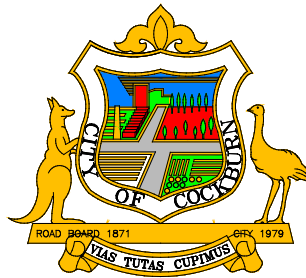


CITY OF COCKBURN



SPECIAL COUNCIL MEETING

AGENDA PAPER

FOR

MONDAY, 4 AUGUST 2014

CITY OF COCKBURN

SUMMARY OF AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL MEETING TO BE HELD ON MONDAY, 4 AUGUST 2014 AT 7:00 PM

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CITY OF COCKBURN**AGENDA TO BE PRESENTED TO THE SPECIAL COUNCIL
MEETING TO BE HELD ON
MONDAY, 4 AUGUST 2014 AT 7:00 PM**

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

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

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

8 (SCM 04/08/2014) - PURPOSE OF MEETING

The purpose of the meeting is to consider:

1. the making of a new proposal to the Local Government Advisory Board: and
2. the Head Lease and Deed of Indemnification between the City of Cockburn and Cockburn GP Super Clinic Limited.

9. COUNCIL MATTERS

9.1 (SCM 04/08/2014) - NEW PROPOSAL TO THE LOCAL GOVERNMENT ADVISORY BOARD FOR AN AMALGAMATION OF THE CITIES OF COCKBURN AND KWINANA (089/004) (S.CAIN) (ATTACH)

RECOMMENDATION

That Council:

- (1) adopt the attached new proposal on an 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 new 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; but with a substantively modified northern boundary compared to the current district of Cockburn;
- (3) commence working with the City of Kwinana on implementing a transition plan that would give effect to an amalgamation;
- (4) brief the Cities of Fremantle and Melville; as well as the Cockburn-Kwinana Community Steering Group on the detail contained in this proposal;
- (5) initiate further community communication to keep residents and ratepayers abreast of information on this project; and

use the information that supported the preparation of this new proposal as the foundation for its submission to the Local Government Advisory Board on their current recommendations.

COUNCIL DECISION**Background**

At a Special Council Meeting held on 24 October 2013 Council adopted a preferred position on local government reform, opting to submit a proposal to the Local Government Advisory Board (LGAB) for the merger of the whole of the districts of Cockburn and Kwinana. This proposal was subsequently accepted by the LGAB as Proposal 20.

Subsequently, an alternate proposal was developed by the Cockburn Community Steering Group in November 2014, which was also accepted by the LGAB (known as Proposal E1).

Council lodged a submission on all of the proposals affecting the City at a Special Council Meeting held on 6 March 2014. The Council resolution of that meeting changed its official position as follows:

(8) Supports Proposal E1 – Cockburn Community Steering Group, as an alternative to the City’s own Proposal 20, as qualified in this report.

On 21 July 2014 the LGAB Chairman, Cr Mel Congerton, met with the Mayors and Chief Executives of Cockburn and Kwinana to advise that the LGAB were intending to recommend the Cockburn Community Steering Group’s Proposal E1, but in a significantly different form. The LGAB were intending to overlay the City of Fremantle’s Proposal 12 and the City of Melville’s Proposal 10 (with some modifications) over Proposal E1. The impact would see the suburbs of part of North Coogee, and all of Hamilton Hill, Coolbellup, North Lake, Bibra Lake and the Bibra Lake industrial area all ceded from the district of Cockburn.

Elected Members were briefed on the LGAB’s Intended Recommendation at a workshop held on 24 July. A workshop was then held with the Cockburn-Kwinana Community Steering Group on 28 July and a briefing given to the Cockburn Regional Community Development Forum on 30 July. An offer was made to the City of Kwinana for a discussion prior to the document being finalised, but was declined.

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 nine reports have now been presented to Council on this topic since 2009.

The current status of the reform process is that the LGAB has now assessed all of the 38 proposals that were presented and reached a view on these. As a result it seeks to modify outcomes for the Cities of Armadale, Cockburn, Fremantle, Kwinana, Melville and the Shire of Serpentine-Jarrahdale; by way of 3 alternative recommendations. For Cockburn-Kwinana it intends recommending a modified form of Proposal E1 using an amalgamation, but also significantly different boundaries for Cockburn. For Melville it intends recommending a modified version of Proposal 10 that excludes areas of Canning and the Jandakot Airport, with all changes being done by boundary adjustments. For Armadale – Serpentine-Jarrahdale, it intends recommending a boundary adjustment that would see the abolition of Serpentine-Jarrahdale. The implication of the above is that the LGAB also intends recommending Fremantle's Proposal 12.

