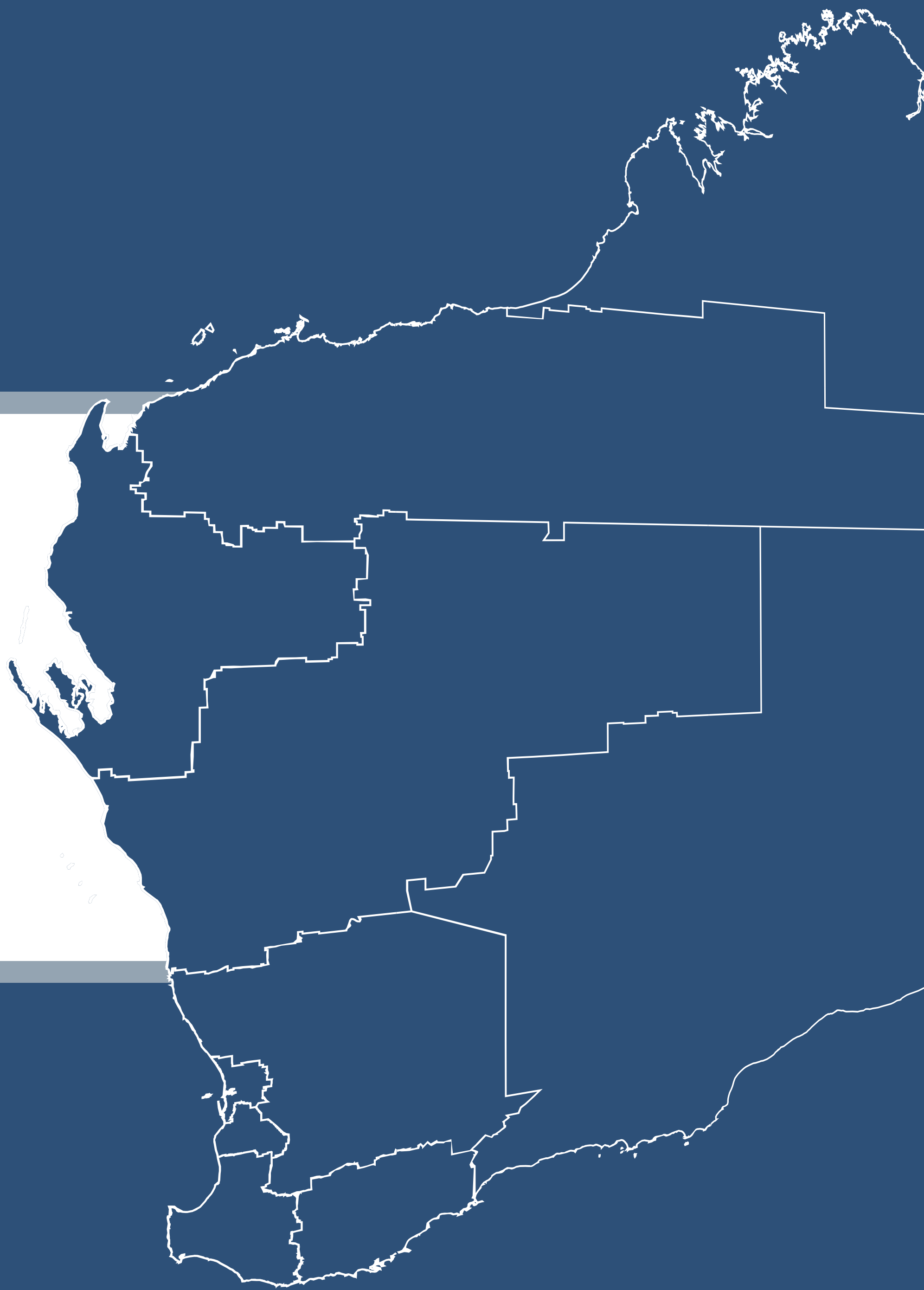
Western Australian Regional Development Trust



Review of the Royalties for Regions Country Local Government Fund

January 2012

This material is available on request in appropriate alternative formats

For Further information please contact:

Western Australian Regional Development Trust
PO Box 1143
West Perth WA 6872

Tel: (08) 6552 4498
Fax: (08) 6552 4417
Web: www.rdl.wa.gov.au

Statement of Compliance

Hon Brendon Grylls MLA Minister for Regional Development; Lands

Dear Minister

On the 28 June 2011 the Minister for Regional Development; Lands (Minister) referred a review of the Country Local Government Fund (CLGF) to the Western Australian Regional Development Trust (Trust) pursuant to section 12(b) of the *Royalties for Regions Act 2009* (Act).

