                 | 993,882              | 1,068,354         | 1,212,455         | 1,386,201         |     |                   |                   |                    |                    |     | 993,882                                  | 1,068,354          | 1,212,455          | 1,386,201          |
| Fines and Penalties                  | 47,400               | 52,550            | 206,250           | 116,700           |     |                   |                   |                    |                    |     | 47,400                                   | 52,550             | 206,250            | 116,700            |
| Other Revenue                        | 19,420               | 23,050            | 24,450            | 28,600            |     | 28,794            | 328,209           | 28,548             | 12,976             |     | 48,214                                   | 351,259            | 52,998             | 41,576             |
| <b>Total Revenue</b>                 | <b>35,470,338</b>    | <b>38,802,298</b> | <b>45,413,057</b> | <b>46,117,870</b> |     | <b>85,917,243</b> | <b>98,966,256</b> | <b>101,251,877</b> | <b>113,868,360</b> |     | <b>121,387,581</b>                       | <b>137,768,554</b> | <b>146,664,934</b> | <b>159,986,230</b> |
| % increase in revenue                |                      | 9%                | 17%               | 2%                |     |                   | 15%               | 2%                 | 12%                |     |                                          | 13%                | 6%                 | 9%                 |
| Employee Costs                       | 14,057,001           | 15,823,956        | 17,340,968        | 19,522,902        | 42% | 30,471,691        | 32,857,782        | 36,140,222         | 38,696,843         | 34% | 44,528,692                               | 48,681,738         | 53,481,190         | 58,219,745         |
| Materials and Contracts              | 14,404,040           | 16,524,448        | 18,066,330        | 18,948,129        | 41% | 24,824,749        | 26,894,292        | 27,991,901         | 28,219,539         | 25% | 39,228,789                               | 43,418,740         | 46,058,231         | 47,167,668         |
| Utility Charges                      | 976,582              | 1,196,027         | 1,577,459         | 1,948,089         | 4%  | 2,689,298         | 3,358,015         | 4,027,549          | 4,484,950          | 4%  | 3,665,880                                | 4,554,042          | 5,605,008          | 6,433,039          |
| Leases                               | 179,737              | 220,979           | 248,846           | 199,582           |     |                   |                   |                    |                    |     | 179,737                                  | 220,979            | 248,846            | 199,582            |
| Depreciation                         | 8,562,084            | 5,783,639         | 6,830,760         | 7,056,510         | 15% | 17,825,832        | 18,939,048        | 19,761,810         | 22,167,314         | 19% | 26,387,916                               | 24,722,687         | 26,592,570         | 29,223,824         |
| Interest                             | 589,221              | 951,845           | 804,623           | 1,425,198         |     |                   |                   |                    |                    |     | 589,221                                  | 951,845            | 804,623            | 1,425,198          |
| Insurance                            | 462,766              | 539,167           | 616,381           | 590,597           | 1%  | 1,511,080         | 1,823,255         | 1,669,000          | 1,886,700          | 2%  | 1,973,846                                | 2,362,422          | 2,285,381          | 2,477,297          |
| Other                                | 529,418              | 1,991,372         | 528,220           | 517,963           |     | 5,342,663         | 6,987,679         | 6,978,078          | 7,794,821          |     | 5,872,081                                | 8,979,051          | 7,506,298          | 8,312,784          |
| <b>Total Expenses</b>                | <b>39,760,849</b>    | <b>43,031,433</b> | <b>46,013,587</b> | <b>50,208,970</b> |     | <b>82,665,313</b> | <b>90,860,071</b> | <b>96,568,560</b>  | <b>103,250,167</b> |     | <b>122,426,162</b>                       | <b>133,891,504</b> | <b>142,582,147</b> | <b>153,459,137</b> |
| <b>Operating Surplus</b>             | <b>4,290,511</b>     | <b>4,229,135</b>  | <b>600,530</b>    | <b>4,091,100</b>  |     | <b>3,251,930</b>  | <b>8,106,185</b>  | <b>4,683,317</b>   | <b>10,618,193</b>  |     | <b>1,038,581</b>                         | <b>3,877,050</b>   | <b>4,082,787</b>   | <b>6,527,093</b>   |
| Non-Operating Grants, contributions  | 22,534,619           | 25,349,554        | 28,268,829        | 30,069,850        |     | 17,375,555        | 12,864,203        | 6,188,264          | 10,717,429         |     | 39,910,174                               | 38,213,757         | 34,457,093         | 40,787,279         |
| Profit on Asset disposals            | 2,683,696            | 5,374,567         | 4,494,253         | 4,073,330         |     | 1,211,144         | 486,144           | 1,326,523          | 874,636            |     | 3,894,840                                | 5,860,711          | 5,820,776          | 4,947,966          |
| Loss on Asset disposals              | 88,829               | 58,559            | 3,792             | 911               |     |                   |                   |                    |                    |     | 88,829                                   | 58,559             | 3,792              | 911                |
| <b>Total Comprehensive Income</b>    | <b>20,838,975</b>    | <b>26,436,427</b> | <b>32,158,760</b> | <b>30,051,169</b> |     | <b>21,838,629</b> | <b>21,456,532</b> | <b>12,198,104</b>  | <b>22,210,258</b>  |     | <b>42,677,604</b>                        | <b>47,892,959</b>  | <b>44,356,864</b>  | <b>52,261,427</b>  |
|                                      |                      |                   |                   |                   |     |                   |                   |                    |                    |     |                                          |                    |                    |                    |
| Increase in rates yield              |                      | 11%               | 14%               | 7%                |     |                   | 11%               | 6%                 | 10%                |     |                                          | 11%                | 8%                 | 9%                 |
| increase in fees and charges         |                      | 16%               | 2%                | 9%                |     |                   | 16%               | 4%                 | 14%                |     |                                          | 16%                | 4%                 | 13%                |
| Increase in Op Grants                |                      | -2%               | 36%               | -22%              |     |                   | 13%               | -11%               | 17%                |     |                                          | 6%                 | 10%                | -5%                |
| Increase in payroll                  |                      | 13%               | 10%               | 13%               |     |                   | 8%                | 10%                | 7%                 |     |                                          | 9%                 | 10%                | 9%                 |
| Increase in total op exp             |                      | 8%                | 7%                | 9%                |     |                   | 10%               | 6%                 | 7%                 |     |                                          | 9%                 | 6%                 | 8%                 |