The LGAB is required to advertise its intended recommendations and to consider submissions. It commenced advertising on 23 July 2014 for a period of three weeks. This timetable means that the earliest the Minister for Local Government should expect to receive a report from the LGAB would be the end of August 2014.

As the recommended alternative for Cockburn-Kwinana is an amalgamation, this would create an opportunity for the community to request a poll. Assuming this occurs, Governor's Orders for Cockburn-Kwinana could not be issued until after the poll result had been determined. Prior advice from the West Australian Electoral Commission had indicated that the earliest a poll could be called would be for late November / early December 2014.

LGAB's Intended Recommendation. The LGAB is currently advertising its Intended Recommendation until 14 August 2014. While time is of the essence to prepare formal submissions to the LGAB, if the attached proposal is adopted by Council its contents will be used to frame the City's response to the advertised LGAB's Intended Recommendations.

The essence of the City's new proposal is to present the LGAB with a better alternative than its intended recommendation. To this end, the new proposal is structured to directly contrast the intended recommendation and key elements of the new proposal. The major difference is for a new northern boundary that minimises the degree of disruption that would be entailed with the LGAB's Intended Recommendation.

New Proposal. The draft new proposal is significantly different to the City's current adopted position. It would entail ceding more territory and population to the Cities of Fremantle and Melville, but less than is proposed in the LGAB's Intended Recommendations. To illustrate this, Table 1 has the proposed population statistics for Cockburn and Table 2 has the data for the LGAB's Intended Recommendation.

Table 1: Population Comparison

Scenario	Population Current	Population 2031	Comment
Existing Cockburn	103 351	165 465	Includes Rottneest – to be transferred to Fremantle
LGAB's Intended Recommendation (Modified Proposal E1)	75 286	124 937	28% pop. reduction on current pop.
City of Cockburn New Proposal	86 263	136 154	16% pop. Reduction on current pop.

Table 2: Regional Population Comparison

Scenario	Population Current	Population 2031	Comment
Current Cockburn-Kwinana	137764	232958	
LGAB's Intended Recommendation Cockburn-Kwinana	108995	191080	Cockburn lose 28,769 residents (28% current pop.) to Fremantle/Melville
LGAB's Intended Recommendation Fremantle	62923	81330	Fremantle's current pop (30,321) would double.
LGAB's Intended Recommendation Melville	110238	119905	Melville lose 14,682 residents (14% current pop.) to Fremantle

This scenario reduces the number of residents that would be relocated from the district of Cockburn, so reduces the impact on our community. However, in order to see the overall regional impact Table 3 presents details on the suburb and new local authorities.

Table 3. Impact of City of Cockburn New Proposal

Adjustment	Cockburn Kwinana		Greater Fremantle		Melville	
	2013	2031	2013	2031	2013	2031
Cockburn	103 351	165 465	30 321	36 263	106 335	114 170
Kwinana	34 413	67 493	7 736	8 924		
Rottnest	-131	-160	+131	+160		
Part Hamilton Hill	-5 986	-8 450	+5 986	+8 450		
Part North Coogee	-979	-10 385	+979	+10 385		
Samson			-1 905	-1 905	+1 905	+1 905
Part O'Connor			-5	-10	+5	+10
Bicton			+7 128	+7 200	-7 128	-7 200
Palmyra			+7 544	+7 600	-7 544	-7 600
Part Leeming	-2 332	-2 400			+2 332	+2 400
Part Coolbellup and North Lake West	-6 611	-8 239			+6 611	+8 239
Jandakot Airport	-243	-300			+243	+300
North Lake East	-441	-441			+441	+441
Total	121 482	202 583	57 915	77 067	103 200	112 655

Sources: ABS 3218.0, Forecast ID, South West Group Capacity Forecast

While the population movements show a reduction in the positions for Fremantle and Melville, the overall financial position for these two local authorities is considerably stronger than they are at present. Information on the financial affects is detailed later in this report.

The key elements of the new proposal are:

1. **Consistent.** The draft new proposal is consistent with the LGAB's Intended Recommendation to reduce the number of local governments in the south-metropolitan region from six to four.
2. **Rationale.** There would be a more logical and uniform northern boundary between the three local authorities (Cockburn, Fremantle and Kwinana), which more closely mirrors the State Government's *Directions 2031* strategy. The net loss of population from Cockburn is more proportionate with the changes to Melville. It still transfers industrial / commercial land and redistributes the rate income, but does so without disrupting the capacity to develop the future road infrastructure plan that is vital to the economic functioning of these precincts. It would require the transfer of fewer assets, fewer services and staff; thereby minimising the disruptive effect on communities.