The Minister advised the Trust that he considered it an appropriate time to conduct an independent, evidence-based review of the CLGF, particularly given that it will be completed prior to the program's fourth year of operation. The Minister provided the Trust with terms of reference, and required the results of the Trust's review of the CLGF to be presented to the Minister by the end of January 2012.

The Trust advises the Minister that it has taken evidence, undertaken consultation, and examined the issues in accordance with the terms of reference.

The evidence, findings, conclusions and recommendations of the Trust on the CLGF are presented herein for the Minister's consideration.

Andrew Murray
Chair

31 January 2012

Acronyms and Abbreviations

Acronyms

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ALGA	Australian Local Government Association
CEO	Chief Executive Officer
CLG	Country Local Government
CLGF	Country Local Government Fund
CME	The Chamber of Minerals and Energy of Western Australia
CRCs	Community Resource Centres
DIA	Department of Indigenous Affairs
DIDO	Drive in Drive Out
DLG	Department of Local Government
DLGRD	(Former) Department of Local Government and Regional Development
DoP	Department of Planning
DoT	Department of Treasury
DTF	Former Department of Treasury and Finance
EAC	Economic Audit Committee
FAA	Financial Assistance Agreement
FCWP	Forward Capital Works Plan
FIFO	Fly in Fly Out
FOI	Freedom of Information
FTE	Full Time Equivalent (person/s employed)
GFC	Global Financial Crisis
GVROC	Goldfields Voluntary Regional Organisation of Councils
IPF	(DLG) Integrated Planning Framework
IT	Information Technology
KPI	Key Performance Indicator
LGA	Local Government Authority
LGAM	Local Government Accounting Manual
LGGC	Western Australian Local Government Grants Commission
LGMA	Local Government Managers Association
LGRP	Local Government Reform Program
MoU	Memorandum of Understanding
OAG	Office of the Auditor General
OSS	Office of Shared Services
PRC	Pilbara Regional Council
PTS	Project Tracking System
RCG	Regional Collaborative Group
RDA	Regional Development Australia
RDC	Regional Development Commission
RDCo	Regional Development Council
RDL	Department of Regional Development and Lands
R2R	Roads to Recovery
RforR	Royalties for Regions
RIHF	(RforR) Regional Infrastructure and Headworks Fund
ROCs	Regional Organisation of Councils
RPIF	Regional Planning and Infrastructure Framework
RTG	Regional Transition Group
SEARTG	South East Avon Regional Transition Group
SEAVROC	South East Avon Voluntary Regional Organisation of Councils
SSS	Systemic Sustainability Study
UIG	Urgent Issues Group
VROC	Voluntary Regional Organisation of Councils
WA	Western Australia
WALGA	Western Australian Local Government Association
WAPC	Western Australian Planning Commission
WEROC	Wheatbelt East Regional Organisation of Councils

Abbreviations

Act	*Royalties for Regions Act 2009*
Fund	Royalties for Regions Fund
Groups	Regional groupings of country local governments
Minister	Minister for Regional Development
Review	The review of the Royalties for Regions Country Local Government Fund
Trust	Western Australian Regional Development Trust

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Table of Contents

Appendices

List of Figures, Tables and Maps

Tables

Figures

Maps

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Chapter 1: The Review

1.1 Chair's introduction

The review of the Royalties for Regions (RforR) Country Local Government Fund (CLGF) (the Review) is timely.

It is thought by some who made submissions to the Review that the CLGF program is too recent a program to review. The CLGF only began operations in 2009, just three years ago.