|                                    | Town/City of Kwinana |                   |                   |                   |  | City of Cockburn  |                   |                   |                   |  | Amalgamated City of Cockburn and Kwinana |                    |                    |                    |
|------------------------------------|----------------------|-------------------|-------------------|-------------------|--|-------------------|-------------------|-------------------|-------------------|--|------------------------------------------|--------------------|--------------------|--------------------|
| Statement of Cash Flows            | 2009/10              | 2010/11           | 2011/12           | 2012/13           |  | 2009/10           | 2010/11           | 2011/12           | 2012/13           |  | 2009/10                                  | 2010/11            | 2011/12            | 2012/13            |
| Cashflow from Operating Activities |                      |                   |                   |                   |  |                   |                   |                   |                   |  |                                          |                    |                    |                    |
| Employee Costs                     | 15,525,896           | 16,736,270        | 19,764,956        | 19,522,902        |  | 29,858,308        | 33,104,024        | 36,140,222        | 38,696,843        |  | 45,384,204                               | 49,840,294         | 55,905,178         | 58,219,745         |
| Materials and Contracts            | 10,501,139           | 13,509,515        | 13,791,972        | 19,258,129        |  | 23,238,713        | 27,394,487        | 35,171,901        | 38,764,479        |  | 33,739,852                               | 40,904,002         | 48,963,873         | 58,022,608         |
| Utilities                          | 1,029,094            | 1,176,634         | 1,260,731         | 1,948,089         |  | 2,689,298         | 3,358,015         | 4,027,549         | 4,484,950         |  | 3,718,392                                | 4,534,649          | 5,288,280          | 6,433,039          |
| Insurances                         | 494,368              | 490,556           | 707,567           | 1,425,198         |  | 1,511,080         | 1,823,255         | 1,669,000         | 1,856,700         |  | 2,005,448                                | 2,313,811          | 2,376,567          | 3,281,898          |
| Other Expenses                     | 985,510              | 1,200,848         | 1,079,932         | 1,308,142         |  | 5,342,663         | 6,987,679         | 6,978,078         | 7,794,821         |  | 6,328,173                                | 8,188,527          | 8,058,010          | 9,102,963          |
| GST on Payments                    | 2,754,217            | 3,530,467         | 88,865            |                   |  | 2,372,444         | 5,205,696         |                   |                   |  | 5,126,661                                | 8,736,163          | 88,865             | -                  |
| <b>Total operating payments</b>    | <b>31,290,224</b>    | <b>36,644,290</b> | <b>36,694,023</b> | <b>43,462,460</b> |  | <b>65,012,506</b> | <b>77,873,156</b> | <b>83,986,750</b> | <b>91,597,793</b> |  | <b>96,302,730</b>                        | <b>114,517,446</b> | <b>120,680,773</b> | <b>135,060,253</b> |

|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
|-------------------------------------------|------------|------------|------------|------------|---|------------|-------------|-------------|-------------|--|-------------|-------------|-------------|-------------|
|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
| Rates                                     | 19,078,175 | 21,135,891 | 24,744,853 | 26,464,744 |   | 41,357,298 | 46,213,781  | 49,291,816  | 54,229,000  |  | 60,435,473  | 67,349,672  | 74,036,669  | 80,693,744  |
| Fees and Charges                          | 7,172,822  | 8,384,287  | 8,347,532  | 9,063,615  |   | 31,683,614 | 39,320,091  | 41,598,773  | 47,076,634  |  | 38,856,436  | 47,704,378  | 49,946,305  | 56,140,249  |
| Contributions                             | 893,895    | 835,315    | 449,842    | 483,483    |   | 615,327    | 880,290     | 426,573     | 431,740     |  | 1,509,222   | 1,715,605   | 876,415     | 915,223     |
| Interest Received                         | 1,635,589  | 1,999,118  | 2,080,608  | 1,746,000  |   | 2,970,876  | 4,270,972   | 7,733,689   | 8,956,698   |  | 4,606,465   | 6,270,090   | 9,814,297   | 10,702,698  |
| Grants & Subsidies Operating              | 5,822,171  | 7,147,944  | 6,746,598  | 6,778,527  |   | 7,632,737  | 8,109,058   | 4,672,478   | 5,561,342   |  | 13,454,908  | 15,257,002  | 11,419,076  | 12,339,869  |
| Other Revenues                            | 1,798,934  | 1,401,486  | 1,473,019  | 1,531,501  |   | 28,794     | 418,184     | 3,000,000   | 3,000,000   |  | 1,827,728   | 1,819,670   | 4,473,019   | 4,531,501   |
| GST Refunded by ATO                       | 2,542,429  | 3,180,440  | 843,755    |            |   | 2,372,444  | 2,714,494   | 28,548      | 12,976      |  | 4,914,873   | 5,894,934   | 872,303     | 12,976      |
| Total Cash receipts                       | 38,944,015 | 44,084,481 | 44,686,207 | 46,067,870 |   | 86,661,090 | 101,926,870 | 106,751,877 | 119,268,390 |  | 125,605,105 | 146,011,351 | 151,438,084 | 165,336,260 |
|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
| Net Cash provided or used in operating    | 7,653,791  | 7,440,191  | 7,992,184  | 2,605,410  |   | 21,648,584 | 24,053,714  | 22,765,127  | 27,670,597  |  | 29,302,375  | 31,493,905  | 30,757,311  | 30,276,007  |
|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
| Proceeds from sale on NC Assets           | 4,563,835  | 1,388,303  | 2,402,864  | 4,836,773  |   | 4,316,936  | 2,045,547   | 6,112,340   | 7,106,000   |  | 8,880,771   | 3,433,850   | 8,515,204   | 11,942,773  |
| Purchase Furniture and Equip              | 682,882    | 410,244    | 285,594    | 309,264    |   | 100,102    | 153,148     | 10,000      | 40,000      |  | 782,984     | 563,392     | 295,594     | 349,264     |
| Purchase Computer Equip                   |            |            |            |            |   | 564,698    | 94,913      | 1,522,858   | 1,167,500   |  | 564,698     | 94,913      | 1,522,858   | 1,167,500   |
| Purchase & Construction of Infrastructure | 7,101,328  | 14,791,221 | 8,688,033  | 20,332,169 |   | 9,562,303  | 9,599,459   | 15,139,698  | 17,259,411  |  | 16,663,631  | 24,390,680  | 23,827,731  | 37,591,580  |
| Purchase of Plant and machinery           | 1,459,258  | 1,139,026  | 291,756    | 1,643,315  |   | 3,458,659  | 4,709,039   | 4,165,998   | 3,627,000   |  | 4,917,917   | 5,848,065   | 4,457,754   | 5,270,315   |
| Purchase & Development of Land            |            |            |            |            |   | 402,431    | 991,502     | 385,000     | 1,200,000   |  | 402,431     | 991,502     | 385,000     | 1,200,000   |
| Purchase & Construction of Buildings      | 7,935,841  | 4,011,561  | 16,244,221 | 37,611,523 |   | 12,833,576 | 5,329,713   | 25,109,134  | 34,818,923  |  | 20,769,417  | 9,341,274   | 41,353,355  | 72,430,446  |
| Grants & Contrib for Development Assets   | 4,801,622  | 6,715,410  | 11,612,872 | 30,069,850 |   | 10,676,039 | 8,749,978   | 6,188,264   | 10,717,429  |  | 15,477,661  | 15,465,388  | 17,801,136  | 40,787,279  |
| Net movement in Investments               | 1,500,000  | 1,512,260  | 1,652,490  |            |   | 124,509    | 4,371,431   |             |             |  | 1,624,509   | 5,883,691   | 1,652,490   |             |
| Net Cash Flows Provided (Used)            | 6,313,852  | 10,736,079 | 9,841,378  | 24,989,648 |   | -11804285  | -5710818    | -34032084   | -40289405   |  | -18118137   | -16446897   | -43873462   | -65279053   |
|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
| Cashflows from Financing Activities       |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
| Increase in Bonds                         |            |            |            |            | 0 | 443,143    | 469,045     |             |             |  | 443,143     | 469,045     |             |             |
| Proceeds from Borrowings                  | 4,562,711  | 4,700,000  | 5,379,987  | 13,933,291 |   |            |             |             |             |  | 4,562,711   | 4,700,000   | 5,379,987   | 13,933,291  |
| Net repayment of loans                    | 223,118    | 236,510    | 250,865    | 297,856    |   |            |             |             |             |  | 223,118     | 236,510     | 250,865     | 297,856     |
|                                           | 4,339,593  | 4,463,490  | 5,129,122  | 13,635,435 | 0 | 443,143    | 469,045     |             |             |  | 4782736     | 3994445     | 5129122     | 13635435    |
|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
|                                           |            |            |            |            |   |            |             |             |             |  |             |             |             |             |
| Net Increase in Cash                      | 5,679,532  | 1,167,602  | 3,279,928  | 8,748,803  |   | 10,287,442 | 17,873,851  | 11,266,957  | 12,618,808  |  | 15,966,974  | 19,041,453  | 7,987,029   | 21,367,611  |
| Opening cash balance                      | 13,571,113 | 19,250,645 | 20,418,241 | 23,698,168 |   | 34,934,048 | 45,224,495  | 48,685,654  | 64,421,514  |  | 48,505,161  | 64,475,140  | 69,103,895  | 88,119,682  |
| Closing cash balance                      | 19,250,645 | 20,418,247 | 23,698,169 | 14,949,365 |   | 45,221,490 | 63,098,346  | 37,418,697  | 51,802,706  |  | 64,472,135  | 83,516,593  | 61,116,866  | 66,752,071  |