3. **Name.** The new City will have an interim name of 'City of Cockburn-Kwinana'; however, there would be an opportunity for alternate names to be put to a plebiscite at a future date, with options resolved by both municipalities or the new local government.
4. **Representation.** The proposed representative model is based on a geographically based three ward model; with west, east and south wards. Each ward would have proportionate representation; however, there could be an option to allow four Councillors in the south ward so each ward has the same number of representatives. The south ward would grow more quickly than the other two wards, but it would create a sense of equality of representation for all wards during the important transition period. The community will directly elect the Mayor, ie a popularly elected mayor as per Cockburn's current system.
5. **Boundaries.** The new proposal seeks to retain the existing boundaries of Kwinana (with a very minor exception), but amend the northern boundary of Cockburn. This outcome would be significantly different to what the LGAB's Intended Recommendation is currently recommending as follows:
 - a. **North-West.** The Northern District boundary between Cockburn and Fremantle would commence at Stock Road and run westward along the northern edge of the Roe Highway reservation, through Hamilton Hill then south along the western edge of the Cockburn Coast Drive road reservation to Cockburn Road then west to the northern side of Caledonia Loop through to the Indian Ocean.

This proposed northern boundary would leave Port Coogee and the southern part of Hamilton Hill as the boundary. It is a more robust delineation than is currently recommended by the LGAB.
 - b. **North-East.** The Northern District boundary between Cockburn and Melville would commence at Stock Road and run eastward along the northern edge of the Roe Highway reservation to the Kwinana Freeway, then along the northern edge of the existing Roe Highway reservation through to Karel Avenue, then south along Karel Avenue to Berrigan Drive, where it would follow the boundary of Jandakot Airport utilising the boundary of the Commonwealth's land through to Johnston Road.

This proposed northern boundary closely resembles one of the options presented in the Robson Report, the only differences being along the Cockburn Coast and Jandakot Airport / City.

- c. *South.* Include an area of the City of Rockingham with the new district boundary to follow Patterson Road to Charles Street and then extends to the Indian Ocean.

This proposed southern boundary would be consistent with the LGAB's Intended Recommendation and ensure that the Kwinana Nickel Refinery is included within the new entity.

6. **Funding.** The City has estimated the cost of amalgamation at around \$7.5M, but this excluded costs associated with the major asset transfers that would be required under the LGAB's Intended Recommendation. The major cost advantages of this new proposal are:

- a. *Avoided Costs.* It would avoid the need to relocate the City of Cockburn's Operations Depot, at an estimated cost of \$30M.
- b. *Reduced Operating Costs.* It would reduce the operating costs for the Cities of Fremantle, Melville and Cockburn, with fewer assets and services needing to be moved.
- c. *Staff.* It would significantly reduce the number of staff that need to be transferred between local governments.

Managing Transition. The new proposal is for an amalgamation, which is consistent with the LGAB's Intended Recommendation for Cockburn-Kwinana. This outcome, if finally adopted by way of Governor's Orders, will eventually lead to the appointment of Commissioners to manage the new local authority.

It remains the preference of the existing Elected Members of each merging local authority to plan for and manage the amalgamation process. To that end there is a need to form a new or amended Local Implementation Committee. Discussion with Kwinana has commenced on this and will evolve further over coming weeks.

Community Engagement. The City has provided a stream of media to the community on this topic over many months and has recently updated its webpage to reflect the current status of the Reform process.

As this new proposal is significantly different to Council's adopted position it was briefed to the Cockburn-Kwinana Community Steering Group. An offer was also made to the City of Kwinana for a briefing prior to finalising the report, but this was declined. A copy of the new proposal was subsequently provided to them after it was completed and made available to the general public, prior to Council's consideration.

Given the limited timeframe it has not been possible to conduct broad community consultation on this new proposal. It will be necessary to brief the community as soon as practical using the broadest range of media once Council makes its decision.

Regional Financial Impact. Extensive financial modelling has been undertaken by the City's Director of Finance and Corporate Services, as part of the preparation of this new proposal. The comparative position of the LGAB's Intended Recommendation and this new proposal has been analysed for all the local governments affected by this new proposal.

The City has used the adopted 2014/15 municipal budgets for the impacted Councils being:

- City of Cockburn
- City of Kwinana
- City of Fremantle
- City of Melville and
- Town of East Fremantle (Draft)

The City of Cockburn used the latest financial information contained in the budgets as the original information provided to the LGAB is already two years old. Much has changed over that time and it is appropriate to use the latest data given Cockburn and Kwinana are growing by 3% and 5% annually, and the City of Melville have changed the way they rate property by the inclusion of the waste management fee as part of their general rating structure.