The Western Australian Regional Development Trust (Trust) disagrees. If present trends continue, the CLGF will deliver well over $1 billion of extra investment into regional Western Australia (WA) within this decade.

Most of that spending will be on the social and economic infrastructure used by the regional communities serviced by country local government (CLG).

The Trust considers it essential that expenditure of that quantum and impact produce optimal outcomes for regional development and amenity, as envisaged by the *Royalties for Regions Act 2009* (Act).

The Trust's findings and recommendations are intended to help produce such outcomes.

The Review has assessed the opinions and information provided to it in submissions and consultation, referred to throughout this report as 'the evidence'. Despite the gaps in the data available, the evidence is detailed enough for lessons to be learnt and conclusions to be drawn.

The Trust anticipates that if the Review wins support, that the Trust's conclusions will materially influence the CLGF program from 2013-14, which will be the sixth financial year of the CLGF's operation.

It is well known that the RforR policy was central to the alliance that led to the formation of the current government. Consequently RforR attracted then, and still attracts, significant public interest.

Despite the CLGF being less than 15% of total RforR expenditure, it is a highly visible component of RforR.

In that context, the Trust considers that one of the virtues of this Review is that it will assist the WA Government, the Parliament and the public to develop a much more informed opinion of the merits of the CLGF.

Having conducted the Review, the Trust's opinion is that the CLGF does indeed have considerable merit and considerable achievements to date. The Trust's findings and recommendations should enable it to do even better.

Andrew Murray
Chair of the Western Australian Regional Development Trust

1.2 Terms of Reference extract[1]

Terms of Reference for the Review of the Royalties for Regions Country Local Government Fund

Purpose of the Review

The Country Local Government Fund (CLGF) is in its fourth year of operation. The CLGF was originally a four-year budget program. Section 5(1)(a) of the *Royalties for Regions Act 2009* (Act) went beyond this timeframe, as it gave the CLGF permanence by entrenching the CLGF as a subsidiary account of the Royalties for Regions Fund.

The purpose of the Review is to determine whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

Timing

The Review is to be conducted in the 2011-12 financial year and presented to the Minister by the end of January 2012.

Issues for Consideration in the Review

Overall, whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

1. The extent to which the stated aims of the CLGF are being met, in particular, have the objectives of the CLGF been materially achieved:
    - how the CLGF is addressing local governments' infrastructure backlogs and enhancing local governments' capacity building
    - how the financial sustainability of country local governments is being improved through improved asset management
    - the effectiveness of funds directed to voluntary amalgamation
    - how CLGF is assisting groups of country local governments to fund larger scale infrastructure projects
    - the effect or impact of funds allocated under the CLGF.

1 The full Terms of Reference are contained in the Review Issues Paper in the Appendices.

2. Whether country local government or the Department of Regional Development and Lands has experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF.
3. The efficacy of the current formula in allocating funds to individual and groups of local governments, including whether this approach should be retained reformed or replaced.
4. The appropriate proportional allocation of funding between individual, group and regional components over time.
5. The scope of initiatives that should be funded and in particular, whether the existing focus on infrastructure and capacity building should be retained, narrowed, broadened or otherwise changed.
6. Matters that would improve the efficiency and effectiveness of the Fund's implementation including the existing processes for forward capital works development, and business plan development.
7. Any other relevant matters.

1.3 Members of the CLGF Review

Trust members

Andrew Murray
Chair of the Western Australian Regional Development Trust

Sue Middleton
Deputy Chair of the Western Australian Regional Development Trust

Paul Rosair
Trust Member

Peter Rundle
Trust Member

Tim Shanahan
Trust Member

Staff assisting the review

Rachel Reynolds
Senior Policy Officer
Department of Regional Development and Lands

Gillian Casey
Support Officer
Department of Regional Development and Lands

1.4 Methodology, conflicts of interest and acknowledgements

The Minister for Regional Development (Minister) referred the review of the CLGF to the Trust on the 28 June 2011. On the 22 August 2011 the Minister publicised the review in a Ministerial Media Statement.[2] Following that media statement, the Trust published an Issues Paper on its website.[3]

During September 2011 the Trust wrote to 178 stakeholders concerning the Review and advising them of key issues and the Issues Paper.