|                      | Town/City of Kwinana |            |            |         |  | City of Cockburn |            |            |         |  |            |             |             |         |
|----------------------|----------------------|------------|------------|---------|--|------------------|------------|------------|---------|--|------------|-------------|-------------|---------|
| Balance Sheet        | 2009/10              | 2010/11    | 2011/12    | 2012/13 |  | 2009/10          | 2010/11    | 2011/12    | 2012/13 |  | 2009/10    | 2010/11     | 2011/12     | 2012/13 |
| Current Assets       |                      |            |            |         |  |                  |            |            |         |  |            |             |             |         |
| Investments          |                      |            |            |         |  | 5,655,072        | 2,539,916  | 1,308,475  |         |  | 5,655,072  | 2,539,916   | 1,308,475   |         |
| Cash                 | 19,250,645           | 20,418,241 | 29,056,789 |         |  | 45,224,495       | 63,098,349 | 74,641,494 |         |  | 64,475,140 | 83,516,590  | 103,698,283 |         |
| Trade Debtors        | 3,983,777            | 5,612,688  | 6,723,125  |         |  | 7,129,163        | 8,253,232  | 9,448,885  |         |  | 11,112,940 | 13,865,920  | 16,172,010  |         |
| inventories          | 46,365               | 37,525     | 30,578     |         |  | 38,759           | 49,662     | 41,804     |         |  | 85,124     | 87,187      | 72,382      |         |
| Total Current Assets | 23,280,787           | 26,068,454 | 35,810,492 |         |  | 58,047,489       | 73,941,159 | 85,440,658 |         |  | 81,328,276 | 100,009,613 | 121,251,150 |         |
|                      |                      |            |            |         |  |                  |            |            |         |  |            |             |             |         |
| Current Liabilities  |                      |            |            |         |  |                  |            |            |         |  |            |             |             |         |
| Trade Payables       | 5,064,585            | 6,088,797  | 5,751,181  |         |  | 7,357,243        | 6,596,300  | 12,351,048 |         |  | 12,421,828 | 12,685,097  | 18,102,229  |         |
| Provisions           | 2,191,418            | 2,656,868  | 2,878,054  |         |  | 4,322,945        | 4,088,037  | 4,476,466  |         |  | 6,514,363  | 6,744,905   | 7,354,520   |         |
| Loans                | 373,636              | 4,974,203  | 11,522,741 |         |  |                  |            |            |         |  | 373,636    | 4,974,203   | 11,522,741  |         |

|                               |                    |                    |                    |  |  |                    |                    |                    |  |  |                    |                    |                      |  |
|-------------------------------|--------------------|--------------------|--------------------|--|--|--------------------|--------------------|--------------------|--|--|--------------------|--------------------|----------------------|--|
| Total Current liabilities     | <u>7,629,639</u>   | <u>13,719,868</u>  | <u>20,151,976</u>  |  |  | <u>11,680,188</u>  | <u>10,684,337</u>  | <u>16,827,514</u>  |  |  | <u>19,309,827</u>  | <u>24,404,205</u>  | <u>36,979,490</u>    |  |
| -                             |                    |                    |                    |  |  |                    |                    |                    |  |  |                    |                    |                      |  |
| Net Current Assets            | <u>15,651,148</u>  | <u>12,348,586</u>  | <u>15,658,516</u>  |  |  | <u>46,367,301</u>  | <u>63,256,822</u>  | <u>68,613,144</u>  |  |  | <u>62,018,449</u>  | <u>75,605,408</u>  | <u>84,271,660</u>    |  |
| -                             |                    |                    |                    |  |  |                    |                    |                    |  |  |                    |                    |                      |  |
| Non-Current Assets            |                    |                    |                    |  |  |                    |                    |                    |  |  |                    |                    |                      |  |
| Investments                   | <u>7,926,271</u>   | <u>3,100,000</u>   | <u>1,438,870</u>   |  |  | <u>8,372,414</u>   | <u>6,381,474</u>   | <u>7,020,490</u>   |  |  | <u>16,298,685</u>  | <u>9,481,474</u>   | <u>8,459,360</u>     |  |
| other Receivables             | <u>2,953,257</u>   | <u>3,277,089</u>   | <u>3,212,806</u>   |  |  | <u>524,045</u>     | <u>495,164</u>     | <u>598,805</u>     |  |  | <u>3,477,302</u>   | <u>3,772,253</u>   | <u>3,811,611</u>     |  |
| Property Plant and Equipment  | <u>139,852,573</u> | <u>159,523,109</u> | <u>177,799,593</u> |  |  | <u>669,235,006</u> | <u>644,388,444</u> | <u>760,538,472</u> |  |  | <u>809,087,579</u> | <u>803,911,553</u> | <u>938,338,065</u>   |  |
| Total Non-Current Assets      | <u>150,732,101</u> | <u>165,900,198</u> | <u>182,451,269</u> |  |  | <u>678,131,465</u> | <u>651,265,082</u> | <u>768,157,767</u> |  |  | <u>828,863,566</u> | <u>817,165,280</u> | <u>950,609,036</u>   |  |
| -                             |                    |                    |                    |  |  |                    |                    |                    |  |  |                    |                    |                      |  |
| Non-Current Liabilities       |                    |                    |                    |  |  |                    |                    |                    |  |  |                    |                    |                      |  |
| Other Payables                | <u>24,354,108</u>  | <u>24,516,039</u>  | <u>23,851,456</u>  |  |  | <u>2,875,608</u>   | <u>2,406,562</u>   | <u>2,904,359</u>   |  |  | <u>27,229,716</u>  | <u>26,922,601</u>  | <u>26,755,815</u>    |  |
| Provisions                    | <u>174,573</u>     | <u>233,162</u>     | <u>241,238</u>     |  |  | <u>701,273</u>     | <u>689,940</u>     | <u>799,721</u>     |  |  | <u>875,846</u>     | <u>923,102</u>     | <u>1,040,959</u>     |  |
| Loans                         | <u>7,229,725</u>   | <u>6,955,522</u>   | <u>6,632,781</u>   |  |  |                    |                    |                    |  |  | <u>7,229,725</u>   | <u>6,955,522</u>   | <u>6,632,781</u>     |  |
| Total non-Current liabilities | <u>31,758,406</u>  | <u>31,704,723</u>  | <u>30,725,475</u>  |  |  | <u>3,576,881</u>   | <u>3,096,502</u>   | <u>3,704,080</u>   |  |  | <u>35,335,287</u>  | <u>34,801,225</u>  | <u>34,429,555</u>    |  |
| Net Assets                    | <u>134,624,843</u> | <u>146,544,061</u> | <u>167,384,310</u> |  |  | <u>720,921,885</u> | <u>711,425,402</u> | <u>833,066,831</u> |  |  | <u>855,546,728</u> | <u>857,969,463</u> | <u>1,000,451,141</u> |  |
| Equity                        |                    |                    |                    |  |  |                    |                    |                    |  |  |                    |                    |                      |  |
| Accumulated Surpluses         | <u>117,300,734</u> | <u>133,853,162</u> | <u>143,273,318</u> |  |  | <u>340,620,701</u> | <u>348,001,756</u> | <u>376,503,208</u> |  |  | <u>457,921,435</u> | <u>481,854,918</u> | <u>519,776,526</u>   |  |
| Reserves - Cash Backed        | <u>17,324,103</u>  | <u>12,690,899</u>  | <u>24,110,992</u>  |  |  | <u>37,343,185</u>  | <u>49,843,662</u>  | <u>60,792,979</u>  |  |  | <u>54,667,288</u>  | <u>62,534,561</u>  | <u>84,903,971</u>    |  |
| Reserves - Asset Revaluation  |                    |                    |                    |  |  | <u>342,958,000</u> | <u>313,579,984</u> | <u>395,770,642</u> |  |  | <u>342,958,000</u> | <u>313,579,984</u> | <u>395,770,642</u>   |  |
| Total Equity                  | <u>134,624,837</u> | <u>146,544,061</u> | <u>167,384,310</u> |  |  | <u>720,921,886</u> | <u>711,425,402</u> | <u>833,066,829</u> |  |  | <u>855,546,723</u> | <u>857,969,463</u> | <u>1,000,451,139</u> |  |