The modelling has reviewed three proposals:

1. E1 – Cockburn Community Proposal – combining the Cities of Cockburn and Kwinana with the loss of Leeming to the City of Melville and North Coogee (north of Rollinson Road) to the City of Fremantle.
2. LGAB's Intended Recommendation – Amalgamating Cockburn and Kwinana with Bibra Lake, North Lake, Coolbellup and Leeming being transferred to the City of Melville and Hamilton Hill (City of Cockburn retains control of Manning Park) and North Coogee (to McTaggart Cove) being transferred to the City of

Fremantle. In addition, the model has reviewed the impact of the City of Fremantle ceding O'Connor and Samson to the City of Melville and Palmyra and Bicton being transferred to the City of Fremantle. The model did not take into account the small part of Rockingham East (Nickel refinery) being transferred to Cockburn/Kwinana as the impact was considered minimal.

3. Cockburn's New Proposal - Amalgamating Cockburn and Kwinana with the Roe Highway Road Reserve being the northern boundary with Jandakot Airport. That is, North Lake, Coolbellup and Leeming and Jandakot Airport (including Jandakot City) being transferred to the City of Melville and North Hamilton Hill (north of the Roe Hwy Road Reserve) and North Coogee (to McTaggart Cove) being transferred to the City of Fremantle. In addition, the model has included the impact of the City of Fremantle ceding O'Connor and Samson to the City of Melville and Palmyra and Bicton being transferred to the City of Fremantle. The model did not take into account the small part of Rockingham East (Nickel refinery) being transferred to Cockburn/Kwinana as the impact was considered minimal. As part of North Hamilton Hill, the City of Cockburn has Aged Services. The City intends to seek to retain the provision of this service for a period of time as the majority of the clients are located in the City of Cockburn, not the City of Fremantle.

Model 1 – E1 Community Proposal to the LGAB

COC/COK	COC/COK	Combined
Rates	\$94.13	\$92.58
Total Rev	\$184.92	\$182.41
Total Exp	\$175.96	\$173.62
Op Surplus	\$8.96	\$8.79

MELVILLE	MELVILLE	Combined
Rates	76.98	72.08
Total Rev	\$108.35	\$100.55
Total Exp	\$97.99	\$92.92
Op Surplus	\$10.36	\$7.63

COF/TOEF	COF/TOEF	Combined
Rates	44.52	50.97
Total Rev	\$79.32	\$89.62
Total Exp	\$79.01	\$86.42
Op Surplus	\$0.31	\$3.20

Model 2 – LGAB's Intended Recommendation to Cockburn / Kwinana / Fremantle / Melville

COC/COK	COC/COK	Combined
Rates	\$94.13	\$75.02
Total Rev	\$184.92	\$149.54
Total Exp	\$175.96	\$146.26
Op Surplus	\$8.96	\$3.27

MELVILLE	MELVILLE	Combined
Rates	\$76.98	\$85.36
Total Rev	\$108.35	\$122.44
Total Exp	\$97.99	\$110.28
Op Surplus	\$10.36	\$12.16

COF/TOEF	COF/TOEF	Combined
Rates	\$44.52	\$55.24
Total Rev	\$79.32	\$100.61
Total Exp	\$79.01	\$96.42
Op Surplus	\$0.31	\$4.19

Model 3 – NEW Cockburn Proposal to LGAB – Based on Roe Hwy

COC/COK	COC/COK	Combined
Rates	\$94.13	\$85.88
Total Rev	\$184.92	\$168.69
Total Exp	\$175.96	\$161.15
Op Surplus	\$8.96	\$7.53

MELVILLE	MELVILLE	Combined
Rates	\$76.98	\$76.63
Total Rev	\$108.35	\$109.74
Total Exp	\$97.99	\$101.00
Op Surplus	\$10.36	\$8.74

COF/TOEF	COF/TOEF	Combined
Rates	\$44.52	\$53.10
Total Rev	\$79.32	\$94.15
Total Exp	\$79.01	\$90.80
Op Surplus	\$0.31	\$3.36

Financial Assumptions

Revenue. Rates have been allocated as per suburb, retained services and specific grants quarantined with relevant Council, general grants and other income allocated as a percentage of population.

Expenditures. Payroll 'Governance' costs and some retained services are kept with Cockburn. Other transferrable services were moved into the relevant local governments. The balance of the payroll costs were allocated on basis of population moving to the relevant local government.

Depreciation & utilities is based on identifiable assets. Other costs were based on population, unless the cost for a specific asset was able to be allocated to the identifiable asset.

