



SYSTEMIC
SUSTAINABILITY
STUDY

**Systemic Sustainability of Local
Government in Western Australia:**
Initial Discussion Paper & Call for
Submissions



WESTERN AUSTRALIAN
LOCAL GOVERNMENT
ASSOCIATION

April 2006

Section 1 Nature of the Study

1.1 Background

The Western Australian Local Government Association (WALGA) commissioned an Independent Study into the Systemic Sustainability of Local Government in WA to be completed six months after the commencement of the Study. The Study is being undertaken by three persons who are completely autonomous of Local Government or its Association and they will constitute the Governance Panel of the Study.

This background and issues paper has been prepared to explain how the Study will proceed, the relevant issues, and to form the basis of Local Government submissions.

1.2 Membership of the Independent Study Panel

The Governance Panel appointed to conduct the Systemic Sustainability Study comprises:

- **Chair:** Professor Greg Craven (Acting Deputy Vice-Chancellor, Curtin University of Technology)

Background: Former Executive Director of the John Curtin Institute of Public Policy and a lawyer and academic with a wide experience in public policy, he also holds the Chair in Government and Constitutional Law at Curtin University of Technology. Prior to this, he was Foundation Dean and Professor of Law at the University of Notre Dame Australia, and a Reader in Law at the University of Melbourne. He served as Crown Counsel to the Victorian Government from 1992-95, where he oversaw the implementation of a wide range of policy initiatives.

- Professor Fiona McKenzie (Acting Executive Director of the John Curtin Institute of Public Policy)

Background: Former Director of the Housing and Urban Research Institute of Western Australia and Curtin Research Fellow at the Curtin University Graduate School of Business; extensive experience in population and socio-economic change, regional economic development and analysis of regional and urban social indicators.

- Mr George McCullagh (Principal Crissada Consulting)

Mr George McCullagh is the principal of Cressida Consulting Pty Ltd, a consulting business focussed on the provision of management advice to a range of public and private sector clients in Western Australia. He is a former Partner with Deloitte Consulting and Deloitte Touche Tohmatsu and was previously a Director with the WA Public Service Commission.

1.3 Independence of the Governance Panel

While the Study is initiated and funded by WALGA, the Governance Panel will be responsible for managing its agreed budget, arranging and directing its research, consulting widely with stakeholders, gauging general public opinion and producing findings and recommendations. Independent Panel Members shall only be guided by their contracts of appointment, the formal terms of reference of the Study and an agreed maximum budget.

By undertaking its investigations independently of the Association and with a membership that has no direct involvement with Local Government in the State, the Governance Panel is intended to act as an 'honest broker' on key matters where different positions are evident about, and within, Local Government. The Association believes an independent process will also enhance the validity and integrity of the Study's process and outcomes.

1.4 Background

There is substantial anecdotal and circumstantial evidence that WA Local Government is facing a crisis of sustainability where they are unable to maintain their current level and quality of service provision. A major independent Study has been held into the economic and financial sustainability of Local Government in South Australia and a similar process is being undertaken in NSW while the Municipal Association of Victoria and the Local Government Association in Queensland have undertaken research into the viability of their state's Local Governments.

In South Australia, Victoria and Queensland the results of their research was that a significant number of Local Governments were still assessed to be financially unviable. In South Australia the Study found that 26 of the State's 68 councils were financially unviable. Victoria has indicated that as many as 16 of that State's 78 councils were similarly situated. Queensland reported broadly similar findings. Discussions with the NSW Local Government & Shires Associations, where there has been considerable turmoil over, and some change in, the structure of some Local Governments, indicates that they are anticipating a similar outcome from the Independent Study in their state.

The historic absence of any significant structural reform in WA, and the absence of any disagreeing evidence, suggests that Local Government in this state face the same challenges. The Local Government Advisory Board (LGAB) has concluded an inquiry into a number of matters that include issues impacting on the sustainability of Local Government. The Association believes that this process is inadequate to deal with the true nature of the issues that are being considered, because the Board has no access to independent resources or research capacity and is relying on the aggregation of submission from interested parties to identify any concerns regarding Local Government sustainability. At best this process can deliver anecdotal evidence of issues which require scientific research to validate. The inquiry is now with the Minister for Local Government and Regional Development and is waiting decision.

It is imperative that the issues surrounding the sustainability of Local Government be given appropriate consideration. In assessing the sustainability of Local Government it is necessary to have an understanding of the functional role and structural form of the sector, particularly how these have developed historically.

1.5 Terms of Reference

The Systemic Sustainability Study Governance Panel is to inquire into, report and provide recommendations to the Association (and State Government) on:

1. Generally, the adequacy of Western Australia's local government system and its operations, its strengths and weaknesses, and means by which it might be improved.
2. The structural, financial, administrative and other principles upon which Western Australia's system of local government should be based.
3. Contemporary social communities of interest, environmental catchments and economic clusters to help define the Local Government arrangements (both structural and functional) that would best facilitate sustainable service delivery;
4. Local Government infrastructure assets, including compilation of a state-wide inventory of all such assets, their gross value, method of depreciation, replacement timing, cost of maintenance and other relevant matters identified by the Study;

5. The adequacy of existing Local Government funding mechanisms, such as rates, debt, fees and charges, fines and the desirability of mechanisms identified from other jurisdictions, such as developer levies, product sales, business activities or other mechanisms or trends identified by the Study;
6. The economic capacity of the existing Local Government structure to fund the service and infrastructure obligations it currently has and to recommend how any deficit might be addressed;
7. Current and expected future labour market issues impacting on the sector and what strategies might be adopted to address these issues; and
8. Recent and expected future demographic trends and their likely impact on the Local Government sector and associated strategies to deal with them.