## Appendix 2 – Review of IS systems for Kwinana and Cockburn

|                                               | Updated                                    |              | Updated                                |            |
|-----------------------------------------------|--------------------------------------------|--------------|----------------------------------------|------------|
|                                               | Cockburn                                   |              | Kwinana                                |            |
|                                               | Software                                   | Release      | Software                               | Release    |
| General Ledger                                | Technology 1 CI                            | 11.09.04.008 | Civica Authority                       | 6.4        |
| Asset Register                                | Technology 1 CI                            | 11.09.04.008 | Civica Authority                       | 6.4        |
| Road Management                               |                                            |              | ROMAN                                  |            |
| Works & Assets                                | Technology 1 CI                            | 11.09.04.008 | Civica Authority                       | 6.4        |
| Costing/Timesheeting                          | Technology 1 CI                            | 11.09.04.008 | Civica Authority                       | 6.4        |
| Accounts Payable                              | Technology 1 CI                            | 11.09.04.008 | Civica Authority                       | 6.4        |
| Accounts Receivable                           | Technology 1 CI                            | 11.09.04.008 | Civica Authority                       | 6.4        |
| Fleet                                         |                                            |              |                                        |            |
| Budgeting                                     | Technology 1 CI                            | 11.09.04.008 | Civica & Business Intelligence Systems | 6.4        |
| Payroll                                       | Technology 1 CI                            | 11.09.04.008 | Civica Authority                       | 6.4        |
| HR                                            | Technology 1 CI                            | 11.09.04.008 | Civica Authority & Big                 | 6.4        |
| Rates                                         | Technology 1 CI                            | 10.04.04.006 | Civica Authority                       | 6.4        |
| Receipting                                    | Technology 1 CI                            | 10.04.04.006 | Civica Authority                       | 6.4        |
| Payment Gateways                              | Bpay, Austpost, NAB Transact               |              | BPAY, Securepay                        |            |
|                                               |                                            |              |                                        |            |
| Building                                      | Technology 1 CI                            | 10.04.04.006 | Civica Authority                       | 6.4        |
| Planning                                      | Master Plan                                | 10.04.04.006 | Civica Authority                       | 6.4        |
| Dog Licences                                  | Technology 1 CI                            | 10.04.04.006 | Civica Authority                       | 6.4        |
| Swimming Pools                                | Technology 1 CI                            | 10.04.04.006 | Civica Authority                       | 6.4        |
| Infringements                                 | Technology 1 CI                            | 10.04.04.006 | Civica Authority                       | 6.4        |
| Electronic Ticketing                          |                                            |              | N/A                                    |            |
| Document Management                           | Recfind                                    | 6            | TRIM Context                           | 6.2.5.1335 |
| Web-site content Management                   | Sharepoint                                 |              | Web Pilot                              |            |
|                                               |                                            |              |                                        |            |
| Library: Integrated Library Management System | Spydus                                     | V8.4.4       | AMLIB                                  |            |
| Library: PC Reservation & Print Management    | EnvisionWare                               |              | AMLIB                                  |            |
| Library: In House TV Communication            | MultiScreen                                |              |                                        |            |
|                                               |                                            |              |                                        |            |
| GIS/Mapping                                   | Intramaps                                  | 7.0.112.318  | IntraMaps InterMaps                    | 7          |
| Aerial Photos                                 |                                            |              | IntraMaps InterMaps                    | 7          |
| Design - Civil                                | Auto-cad - Civil 3D, Advanced Road Design, |              | Auto-cad Civil 3D                      |            |
| Design - Landscape                            | Auto-cad - Civil 3D                        |              | Auto-cad Civil 3D                      |            |
| Strat Planning & Reporting                    | Nil                                        |              | Excel                                  | 2007       |
| Risk Management                               | Nil                                        |              | Excel                                  | 2007       |
| Reporting                                     | Technology 1 XL1, Crystal reports          |              | Crystal, Excel, BIS                    |            |
| Email etc                                     | MS Exchange 2008                           |              | MS Exchange/Outlook                    | 2007       |
| Office Automation                             |                                            |              | MS Office 2007                         | 2007       |
| Comms                                         | MS Lync 2010                               |              |                                        |            |
| Agendas and Minutes                           | Synergysoft                                | 9.1.95       |                                        |            |
| 3D Modelling                                  |                                            |              |                                        |            |
| Council Chamber Recording                     |                                            |              | FTR                                    |            |
|                                               |                                            |              |                                        |            |
| Street Parking Mgmt                           |                                            |              |                                        |            |
|                                               |                                            |              |                                        |            |
| Video Security                                |                                            |              |                                        |            |