The Trust received 74 submissions and 3 supplementary submissions. Only one submission requested confidentiality. The Trust engaged in 8 consultations with groups of CLGs, and had 10 other consultations with stakeholders and interested parties. Appendix 4 summarises this process. The Trust did not conduct formal hearings.

At times the Department of Regional Development and Lands (RDL) was asked to provide factual material in addition to that provided in its submissions.

The Trust held several meetings and various consultations to determine the structure and content of the CLGF Review report.

The Trust is comprised of five persons with significant regional experience and involvement.[4] Potential conflicts of interest were declared by Trust members as follows: Sue Middleton declared two consultancies with CLGs. She did not advise those clients with respect to the Review. Peter Rundle is the Chairman of the Great Southern Regional Development Commission (RDC), which made a submission. Tim Shanahan declared an interest in road infrastructure as he is the President of the Royal Automobile Club. He is also a former Chief Executive Officer (CEO) of the Western Australian Local Government Association (WALGA) and a former Chairman of the Pilbara RDC.

The Chair of the Trust ruled that none of these declarations constituted a conflict of interest with respect to the Review.

Paul Rosair declared an obvious conflict of interest as he is the Director General of RDL, which administers the CLGF program. RDL made a submission. At the Chair's request, Mr Rosair did not attend the CLGF Review consultations. The Chair requested Mr Rosair to make a contribution to all discussions concerning the Review report, as his views and knowledge of the CLGF were valuable, but indicated that at any time he was entitled to withdraw or reserve his position, or alternatively, accept the majority view.

The Trust particularly wishes to thank all those who made written submissions and those that participated in the consultations.

The Trust wishes to acknowledge the valued support of the officers assisting the Trust in the Review, Rachel Reynolds and Gillian Casey; a number of executives and officers in RDL, the RDCs and WALGA, who assisted with practical matters, logistics, and in the provision of data; and Michele Howard, Priscilla Gleeson, and Diane Biletic who have assisted the Trust.