General Comments. The LGAB's Intended Recommendation significantly impacts on a new Cockburn/Kwinana:

- The transfer of suburbs does not provided for the transfer of governance costs to the new local government, so the new entity receives the revenue but not the true cost of providing/collecting that revenue.
- The new Cockburn/Kwinana then combines two significant governance costs without being able to transfer those costs to the other local governments. This magnifies the challenge faced by the new local government in achieving operation efficiencies.
- The LGAB's Intended Recommendation retains Manning Park, Hamilton Hill in Cockburn/Kwinana with the annual maintenance cost of \$0.45M without the revenue from Hamilton Hill to service the cost. As this is a regional asset, there is disproportionate impact on Cockburn-Kwinana under this arrangement.

- The transfer of Bibra Lake to Melville will impact the future road construction program of the new Cockburn/Kwinana by at least \$45M over the next ten years. Clearly the low recurrent service costs of industrial rates income then allows a growth entity like Cockburn/Kwinana to allocate this funding to road construction, a key demand of the business community. Given the constraints in funding of roads from the State Government and frozen Federal grants, this is a key issue for Cockburn.

The loss of the Depot in Bibra Lake is another key concern to the new Cockburn/Kwinana. The depot at Bibra Lake is 5ha and services 103,000 residents and 170 sq km. The Kwinana depot at 1.5ha is not sufficient to service the needs of the new City of 250 sq km and population of 108,995 rising to 191,000 over time.

As the depot is owned freehold, the loss to Melville will have a long term cost of \$15M for replacement on a like for like basis (this jumps to \$30M when land and IT costs are included). More importantly, the depot will have to be re-located at a future time if the proposed boundary is effected, otherwise cost savings from LG Reform will be consumed in additional operating costs.

There should be no reason why this asset should be lost to the retained Cockburn residents given Melville has a similar sized depot in Murdoch. Melville hasn't a need for two depots.

It should also be noted that Cockburn has also invested heavily into broadband technology linking the Depot to the main administration centre in Spearwood. This then links all City of Cockburn buildings such as the three libraries, South Lake Leisure Centre, Youth Centre, etc. In addition the City has recently completed its Data Recovery Centre at the Depot. The cost of replacing this investment is close to \$1M.

The LGAB's Intended Recommendation dramatically impacts on the future-proofing of Cockburn/Kwinana for servicing its population and replacing its assets. The operating surplus falls from \$8.96M to \$3.27M in 2014/15. This stymies the ability of a high growth local government to not only construct new assets, but replace or upgrade old infrastructure. Projects will either be delayed, debt funded or scrapped.

Melville and Fremantle are not growth local governments and as such are not still building new roads, civic or community assets. The depreciation cash generated will fund the replacement of the existing pool of assets. In addition, Melville already runs an extensive operating surplus, therefore providing them with more industrial rating income means they will only become substantially wealthier at the expense of ratepayers of Cockburn/Kwinana.

The City's new proposal, to move the northern boundary to Roe Highway and to include Jandakot Airport/Jandakot City, provides a number of benefits to Cockburn/Kwinana as well as to Fremantle.

A guiding principle for the LGAB was to provide a level of sustainability to rate funding over the medium to long term and this was to ensure a distribution of industrial/commercial rates to impacted Councils in this region (Melville, Fremantle, East Fremantle, Cockburn and Kwinana). As the following table indicates (based on 2014/15 budgets), Melville has significantly gained from the LGAB's Intended Recommendation.

Table – Sources of Rates – Current vs LGAB's Intended Recommendation

	Res	C&I	Other
Cockburn Kwinana LGAB	56.1%	40.9%	3.0%
New Cockburn/Kwinana-LGAB	57.5%	38.7%	3.7%
Melville	76.2%	23.4%	0%
New Melville - LGAB	67.6%	32.4%	
Fremantle/East Fremantle	58.6%	41.4%	0%
New Fremantle LGAB	63.6%	36.4%	

The current budget for Melville and the proposed transfer of various suburbs will make them wealthier at the detriment to the high growth Cockburn-Kwinana.

Cockburn's new proposal is to retain Bibra Lake (inclusive of the Depot and industrial & commercial rates) which delivers a more equitable regional outcome than is achieved with the LGAB's Intended Recommendation.

The impact will reduce Melville's % of rates derived from industrial and commercial rates from 36.4% to 26.5% (under the LGAB's Intended Recommendation and Cockburn's new proposal respectively) although it will be higher than the current 23.4%.

Table – Immediate Impact of Cockburn's New Proposal

	Res	C&I	Other
Cockburn Kwinana JAH/Roe	56.1%	40.9%	3.0%
New Cockburn/Kwinana less Roe/Jandakot airport (JAH)	55.4%	41.3%	3.2%
Melville	76.5%	23.5%	0.0%
New Melville with Roe/JAH	73.5%	26.5%	0.0%
Fremantle/East Fremantle	58.6%	41.4%	0.0%
New Fremantle Roe	62.7%	37.3%	0.0%

The following table demonstrates that the growth of Jandakot Airport/Jandakot City over the next seven years will lift the % of rates derived from industrial and commercial rates for the City of Melville from 23.5% to 29.5%.