# Appendix3 – Funding of Developer Contribution Plans – Kwinana and Cockburn

| As at March 2012  |                                                                     |                                                                         |                                |                  |                           |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|-------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------|------------------|---------------------------|--------------------------|-------------------------------------------------|---------------------------------------|---------------------------------|-------------------------------------|-----------------------------|----------------------|-------------------------------|---------------------------------|
| District          | Facility                                                            | Construction Cost<br>of Facility (exc.<br>GST) as at 11<br>October 2011 | Plus Interest on<br>Borrowings | External Funding | Cost of Leasible<br>Space | Costs to be<br>recovered | Predicted Total<br>Dwelling Yield<br>(@ 2031 ?) | Facility<br>Catchment<br>(population) | Existing<br>Dwellings @<br>2010 | Date at 50%<br>Catchment<br>Reached | Dwellings at<br>50% Trigger | Cost per<br>Dwelling | Total Council<br>Contribution | Total Developer<br>Contribution |
| District A        | DCA 8 Mandogalup                                                    |                                                                         |                                |                  |                           |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|                   | Mandogalup North Local Community House                              | 2,781,801.96                                                            |                                |                  |                           | 2,781,801.96             | 4,761                                           | 5,000                                 | -                               | 2026                                | 950                         | \$ 584.29            | \$ -                          | \$ 2,781,801.96                 |
|                   | Mandogalup South Local Community House                              |                                                                         |                                |                  |                           | -                        | 4,761                                           | 5,000                                 | -                               | POST 2031                           | -                           | \$ -                 | \$ -                          |                                 |
|                   | DCA 9 Wandil / Anketell                                             |                                                                         |                                |                  |                           |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|                   | Wandil North Local Community House                                  | 2,781,801.96                                                            |                                |                  |                           | 2,781,801.96             | 2,640                                           | 5,000                                 | 25                              | 2018                                | 923                         | \$ 1,053.71          | \$ 26,342.82                  | \$ 2,755,459.14                 |
|                   | Anketell Local Sports Pavilion                                      | 1,601,343.39                                                            |                                |                  |                           | 1,601,343.39             | 2,640                                           | 5,000                                 | 25                              | 2018                                | 923                         | \$ 606.57            | \$ 15,164.24                  | \$ 1,586,179.15                 |
|                   | District A Facilities                                               |                                                                         |                                |                  |                           |                          | 7,401                                           |                                       | 25                              | 2031                                | 4,790                       |                      |                               |                                 |
|                   | District A Sports Pavilion                                          | 2,965,593.93                                                            |                                |                  |                           | 2,965,593.93             | 7,401                                           | 25,000                                | 25                              | 2031                                | 4,790                       | \$ 400.70            | \$ 10,017.54                  | \$ 2,955,576.39                 |
|                   | District A Community Centre                                         | 4,648,276.73                                                            |                                |                  |                           | 4,648,276.73             | 7,401                                           | 25,000                                | 25                              | 2031                                | 4,790                       | \$ 628.06            | \$ 15,701.52                  | \$ 4,632,575.21                 |
|                   | District A Youth Centre                                             | 5,485,041.03                                                            |                                |                  |                           | 5,485,041.03             | 7,401                                           | 25,000                                | 25                              | 2031                                | 4,790                       | \$ 741.12            | \$ 18,528.04                  | \$ 5,466,512.99                 |
| District B        | DCA 10 Casuarina / Anketell                                         |                                                                         |                                |                  |                           |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|                   | Casuarina Local Community House                                     | 2,781,801.96                                                            |                                |                  |                           | 2,781,801.96             | 2,699                                           | 5,000                                 | -                               | 2025                                | 905                         | \$ 1,030.68          | \$ -                          | \$ 2,781,801.96                 |
|                   | DCA 11 Wellard East                                                 |                                                                         |                                |                  |                           |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|                   | Wellard East Local Community House                                  | 2,781,801.96                                                            |                                |                  |                           | 2,781,801.96             | 1,468                                           | 5,000                                 | -                               | 2021                                | 900                         | \$ 1,894.96          | \$ -                          | \$ 2,781,801.96                 |
|                   | Wellard East Local Sports Pavilion                                  | 1,601,343.39                                                            |                                |                  |                           | 1,601,343.39             | 1,468                                           | 5,000                                 | -                               | 2021                                | 900                         | \$ 1,090.83          | \$ -                          | \$ 1,601,343.39                 |
|                   | DCA 12 Wellard West                                                 |                                                                         |                                |                  |                           |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|                   | Wellard West Local Sports Pavilion                                  | 1,601,343.39                                                            |                                |                  |                           | 1,601,343.39             | 1,100                                           | 5,000                                 | 30                              | 2020<br>2016                        | 580                         | \$ 1,455.77          | \$ 43,673.00                  | \$ 1,557,670.39                 |
|                   | DCA 13 Bertram                                                      |                                                                         |                                |                  |                           |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|                   | Bertram Local Community House                                       | 2,781,801.96                                                            |                                |                  |                           | 2,781,801.96             | 2,870                                           | 5,000                                 | 1,630                           | 2010                                | 1,630                       | \$ 969.27            | \$ 1,579,908.43               | \$ 1,201,893.53                 |
|                   | District B Facilities                                               |                                                                         |                                |                  |                           |                          | 8,137                                           |                                       | 1,660                           | 2020                                | 4,761                       |                      |                               |                                 |
|                   | District B Sports Pavilion                                          | 2,965,593.93                                                            |                                |                  |                           | 2,965,593.93             | 8,137                                           | 25,000                                | 1,660                           | 2020                                | 4,761                       | \$ 364.46            | \$ 605,000.11                 | \$ 2,360,593.82                 |
|                   | District B Community Centre                                         | 4,648,276.73                                                            |                                |                  |                           | 4,648,276.73             | 8,137                                           | 25,000                                | 1,660                           | 2020                                | 4,761                       | \$ 571.25            | \$ 948,278.16                 | \$ 3,699,998.57                 |
|                   | District B Youth Centre                                             | 5,485,041.03                                                            |                                |                  |                           | 5,485,041.03             | 8,137                                           | 25,000                                | 1,660                           | 2020                                | 4,761                       | \$ 674.09            | \$ 1,118,983.42               | \$ 4,366,057.61                 |
| District A & B    | District A & B Dry Recreation Centre                                | 10,799,794.09                                                           |                                |                  |                           | 10,799,794.09            | 15,538                                          | 35,000                                | 1,685                           | 2021                                | 6,977                       | \$ 695.06            | \$ 1,171,170.87               | \$ 9,628,623.22                 |
|                   | District A & B Branch Library                                       | 6,807,282.75                                                            |                                |                  |                           | 6,807,282.75             | 15,538                                          | 35,000                                | 1,685                           | 2021                                | 6,977                       | \$ 438.11            | \$ 738,207.71                 | \$ 6,069,075.04                 |
| District C        | DCA 14 Wellard / Leda                                               |                                                                         |                                |                  |                           |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|                   | Wellard Village Community Centre                                    | 3,577,115.71                                                            |                                | 1,100,000.00     |                           | 2,477,115.71             | 4,829                                           | 5,000                                 | 2,188                           | 2010                                | 2,188                       | \$ 512.97            | \$ 1,122,370.92               | \$ 1,354,744.79                 |
|                   | DCA 15 Townsite (Medina, Calista, Orelia, Parmelia and Town Centre) |                                                                         |                                |                  |                           |                          | 8,117                                           |                                       | 6,500                           | 2010                                |                             |                      |                               |                                 |
|                   | District C Facilities                                               |                                                                         |                                |                  |                           |                          | 12,946                                          |                                       | 8,688                           | 2010                                | 8,688                       |                      |                               |                                 |
|                   | District C Kwinana Youth Facility (fixed cost)                      | 6,500,000.00                                                            | 25,870.69                      | 4,176,117.00     |                           | 2,349,753.69             | 12,946                                          | 25,000                                | 8,688                           | 2010                                | 8,688                       | \$ 181.50            | \$ 1,576,908.70               | \$ 772,844.99                   |
|                   | District C Community Knowledge and Resource Centre (fixed cost)     | 6,387,225.00                                                            |                                |                  |                           | 6,387,225.00             | 12,946                                          | 25,000                                | 8,688                           | 2010                                | 8,688                       | \$ 493.37            | \$ 4,286,436.80               | \$ 2,100,788.20                 |
| District A, B & C | Other - Regional                                                    |                                                                         |                                |                  |                           |                          | 29,192                                          |                                       | 11,081                          | 2015                                | 14,542                      |                      |                               |                                 |
|                   | Destination Park - Calista Oval                                     | 3,184,586.64                                                            |                                |                  |                           | 3,184,586.64             | 29,192                                          | 75,000                                | 11,081                          | 2015                                | 14,542                      | \$ 109.09            | \$ 1,208,838.19               | \$ 1,975,748.45                 |
|                   | Wells Beach Foreshore Upgrades & Jetty                              | 4,420,225.76                                                            |                                |                  |                           | 4,420,225.76             | 29,192                                          | 75,000                                | 11,081                          | 2015                                | 14,542                      | \$ 151.42            | \$ 1,677,874.82               | \$ 2,742,350.94                 |
|                   | Community Knowledge and Resource Centre (fixed cost)                | 22,000,000.00                                                           | 51,741.37                      | 11,000,000.00    | 377,272.73                |                          |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |
|                   | minus District Contribution                                         |                                                                         |                                | 6,387,225.00     |                           | 4,287,243.64             | 29,192                                          | 75,000                                | 11,081                          | 2010                                | 11,081                      | \$ 146.86            | \$ 1,627,396.09               | \$ 2,659,847.55                 |
|                   | Total                                                               | 108,587,093.30                                                          |                                |                  |                           | 85,624,090.63            | -                                               |                                       |                                 |                                     |                             |                      | \$ 17,790,801.40              | \$ 67,833,289.23                |
|                   | Administration Costs (2% of Capital Infrastructure Cost)            |                                                                         |                                |                  |                           | 2,171,741.87             | 29,192                                          |                                       |                                 |                                     |                             | \$ 74.40             |                               |                                 |
|                   | Total Recovery Cost incl Admin Fee                                  |                                                                         |                                |                  |                           | 87,795,832.50            |                                                 |                                       |                                 |                                     |                             |                      |                               |                                 |