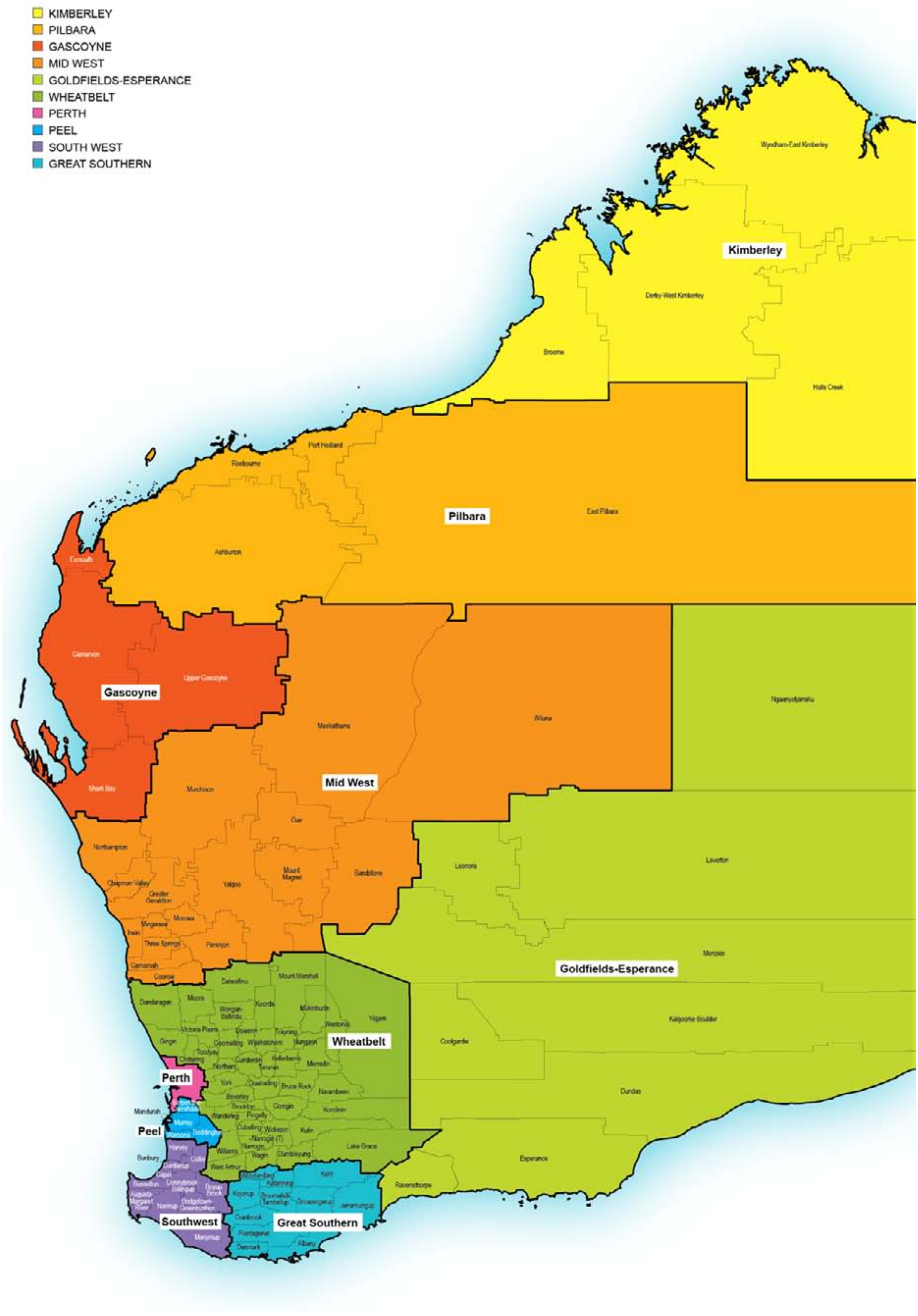
---

2 http://www.mediastatements.wa.gov.au/Pages/Results.aspx?ItemID=143522

3 http://www.rdl.wa.gov.au/publications/Documents/Issues%20Paper%20CLGF%20Review.doc

4 http://www.rdl.wa.gov.au/aboutus/independentpartners/RegionalDevelopmentTrust/Pages/default.aspx

MAP 1: Western Australia – Country Local Governments and Regions



THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Chapter 2: Summary and Recommendations

2.1 Executive summary

The executive summary is not a summary of chapters 3 to 12. Chapter 3 covers the history and status of the CLGF. Chapters 4-11 each have sections on evidence followed by Trust comment, which comment themselves contain summaries.

This executive summary is intended as a 'ready reference' summary of the final Chapter 12 on the Trust's views and conclusions. For obvious reasons of context, depth and information, it would be a mistake not to read Chapter 12 and the rest of the chapters in full.

A summary has real limitations in that it cuts out much of the argument that sustains the findings, conclusions and recommendations. The summary does not include the full considerations the Trust would prefer taken into account in executing the recommendations.

Evidence and footnote references omitted in this summary will be found in Chapter 12.

The Trust's recommendations are listed following the summary.

Introduction

In chapter 12 the Trust boiled the terms of reference down to these questions:

- What is the purpose of the CLGF? (Terms of reference 1, 5)
- What should be funded? (Terms of reference 1, 5)
- How much money is needed? (Terms of reference 1, 5)
- Who should be funded? (Terms of reference 1, 3, 4)
- How should they be funded? (Terms of reference 1, 3, 4)
- Who makes decisions on what basis? (Terms of reference 1, 2, 6)
- What will deliver the best outcomes? (Terms of reference 1, 2, 6, 7)

Lastly, but of particular importance, at the conclusion of Chapter 12 the Trust dealt with key matters of CLG capacity-building concerning accounting and audit.

The Trust's own observations in the regions, and the CLGF consultation and written evidence, all confirm that the CLGF is highly regarded and valued as a WA Government program. There is almost universal support in regional WA for its continuation.

The CLGF has been and is an innovative and practical program addressing essential upgrades in the social and economic infrastructure needed used and appreciated by country WA.