Table – Impact over time of JAH/JC and GC on Melville’s rating sustainability

Melville with JAH/Roe Hwy	Res	C&I
2014/15 Pre Reform	76.5%	23.5%
2014/15 Post LG Reform	74.7%	25.3%
2022/23 End of JAH Growth	70.5%	29.5%

This will then meet the principle enunciated by the LGAB for sustainability of the City of Melville’s rating base. This will be further supplemented by the growth of Garden City rating income as it doubles in size over the next ten years, none of which has been built into the City of Melville’s current LTFP. This enables the growth council of Cockburn/Kwinana to deliver its capital road and community infrastructure program.

As can be seen from the table below, the City of Melville will be viewed as very sustainable by comparison with other urban developed Councils. The City of Melville will move from 23% to 29.5% over time with the transfer of Jandakot Airport/Jandakot City and Garden City as both grow over the medium term delivering additional industrial/commercial rates with little or no service costs.

Rating Income Sources – Comparing Melville with Non LG Reform Councils and Other “Urban Maintenance Councils” Post LG Reform – 2013/14		
Council	Res	C&I
Melville	77%	23%
Joondalup	83%	17%
Nedlands	86%	14%
Stirling	78%	28%
Bassendean/Bayswater	83%	17%
South Perth/Victoria Park	64%	36%
Average	78%	22%
Add in Fremantle/Canning		
Fremantle	59%	41%
Canning	50%	50%
Amended Average	72%	28%

This new proposal will have a reduced impact on the growth city of Cockburn/Kwinana. Clearly Melville will be at the upper end of the % of rates being derived from commercial and industrial ratepayers.

Rates. The harmonisation of rates is also a significant challenge for the new Cockburn-Kwinana. Presently the City of Kwinana's average residential rate is 37% higher than Cockburn's. While rate harmonisation (ie standardisation across both local governments) is allowed to occur over 5 years, the fact remains that savings of \$2M need to be found in running the new local government, or Cockburn ratepayers are going to have their rates increase to fund this gap.

The new proposal from Cockburn provides what the LGAB has enunciated about long term not short term sustainability, whilst preserving the financial sustainability of the growth Councils of Cockburn/Kwinana.

Staff. Another considerable challenge for a new Cockburn-Kwinana is transition staff from the current Cockburn into Fremantle and Melville. The number of staff would need to be negotiated with these authorities; however it will not be possible to retain all staff while losing facilities and income. This new proposal dramatically reduces this requirement.

Conclusion. The submission of a new proposal to the LGAB is supported by the City's Administration as a logical way to present the LGAB with a less disruptive outcome than with the LGAB's Intended Recommendation.

It is recognised that proposing to transfer 17,618 residents to the Cities of Fremantle and Kwinana will not please everyone. However, this outcome is a better alternative than the current LGAB's Intended Recommendation to transfer 28,769 residents.

It is also a proposal that would be less disruptive to ongoing service delivery, asset reallocation and staff transfers. It would leave the two northern local authorities with a better fiscal position than in the LGAB's Intended Recommendation.

The new proposal would also not alter the number of new local authorities that the LGAB seeks to operate within the south metropolitan area. However, it would leave the Cockburn community with a more balanced outcome than is currently being recommended.

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 \$50,000 to support the City in its scoping work for an amalgamation. However, it is only offering limited financial support by way of grants and the majority of the costs associated with reform will be borne by the community.

The City has estimated the cost of an amalgamation at around \$7.5M, but this cost is likely to be higher due to the greater complexity associated with a northern boundary change. It is not possible to fully cost this at this time. The loss of the northern boundary will also stop the ability of the new Cockburn/Kwinana Council to immediately harmonise the Kwinana residential rates with the much lower Cockburn residential rates.

Legal Implications

The provisions of Schedule 2.1 of the Local Government Act (the Act) apply.

Community Consultation

The LGAB would be required to assess this new proposal in accordance with the requirements of Schedule 2.1 of the Act. As the City does not believe the new proposal is frivolous or in any other way improper, the LGAB would be required to initiate a 6 week public consultation period inviting submissions.

Attachment(s)

Cockburn's New Proposal to the Local Government Advisory Board to create the City of Cockburn-Kwinana.