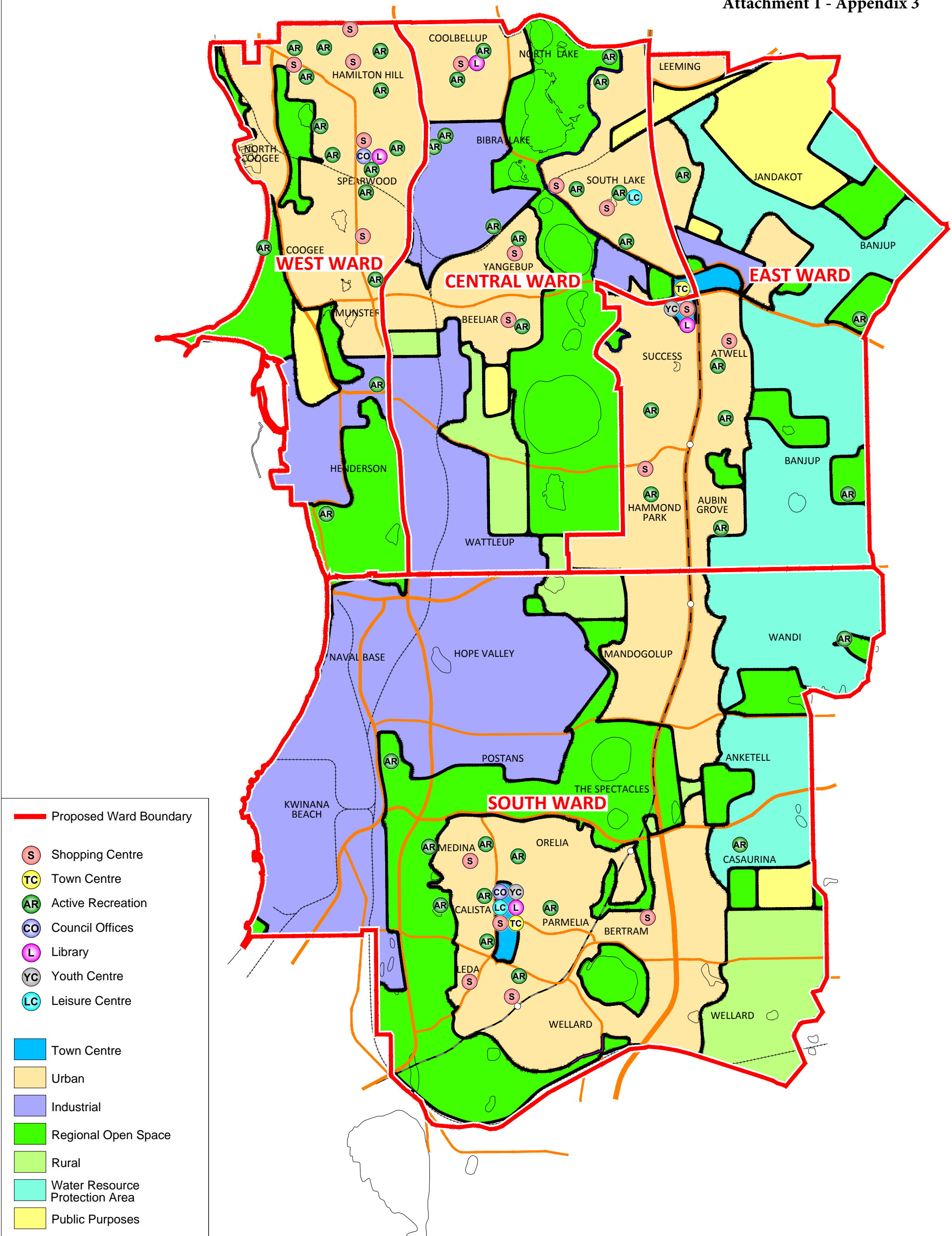
| Total Per Dwelling Cost Contribution (incl. 2% Admin Fee)           | Amount      |
|---------------------------------------------------------------------|-------------|
| DCA 8 Mandogalup                                                    | \$ 3,969.10 |
| DCA 9 Wandil / Anketell                                             | \$ 5,045.10 |
| DCA 10 Casuarina / Anketell                                         | \$ 4,255.41 |
| DCA 11 Wellard East                                                 | \$ 6,210.52 |
| DCA 12 Wellard West                                                 | \$ 4,680.49 |
| DCA 13 Bertram                                                      | \$ 4,194.00 |
| DCA 14 Wellard / Leda                                               | \$ 1,669.61 |
| DCA 15 Townsite (Medina, Calista, Orelia, Parmelia and Town Centre) | \$ 1,156.65 |