The CLGF is valued for delivering over 1000 projects from 2008-09 through to 2010-11, and for its contribution to noticeably improving the social and economic fabric of regional WA. None of this implies perfection. The evidence to the Review includes sharp criticism as well as many constructive proposals on ways to improve the program.

What is the purpose of the CLGF?

The *Royalties for Regions Act 2009* (Act) establishes the CLGF. The Act sets up the Royalties for Regions Fund (Fund); s5(1)(a) constitutes the CLGF.

The purpose of the Fund and its subsidiary fund the CLGF is dictated and determined by the object of the Act: 'to promote and facilitate economic, business and social development in regional Western Australia'; and by s9(1) of the Act:

(a) to provide infrastructure and services in regional Western Australia;

(b) to develop and broaden the economic base of regional Western Australia; and

(c) to maximise job creation and improve career opportunities in regional Western Australia.

The Act does not define what each of the words economic, business, social or development mean. A reasonable reading of the Act and its parliamentary and policy context would lead to an expectation that these words are to be broadly interpreted.

RforR and the CLGF must contribute to a broad aim, to help provide the services and amenities necessary for a productive and fulfilled society; by maintaining sustainable jobs and economic activity in the regions; and by providing additional sustainable jobs and economic activity in specific local and regional areas; in so doing raising the prospects, standard of living and wealth of individuals communities and the regions overall.

CLGF decision-making is affected by whether development is regional, sub-regional or local. CLG plans ideally ought to be integrated into the overall State regional planning strategy, but it is important that what rightly matters to the locals is not lost in the big picture.

Expenditure by the Fund should help create growth opportunities, address market failure so that growth opportunities are enhanced, build regional capacity to encourage growth, and help remove barriers to growth. Always accepting of course, those restraints on growth established in the public interest by public policy.

To assess whether development has been achieved requires performance standards to be set and the ability to measure outcomes. There is also an inbuilt public-sector obligation on RforR to be accountable and transparent, to get value for money, and to achieve the significant outcomes intended by the Act and its originating policy.

CLGF investment must promote facilitate or support the existing economic and social base and significant and sustainable development and growth in WA country towns and cities and in WA's rural areas, through the medium of CLGs.

From the start, the Cabinet determined the primary purpose of the CLGF to be local government infrastructure asset renewal and/or infrastructure asset creation. The type of infrastructure to be CLGF funded is determined by Cabinet-approved guidelines.

Income into the overall Fund cannot be withheld, but the funds available to the CLGF can be varied from one financial year to another. The funding certainty desired by CLGs cannot be delivered by the Act, it can only be delivered by the government of the day.

The Act does not require RforR monies only to be spent in regions generating royalties, nor does it require proportional expenditure in each region, nor does it require investment only in populated areas. Because s4 and s9(1) are to benefit all of regional WA, the Act intends non-metropolitan State-wide expenditure in all the nine defined regions of regional WA, whether in settlements or in the country, and whether coastal or inland, semi-rural, rural or remote.

Any government policy can be a secondary part of the purpose of the CLGF, provided that policy is in accord with the Act.

A broader government objective encouraged by WA's Economic Audit Committee (EAC), namely the promotion of subsidiarity (the principle encouraging local decision-making), is supported in the CLGF. The Trust has recommended the adoption of other EAC objectives in RforR and the CLGF, such as an outcomes-based approach, the advancement of productivity, and more regional decision-making as well as regional service delivery.

The CLGF has supported policy objectives promoted or supported by the Department of Local Government (DLG), including capacity-building for CLGs through systems development, strategic plans and asset management plans, and the DLG policy seeking the amalgamation of certain CLGs. These are positive for local sub-regional and regional development and clearly support s4 and s9(1) of the Act.

To the question 'whether the CLGF program as it has operated to date has fulfilled the purpose and met the prescriptions and intent of the Act', the Trust has answered yes, but further improvements to the CLGF program can and should be made.