Advice to Proponent(s)/Submissioners

The City of Kwinana and the Cockburn-Kwinana Community Steering Group have been advised that a new proposal to the LGAB is being considered by the City of Cockburn on the 4 August 2014 at a Special Council Meeting.

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

N/A

9.2 (SCM 04/08/2014) - GP SUPER CLINIC LEASE AND DIRECTORS' INDEMNIFICATION (S.CAIN) (ATTACH)**RECOMMENDATION**

That Council:

- (1) enter a Lease with the legal entity established to operate the Cockburn GP Super Clinic, being the Cockburn GP Super Clinic Limited;
- (2) enter into a Deed of Indemnity with the Officers of the Board of Cockburn GP Super Clinic Limited; and
- (3) enter into a Deed of Indemnity with the Cockburn GP Super Clinic Limited.

TO BE CARRIED BY AN ABSOLUTE MAJORITY OF COUNCIL**COUNCIL DECISION****Background**

At the December 2010 Ordinary Council Meeting, Council resolved to enter into a series of leases for the Cockburn Integrated Health Facility. Those leases were for:

- Department of Human Services (Centrelink/Medicare)
- South Metropolitan Health Service
- Child and Adolescent Health Service
- Cockburn GP Super Clinic

As the facility is now completed, the Department of Human Services (Centrelink/Medicare) have now moved into their leased space to provide services to Cockburn residents.

The leases for South Metropolitan Health Service and Child and Adolescent Health Service did not eventuate due to cost constraints at the Department of Health.

The lease with the Cockburn GP Super Clinic Board has taken time to negotiate with a number of changes required. Given the time since the original Council decision it has now been brought back to Council for ratification. Additionally, there are indemnity provisions required to protect the Directors, including City employees, from liabilities while exercising responsibility for running this community facility.

Submission

N/A

Report

The following resolution was adopted by Council at the December 2010 Ordinary Council Meeting in relation to the Cockburn GP Super Clinic:

1. *Enter into a funding agreement with the Commonwealth Government for the incorporation of a GP Superclinic into the Cockburn Integrated Health and Community Facility.*
2. *Enter an Agreement to Lease and Lease with the legal entity established to operate the Cockburn GP Super Clinic.*
3. *Subject to final Council approval to construct the Cockburn Integrated Health and Community Facility and in accordance with section 3.58 of the Local Government Act 1995, delegate authority to the Chief Executive Officer to negotiate Agreements to lease and leases for tenancies within the Integrated Health and Community Facility.*

There have been a number of modifications' to the original proposed Head Lease between the City and the GP Super Clinic Limited entity tasked with managing the facility on behalf of the City and the Commonwealth Government.

The changes are as follows:

1. Novation

The original intention was to novate (transfer and make responsible/liable for) the agreement between the Commonwealth Government and the City to the Cockburn GP Super Clinic Limited entity. This was to transfer all responsibility for delivery of the key performance indicators of the agreement and associated liabilities whilst the City retain the actual asset created by the grant funds, that is the part of the overall building facility. This was to also last for the twenty year term of the agreement between the City and Commonwealth Government.

Although the Cockburn GP Super Clinic Board will earn an income stream from the rent of the space created by the grant, they will not have any assets to meet any future claim(s), should they fail to meet the terms created by the novation and agreed by the City. As such, the Novation Agreement will be withdrawn and an amendment inserted into the Head Lease that the entity will meet the reporting requirements on behalf of the City to the Commonwealth Government. This meets the obligations required under the agreement with the City and the Commonwealth Government, in exchange for the payment of the grant to the City.

2. Curtin University

As part of the original group of participants who signed Memorandum of Understandings (MOU), Curtin University is the only remaining party to join with the City in taking space in the GP Super Clinic. The original MOU was for Curtin to make a capital contribution of \$1M and as a result would be granted space for their students to participate in a range of training activities in conjunction with the medical and allied health professionals located at the facility. In addition, there would be space provided for lectures, research and access to common areas.

Over the last four years and with the passage of time and the intervention of legal professionals, the commitment changed and/or was amended but not their commitment. Curtin will still pay to the City \$1M for rent of 200sq metres of space in the GP Super Clinic in exchange for a lease for twenty years. They will still provide students and participate in the integration aspect of the Clinic. The City will hold the funds in trust (reserve account) and will pay the equivalent rent to the GP Super Clinic. At the end of the first three years of their term, should the Clinic not be able to meet the agreed key performance indicators, Curtin will have the opportunity to withdraw from the facility and a pro-rata payment will be made from the reserve account. The Clinic will then be entitled to approach other universities in Perth to take over the space vacated by Curtin or lease the space to other medical affiliated persons.