Appendix 3 – Funding of Developer Contribution Plans – Kwinana and Cockburn

DCA 13 - COMMUNITY INFRASTRUCTURE CONTRIBUTION SCHEDULE 2011-12 - CITY OF COCKBURN

| Ref No            | Description                              | Est Cost    | Du's Existing | Du's DCA | DCA Cont   | Atwell |           | Aubin Grove/Banjup |           | Banjup North |         | Beeliar |           | Bibra Lake West |         | Bibra Lake East |         | Coogee/North Coogee |           | Coolbellup |         | Hamilton Hill |           | Hammond Park/ Wattleup/Henders |            | Jandakot |         | Leeming |        | Munster |           | North Lake |         | South Lake/ Cockburn Central |            | Spearwood |           | Success |           | Yangebup |           |  |
|-------------------|------------------------------------------|-------------|---------------|----------|------------|--------|-----------|--------------------|-----------|--------------|---------|---------|-----------|-----------------|---------|-----------------|---------|---------------------|-----------|------------|---------|---------------|-----------|--------------------------------|------------|----------|---------|---------|--------|---------|-----------|------------|---------|------------------------------|------------|-----------|-----------|---------|-----------|----------|-----------|--|
|                   |                                          | \$m         | %             | %        | \$m        | %      | \$        | %                  | \$        | %            | \$      | %       | \$        | %               | \$      | %               | \$      | %                   | \$        | %          | \$      | %             | \$        | %                              | \$         | %        | \$      | %       | \$     | %       | \$        | %          | \$      | %                            | \$         | %         | \$        | %       | \$        | %        |           |  |
| Regional          |                                          |             |               |          |            |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               |           |                                |            |          |         |         |        |         |           |            |         |                              |            |           |           |         |           |          |           |  |
| 1                 | Coogee Surf Club                         | 6,500,000   | 62.710        | 37.290   | 2,423,850  | 2.148  | 52,064    | 8.765              | 212,450   | 0.619        | 15,004  | 7.179   | 174,008   | 0.312           | 7,562   | 0.752           | 18,227  | 18.853              | 456,968   | 1.191      | 28,868  | 4.387         | 106,334   | 14.410                         | 349,277    | 0.440    | 10,665  | 0.123   | 2,981  | 4.495   | 108,952   | 0.573      | 13,889  | 16.716                       | 405,171    | 5.165     | 125,192   | 9.665   | 234,265   | 4.208    | 101,996   |  |
| 2                 | Wetlands Ed/Native Arc                   | 2,500,000   | 62.710        | 37.290   | 932,250    | 2.148  | 20,025    | 8.765              | 81,712    | 0.619        | 5,771   | 7.179   | 66,926    | 0.312           | 2,909   | 0.752           | 7,011   | 18.853              | 175,757   | 1.191      | 11,103  | 4.387         | 40,898    | 14.410                         | 134,337    | 0.440    | 4,102   | 0.123   | 1,147  | 4.495   | 41,905    | 0.573      | 5,342   | 16.716                       | 155,835    | 5.165     | 48,151    | 9.665   | 90,102    | 4.208    | 39,229    |  |
| 3                 | Cockburn Central Recn and Aquatic Centre | 33,850,000  | 62.710        | 37.290   | 12,622,665 | 2.148  | 271,135   | 8.765              | 1,106,377 | 0.619        | 78,134  | 7.179   | 906,181   | 0.312           | 39,383  | 0.752           | 94,922  | 18.853              | 2,379,751 | 1.191      | 150,336 | 4.387         | 553,756   | 14.410                         | 1,818,926  | 0.440    | 55,540  | 0.123   | 15,526 | 4.495   | 567,389   | 0.573      | 72,328  | 16.716                       | 2,110,005  | 5.165     | 651,961   | 9.665   | 1,219,981 | 4.208    | 531,162   |  |
| 4                 | Cockburn Central Community Facilities    | 11,280,000  | 62.710        | 37.290   | 4,206,312  | 2.148  | 90,352    | 8.765              | 368,683   | 0.619        | 26,037  | 7.179   | 301,971   | 0.312           | 13,124  | 0.752           | 31,631  | 18.853              | 793,016   | 1.191      | 50,097  | 4.387         | 184,531   | 14.410                         | 606,130    | 0.440    | 18,508  | 0.123   | 5,174  | 4.495   | 189,074   | 0.573      | 24,102  | 16.716                       | 703,127    | 5.165     | 217,256   | 9.665   | 406,540   | 4.208    | 177,002   |  |
| 5                 | Visko Park Bowling and Recreation club   | 7,000,000   | 62.710        | 37.290   | 2,610,300  | 2.148  | 56,069    | 8.765              | 228,793   | 0.619        | 16,158  | 7.179   | 187,393   | 0.312           | 8,144   | 0.752           | 19,629  | 18.853              | 492,120   | 1.191      | 31,089  | 4.387         | 114,514   | 14.410                         | 376,144    | 0.440    | 11,485  | 0.123   | 3,211  | 4.495   | 117,333   | 0.573      | 14,957  | 16.716                       | 436,338    | 5.165     | 134,822   | 9.665   | 252,285   | 4.208    | 109,841   |  |
| 6                 | Coogee Golf Complex                      | 9,700,000   | 62.710        | 37.290   | 3,617,130  | 2.148  | 77,696    | 8.765              | 317,041   | 0.619        | 22,390  | 7.179   | 259,674   | 0.312           | 11,285  | 0.752           | 27,201  | 18.853              | 681,938   | 1.191      | 43,080  | 4.387         | 158,683   | 14.410                         | 521,228    | 0.440    | 15,915  | 0.123   | 4,449  | 4.495   | 162,590   | 0.573      | 20,726  | 16.716                       | 604,639    | 5.165     | 186,825   | 9.665   | 349,596   | 4.208    | 152,209   |  |
| 7                 | Bibra Lake Management Plan               | 13,640,000  | 62.710        | 37.290   | 5,086,356  | 2.148  | 109,255   | 8.765              | 445,819   | 0.619        | 31,485  | 7.179   | 365,149   | 0.312           | 15,869  | 0.752           | 38,249  | 18.853              | 958,931   | 1.191      | 60,578  | 4.387         | 223,138   | 14.410                         | 732,944    | 0.440    | 22,380  | 0.123   | 6,256  | 4.495   | 228,632   | 0.573      | 29,145  | 16.716                       | 850,235    | 5.165     | 262,710   | 9.665   | 491,596   | 4.208    | 214,034   |  |
| 8                 | Atwell Oval                              | 718,000     | 62.710        | 37.290   | 267,742    | 2.148  | 5,751     | 8.765              | 23,468    | 0.619        | 1,657   | 7.179   | 19,221    | 0.312           | 835     | 0.752           | 2,013   | 18.853              | 50,477    | 1.191      | 3,189   | 4.387         | 11,746    | 14.410                         | 38,582     | 0.440    | 1,178   | 0.123   | 329    | 4.495   | 12,035    | 0.573      | 1,534   | 16.716                       | 44,756     | 5.165     | 13,829    | 9.665   | 25,877    | 4.208    | 11,267    |  |
| Sub Regional      |                                          |             |               |          |            |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               |           |                                |            |          |         |         |        |         |           |            |         |                              |            |           |           |         |           |          |           |  |
| 9                 | Cockburn Central Library and Community   | 15,000,000  | 55.825        | 44.175   | 6,626,250  | 4.004  | 265,315   | 16.341             | 1,082,796 | 1.154        | 76,467  |         |           |                 |         |                 | 1.401   | 92,834              |           |            |         |               |           | 26,866                         | 1,780,208  | 0.820    | 54,335  | 0.229   | 15,174 |         |           |            |         | 31.166                       | 2,065,137  |           |           | 18.019  | 1,193,984 |          |           |  |
| 10                | Cockburn Central Playing Fields          | 5,120,000   | 55.825        | 44.175   | 2,261,760  | 4.004  | 90,561    | 16.341             | 369,594   | 1.154        | 26,101  |         |           |                 |         |                 | 1.401   | 31,687              |           |            |         |               |           | 26,866                         | 607,644    | 0.820    | 18,546  | 0.229   | 5,179  |         |           |            |         | 31.166                       | 704,900    |           |           | 18.019  | 407,547   |          |           |  |
| 11                | Anning Park - Tennis                     | 3,000,000   | 55.825        | 44.175   | 1,325,250  | 4.004  | 53,063    | 16.341             | 216,559   | 1.154        | 15,293  |         |           |                 |         |                 | 1.401   | 18,567              |           |            |         |               |           | 26,866                         | 356,042    | 0.820    | 10,867  | 0.229   | 3,035  |         |           |            |         | 31.166                       | 413,027    |           |           | 18.019  | 238,797   |          |           |  |
| 12                | Cockburn Heritage Park                   | 5,210,000   | 55.825        | 44.175   | 2,301,518  | 4.004  | 92,153    | 16.341             | 376,091   | 1.154        | 26,560  |         |           |                 |         |                 | 1.401   | 32,244              |           |            |         |               |           | 26,866                         | 618,326    | 0.820    | 18,872  | 0.229   | 5,270  |         |           |            |         | 31.166                       | 717,291    |           |           | 18.019  | 414,710   |          |           |  |