A clearer restatement of the CLGF's aims is needed:

> *The purpose of the CLGF* is to satisfy the intent of sections 4 and 9(1)(a) of the Act, principally by addressing the infrastructure requirements of CLG either through individual CLGs or contiguous groups of CLGs;
>
> That being said, CLGF spending on infrastructure that addresses other s9(1) requirements by providing services, or that develops and broadens the economic base, or that creates jobs or improves career opportunities is to be preferred over infrastructure spending that does not; and
>
> *To enable the purpose of the CLGF to be realised* it is necessary to also invest in CLG capacity-building, both physical capacity and human capacity, and CLG capability, provided that investment will assist in producing optimal future CLG infrastructure investment decisions, and help improve the overall financial viability of CLGs, particularly through improved asset management.

The importance of infrastructure both to regional and local development and to CLGs justifies the principal or primary purpose of the CLGF continuing to be local government infrastructure asset renewal and/or infrastructure asset creation.

Whether the CLGF is spent to maintain or upgrade infrastructure or on new infrastructure is immaterial. What matters is the outcome, measured against the purpose of the Act.

Having determined its views on the purpose of the CLGF, and having decided that not only is there a continuing need for the CLGF but a very significant infrastructure task still to be tackled, certain consequences automatically follow.

The size of the infrastructure task still facing CLGs means that the CLGF should continue at least at the current level of budget allocation. The data available to the Trust does not enable it to calculate how much funding is still needed, but at current levels of CLGF spending, the indications at present are that the CLGF is required in the longer term.

There is a case for increasing the CLGF budget allocation. Because there is a need for both levels of investment, CLGF funds should continue to be allocated both to individual CLGs and Groups of CLGs (Groups) selected and appropriated against defined criteria.

While it is vital to focus more on strategic outcomes than has been the case, there is still a need to continue to address relevant smaller local infrastructure requirements that are valued by CLG communities.

The Trust realises that to deliver regional and local development CLGs must have capability. The Trust has concluded that they all do have capability, but they do not each have it to the same extent. CLGs do vary widely in capacity.

The consequence of this variance is that to deliver improved outcomes, capacity-building is needed for many CLGs. It is also needed to assist Groups working collaboratively.

The Trust has concluded that encouraging amalgamations of weakly resourced and structured local governments is a legitimate goal for CLGF capability and capacity-building funding.

What should be funded?

In Chapter 9 on terms of reference 5 the Trust considered that to a large degree the CLGF had got it right and 'what should be funded' is what is funded now.

The sector believes 'what should be funded' for individual CLGs in order of priority is: infrastructure, and then capacity building; and for Groups in this order of priority: CLG infrastructure, sub-regional infrastructure; and then sub-regional capacity-building.

Priority does depend on the particular CLG, sub-regional or regional needs and circumstances. The CLGF investment also depends on the CLG ability to sustain it.

The CLGF should continue to address infrastructure asset creation, asset preservation or asset renewal, either through individual CLGs or contiguous Groups.

It is necessary to continue to invest in CLG capability and capacity-building, both physical capacity and human capacity.

It is important to avoid CLGF funding unsustainably increasing the burden on rate payers of a particular CLG. In this respect Forward Capital Works Plans (FCWPs) and Asset Management Plans provide CLGs with planning tools to gain a much better understanding of cash flows, revenue and expense. Any new project that impacts on baseline expense should be assessed by the CLG to ensure it can be financially sustained over the longer term.

The CLGF should encourage amalgamations of weakly resourced and structured CLGs.

RDL should review its overall CLGF program. At the strategic level a narrowing of the CLGF is proposed as a sharper focus on priorities and outcomes is sought.

Some CLGs believe that CLGs should not concern themselves with infrastructure that is the responsibility of State and Commonwealth agencies (such as power, aged care and even roads), and others believe they should, where appropriate. The Trust agrees with the latter.

The Act requires regional development, and that covers investment in any program or project that meets the requirements of the Act.

RDL needs to revisit the area of 'plant and equipment'. If the CLGF's overall aim is to 'address infrastructure needs' and CLGF grant expenditure must be 'individual local government infrastructure asset creation, preservation or renewal' roads should fall under the CLGF if they are identified in the FCWP.

It seems odd then to exclude from funding, the purchase of capital moveable equipment such as road patching trucks and graders that are essential to achieving road asset creation, preservation or renewal. That point is particularly relevant to large and remote CLGs.