Given the rent equivalent payments will be paid by the City to the Clinic, the lease will be between the City and Curtin University. The Board of the entity are in agreement with this course of action. Curtin will be required to pay variable outgoings as per other tenants in the Clinic, including any City tenants taking space in the Clinic.

3. Collaboration Agreement

As the lease for Curtin will be between the City and Curtin, the GP Super Clinic Board will enter into a Collaboration Agreement with Curtin to meet specific requirements asked for by Curtin. Should the agreement fail, the only payment to be made back to Curtin will be the balance of the funds held in reserve account.

4. Rent

The GP Super Clinic Board will earn rental income from the following Clinic tenants:

- Cockburn Central Super Clinic (GPs)
- Madan Health Group (Physio, OT, Speech)
- Hardy Nutrition – Dietary Consulting
- Immunisation Alliance
- Silver Chain Group
- Clinipath Pathology
- Mr Gerald Lim – Orthopaedic Surgeon
- Child and Adolescent Community Health Service (Child Health Nurses)
- North Metropolitan Health Service – Community Physiotherapy Service
- Australian Hearing Services – Sessional Audiology Service

The following parties are also in discussion with the City in regard to lease space:

- Mr Daa Samuel – ENT Surgeon - Sessional
- Dr Pankaj Kataria – Psychiatrist - Sessional
- South Metropolitan Health Service
- Fremantle Multicultural Centre

This income will then be used to fund the GP Super Clinic. The Clinic will have a rent-free period of twelve months, then a review will occur as to their financial capacity to pay rent to the City. The Clinic will be allowed to accrue a cash reserve to meet future requirements and liabilities. Surplus funds will then be set aside to meet future operational obligations and fund research activities as per the original concept behind the entity.

5. Deed of Indemnity

The Cockburn GP Super Clinic Limited is a company limited by guarantee with nine directors who each own a one dollar share. The directors have been appointed by the Board because of their specific background in the medical, allied health or community fields.

The Directors are:

- Hon. Mike Board (Chairman) – Former Health Minister and Youth Services Manager for St John of God
- Dr Fiona Coombes – Local GP
- Associate Prof Sue Jones (Curtin, Director Learning Design)
- Ms Pam Lewis (Deputy Chair) – former Hospital Administrator
- Mr Troy Cook – Indigenous Liaison
- Mr John Townsend – Finance and Property Specialist
- Ms Christie Riegler – CEO Fremantle Medicare Local
- Mr Rob Avard – City of Cockburn representative
- Mr Stuart Downing – City of Cockburn representative

The Board has sought from the City a deed of indemnity for itself and the directors on the basis that they are community members acting on behalf of the City in managing the Cockburn GP Super Clinic. In addition, the indemnity has been sought as the legal entity will have no assets (the City has retained all assets created either by the City or by the payment of the Commonwealth Government grant). The legal entity and its directors will have no assets other than personal assets of the directors should a claim be lodged against the legal entity. The City has never intended for directors' personal assets to be a risk. The entity will have relevant insurance policies in place to mitigate risk to them and the City. Additionally, the City has its own insurance as back-up. Any claim will be first dealt with by the entity's insurance policy then the City's insurance policies. A risk mitigation review will be held by the City and the entity to reduce potential risks and be reviewed annually by both parties.

The City sought legal advice from our lawyers in relation to the provision of the indemnity. The Deed/s attached are in accordance with the advice from Jackson McDonald.

Strategic Plan/Policy Implications

Growing City

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

Infrastructure

- *Community facilities that meet the diverse needs of the community now and into the future.*

Community & Lifestyle

- *People of all ages and abilities to have equal access to our facilities and services in our communities.*
- *Promotion of active and healthy communities.*

A Prosperous City

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

Budget/Financial Implications

A copy of the GP Super Clinic's draft operating budget 2014/15 – 2018/19 is attached. This notes the progressive income surplus that the Clinic expects to generate over the first five years of operation.

Legal Implications

Extensive advice has been obtained from the City's solicitors. The Chief Executive has dealt directly with this matter, so there would be no conflict of interests with other City employees.

Community Consultation

N/A

Attachment(s)

1. Lease – City of Cockburn and Cockburn GP Super Clinic Limited
2. Deeds of Indemnity – Cockburn GP Super Clinic (Entity and Directors)
3. Draft operating budget 2013/14 – 2018/19

Advice to Proponent(s)/Submissioners

The directors of the GP Super Clinic have been advised that this matter will be considered at a Special Council Meeting on 4 August 2014.

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

The services to be provided by the GP Super Clinic will operate at arms length from the City, so the competition provisions of this section do not apply. The indemnification agreements will ensure that the services and facilities operated by the GP Super Clinic are provided efficiently and effectively.

10. (SCM 04/08/2014) - 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