| 13                | Bicycle Network East                     | 814,675     | 55.825        | 44.175   | 359,883    | 4.004  | 14,410    | 16.341             | 58,808    | 1.154        | 4,153   |         |           |                 |         |                 | 1.401   | 5,042               |           |            |         |               |           | 26,866                         | 95,686     | 0.820    | 2,951   | 0.229   | 824    |         |           |            |         | 31.166                       | 112,161    |           |           | 18.019  | 64,847    |          |           |  |
| 14                | North Coogee Foreshore Management Plan   | 250,000     | 68.406        | 31.594   | 78,985     |        |           |                    |           |              |         | 15.485  | 12,231    | 0.673           | 532     |                 |         | 40.662              | 32,117    | 2.570      | 2,030   | 9.463         | 7,474     |                                |            |          |         |         |        | 9.695   | 7,658     | 1.235      | 975     |                              |            | 11.140    | 8,799     |         |           | 9.077    | 7,169     |  |
| 15                | Seniors & Life Long Learning Centre      | 16,000,000  | 68.406        | 31.594   | 5,055,040  |        |           |                    |           |              |         | 15.485  | 782,773   | 0.673           | 34,020  |                 |         | 40.662              | 2,055,480 | 2.570      | 129,915 | 9.463         | 478,358   |                                |            |          |         |         |        | 9.695   | 490,086   | 1.235      | 62,430  |                              |            | 11.140    | 563,131   |         |           | 9.077    | 458,846   |  |
| 16                | Beale Park Sports Facilities             | 3,000,000   | 68.406        | 31.594   | 947,820    |        |           |                    |           |              |         | 15.485  | 146,770   | 0.673           | 6,379   |                 |         | 40.662              | 385,403   | 2.570      | 24,359  | 9.463         | 89,692    |                                |            |          |         |         |        | 9.695   | 91,891    | 1.235      | 11,706  |                              |            | 11.140    | 105,587   |         |           | 9.077    | 86,034    |  |
| 17                | Western Suburbs Skate Park               | 350,000     | 68.406        | 31.594   | 110,579    |        |           |                    |           |              |         | 15.485  | 17,123    | 0.673           | 744     |                 |         | 40.662              | 44,964    | 2.570      | 2,842   | 9.463         | 10,464    |                                |            |          |         |         |        | 9.695   | 10,721    | 1.235      | 1,366   |                              |            | 11.140    | 12,319    |         |           | 9.077    | 10,031    |  |
| 18                | Bicycle Network West                     | 2,955,781   | 68.406        | 31.594   | 933,849    |        |           |                    |           |              |         | 15.485  | 144,607   | 0.673           | 6,285   |                 |         | 40.662              | 379,722   | 2.570      | 24,000  | 9.463         | 88,370    |                                |            |          |         |         |        | 9.695   | 90,537    | 1.235      | 11,533  |                              |            | 11.140    | 104,031   |         |           | 9.077    | 84,766    |  |
| 19                | Dixon Reserve/Wally Hagen                | 5,000,000   | 68.406        | 31.594   | 1,579,700  |        |           |                    |           |              |         | 15.485  | 244,617   | 0.673           | 10,631  |                 |         | 40.662              | 642,338   | 2.570      | 40,598  | 9.463         | 149,487   |                                |            |          |         |         |        | 9.695   | 153,152   | 1.235      | 19,509  |                              |            | 11.140    | 175,979   |         |           | 9.077    | 143,389   |  |
| Local             |                                          |             |               |          |            |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               |           |                                |            |          |         |         |        |         |           |            |         |                              |            |           |           |         |           |          |           |  |
| 20                | Lakelands Reserve                        | 1,200,000   | 43.560        | 56.440   | 677,280    |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               |           |                                |            |          |         |         |        |         |           |            |         | 56.440                       | 677,280    |           |           |         |           |          |           |  |
| 21                | Southwell Community Centre               | 500,000     | 84.290        | 15.710   | 78,550     |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               | 78,550    |                                |            |          |         |         |        |         |           |            |         |                              |            |           |           |         |           |          |           |  |
| 22                | Hammond Park Recreation Facility         | 900,000     | 24.733        | 75.267   | 677,403    |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               |           | 677,403                        |            |          |         |         |        |         |           |            |         |                              |            |           |           |         |           |          |           |  |
| 23                | Frankland Park Rcn & Community           | 1,700,000   | 24.733        | 75.267   | 1,279,539  |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               |           | 1,279,539                      |            |          |         |         |        |         |           |            |         |                              |            |           |           |         |           |          |           |  |
| 24                | Munster Recreation Facility              | 950,000     | 61.260        | 38.740   | 368,030    |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               |           |                                |            |          |         |         |        |         |           |            |         | 368,030                      |            |           |           |         |           |          |           |  |
| Administration    |                                          | 80,750      |               | 100.000  | 80,750     | 2.148  | 1,735     | 8.765              | 7,078     | 0.619        | 500     | 7.179   | 5,797     | 0.312           | 252     | 0.752           | 607     | 18.853              | 15,224    | 1.191      | 962     | 4.387         | 3,543     | 14.410                         | 11,636     | 0.440    | 355     | 0.123   | 99     | 4.495   | 3,630     | 0.573      | 463     | 16.716                       | 13,498     | 5.165     | 4,171     | 9.665   | 7,804     | 4.208    | 3,398     |  |
|                   |                                          |             |               |          | 56,508,791 |        |           |                    |           |              |         |         |           |                 |         |                 |         |                     |           |            |         |               |           |                                |            |          |         |         |        |         |           |            |         |                              |            |           |           |         |           |          |           |  |
| Total cost        |                                          | 147,219,206 |               |          |            |        | 1,199,583 |                    | 4,895,269 |              | 345,709 |         | 3,634,442 |                 | 157,955 |                 | 419,866 |                     | 9,544,205 |            | 603,046 |               | 2,299,540 |                                | 10,005,052 |          | 245,701 |         | 68,655 |         | 2,643,613 |            | 290,004 |                              | 10,013,400 |           | 2,614,761 |         | 5,397,932 |          | 2,130,378 |  |
| Future dwellings  |                                          |             |               |          |            |        | 420       |                    | 1,714     |              | 121     |         | 1,404     |                 | 61      |                 | 147     |                     | 3,687     |            | 233     |               | 858       |                                | 2,818      |          | 86      |         | 24     |         | 879       |            | 112     |                              | 3,269      |           | 1,010     |         | 1,809     |          | 823       |  |
| Cost per Dwelling |                                          |             |               |          |            |        | 2,856     |                    | 2,856     |              | 2,857   |         | 2,589     |                 | 2,589   |                 | 2,856   |                     | 2,589     |            | 2,588   |               | 2,680     |                                | 3,550      |          | 2,857   |         | 2,861  |         | 3,008     |            | 2,589   |                              | 3,063      |           | 2,589     |         | 2,984     |          | 2,589     |  |





Our Ref: GOV/27 D13/98189

Your Ref:

Enquiries to:



12 September 2013

[www.rockingham.wa.gov.au](http://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.

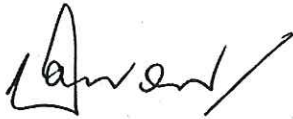


I acknowledge your assurances that any submission put forward to the Local Government Advisory Board from the City of Cockburn/Kwinana will not contain recommendations or proposals for adjustments to the boundaries between the prospective new entity and the City of Rockingham, however I am happy for 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 OFFICEER