1.6 Timeframe

The Study will be conducted over six months, with an aim to commencing in beginning February 2006 and present a Final Report in August 2006

1.7 Confidentiality

Unless already in the public domain, data collected and assembled on each of the 144 Local Governments in WA will not be used to reveal the performance of individual Councils. If any confidential data is published it will not name or make it possible to identify any particular Local Government.

This data may form the basis of consultation with individual Councils to assist their forward planning. Individual Local Governments will be provided with a report on their own sustainability data as collected for this project, how it compares to relevant averages (regional/state-wide), and drawing out matters seen as needing their priority attention in planning for the future. It may also form the basis of one-on-one support for a Local Government to enable them to better understand the information as it relates to them.

1.8 Responsibilities of the Governance Panel

The Governance Panel shall be responsible for:

- Determining the tasks, timelines, costs and appropriate external expertise to undertake the work of the Study based on advice from the Chair;

- Reviewing submissions provided by relevant parties and engaged consultants; and
- Questioning and ‘brainstorming’ Study findings and recommendations so as to test their validity and relevance.

The Chair of the Governance Panel shall be responsible for:

- Obtaining agreement between Governance Panel members on the direction and methodology of the Study, its findings and recommendations;
- Contracting and coordinating external expertise to undertake research, surveys and analysis on behalf of the Governance Panel;
- Ensuring that the total expenses of the Study remain within the budget determined by WALGA;
- Keeping WALGA informed of Study progress against the Terms of Reference; and
- Making any public statements on behalf of the Study after consulting with the Governance Panel.

1.9 Consultants

In order to fulfil its terms of reference the Panel has engaged the skills of experienced consultants. The following consultants have been engaged:

Skill set	Consultant	Research Task
Financial and Service Sustainability of Local Government	Access Economics – Alan Tregilgas	<ul style="list-style-type: none"> • The economic capacity of the existing Local Government structure to fund the service and infrastructure obligations it currently has and to recommend how any deficit might be addressed; • The status of Local Government infrastructure assets, including compilation of a state wide inventory of all such assets, their gross value, method of depreciation, replacement timing, cost of maintenance and other relevant matters identified by the study; and • The adequacy of existing Local Government funding mechanisms, such as rates, debt, fees and charges, fines and the desirability of mechanisms identified from other jurisdictions, developer levies, product sales, business activities or other mechanisms or trends identified by the Study.
Sociocultural Viability (Industry Capability)	Annaliza Jackson & Associates – Annaliza Jackson	<ul style="list-style-type: none"> • Current and expected future labor market issues impacting on the Local Government Sector and what strategies might be adopted to address

Community Demographics	Burow Jorgensen & Associates – Murray Jorgensen	these issues. <ul style="list-style-type: none"> Contemporary social communities of interest, environmental catchments and economic clusters to help define the local government arrangements (both structural and functional) that would best facilitate sustainable service delivery. Recent and expected future demographic trends and their likely impact on the Local Government sector and associated strategies to deal with them.
Best Practice Assessment	Burow Jorgensen & Associates – Murray Jorgensen	<ul style="list-style-type: none"> Any proposals, initiatives or directions which might significantly improve the operations of Western Australia's systems of local government.

The remaining issues arising from the terms of reference will be dealt with by the Panel themselves.

To fulfil their tasks the following assistance will be requested from Local Governments:

Skill set	Local Government Assistance Sought
Financial and Service Sustainability of Local Government	<ol style="list-style-type: none"> The majority of the financial information will be sourced from a centralised location such as the ABS or the Department of Local Government and Regional Development. There will also be a short survey all Local Governments on the current status of their infrastructure assets, splitting capital expenditure into different categories, and identifying the maintenance expenses of infrastructure.
Sociocultural Viability (Industry Capability)	<ol style="list-style-type: none"> A survey of existing labour market issues impacting individual Local Governments. A moderate requirement for individual interviews with key individuals in the industry.
Community Demographics	<ol style="list-style-type: none"> The majority of information to be utilised in this project is publicly available in centralised locations such as the ABS or the Department of Local Government and Regional Development.
Best Practice Assessment	<ol style="list-style-type: none"> A short survey will be sent to all councils and a number of key individuals will be engaged with a longer interview process. A “think tank” will also be conducted and specific individuals will be invited to participate.

The Association will provide constant updates on the processes to be employed via Local Government News.

1.10 Submissions

The Panel invites submission from Local Governments on the terms of reference for the study and on any of the issues raised in this discussion paper. However, submissions and responses can also address any other issue that a Local Government may believe to be relevant to the studies terms of reference as well as bringing any omissions and errors to the Panel's attention.

It is the Panels preference that all submissions and responses should be lodged with the study as a hardcopy or preferably by email in PDF or Word format.

Please send your submission or response to admin@systemicsustainabilitystudy.com.au or the Systemic Sustainability Study PO Box 1544 West Perth WA 6872. The Panel requests that all submissions be completed before 7th July 2006.

Please ensure that your name, a postal address and phone number is enclosed with all emailed submissions. Your submission will be acknowledged by email, or if this is not possible, by phone as soon as possible after receipt.