The guidelines do provide for related costs, which is helpful to better project management, but RDL should re-examine the question of what planning and project costs should be allowable under the CLGF. Sound professional planning and project preparation significantly benefits project cost management and performance. It is essential to good practice in tendering and procurement.

CLGF funding was provided to RDCs to facilitate regional planning activities with Groups. It should continue.

To measure the inroads the CLGF has made into the infrastructure backlog so far and how many more years of investment might be required needs hard data. With the FCWPs and significant improvements expected in CLG asset management there is the potential to gain a more accurate picture of the infrastructure backlog within the sector.

Asset management systems improve the financial sustainability of CLGs if they result in a properly prioritised, managed, and manageable asset maintenance renewal and replacement program that is affordable and productive.

Financial sustainability exists for CLGs where a conservative realistic assessment of future own source and transfer income mean that asset operation, maintenance, replacement, renewal and creation can occur on a structured and planned basis over the longer term.

The evidence provided does not equip the Trust to judge how well the CLGF is helping achieve improved financial sustainability from improved asset management for individual CLGs or for the sector as a whole, although clearly things are going in the right direction.

Those CLGs willing to voluntarily amalgamate do make a case for needing funding to be able to professionally explore the issue. It is not clear what effect CLGF funding is having on voluntary amalgamations so far. This needs reviewing to make it more effective.

The CLGF is not shire welfare. The acceptance of some of the Trust's recommendations might result in some circumstances where particular CLGs would not be funded.

What should be funded also depends on the ability to spend the funds. There are real constraints on many CLGs expanding their capital works programs. The majority of CLGs may have accepted this challenge and worked through some of the internal capacity issues in planning and project management, but a significant number have struggled.

How much money is needed?

Chapters 3, 4, 5 and 9 addressed 'how much money is needed' for terms of reference 1 and 5.

A 2006 report estimated a $1.75 billion infrastructure backlog for metropolitan and regional local government, and exposed the lack of financial and resource capacity to address it.

The $1.75 billion figure was not built up from each local government by asset, aggregated by asset class, and in turn aggregated by country region, greater Perth, and the State.

The Review's indicative analysis is that the $1.75 billion infrastructure backlog estimate for the whole State is potentially very conservative. This conclusion is supported by the 2009 Office of the Auditor General (OAG) examination into the maintenance required for the State's road network which estimated that to eliminate overdue road maintenance alone may exceed $800 million.

It is helpful if apples are compared with apples. Asset systems vary greatly by CLG.

There is no sector-wide agreement on a common method of valuing types of asset by asset class, or on depreciation, or on whole-of-life costing. In two CLGs the same type of asset of the same age and wear-and-tear may be valued differently and have a different life given to it, because different accounting and valuation methodologies can be used.

RDL's FCWPs do not get over those problems, but FCWPs have forced each CLG to be much more exact about the state of their assets, and what is entailed in preserving or renewing them or in creating new assets.

The DLG is mandating asset management planning, asset registers and asset management systems across local government, scheduled for completion by 30 June 2013.

RDL does not yet have the data to assess how much more money might be needed for the CLGF, but analysis of the FCWPs in combination with data from new sector planning and asset management efforts, should enable them to get a far better handle on it by 2013-14.

The money available by CLG and by CLG collaborative group is often not enough for larger-scale projects. Leveraging is an important mechanism for increasing the value of CLGF expenditure, particularly on larger-scale projects. It has a valuable multiplier effect.

Who should be funded?

'Who should spend the money' addresses terms of reference 1, 3 and 4 in chapters 5, 7 and 8.

At present the CLGF is spent by CLGs and Groups, plus relatively small payments made to agencies like the DLG, but once CLGF funds have been granted, executive control over the allocated funds has rested with the sector and DLG.

No case has been made for taking the decision-making and execution function from the CLGs, either individually or in Groups. This might lead some to assume all CLGs should therefore continue to get CLGF funds. This should not necessarily be the case.

Factors such as instances where local governments are resisting reforms that can be demonstrated to be beneficial to themselves and the local community; where CLGFs do not have adequate asset management planning or clearly demonstrated infrastructure backlogs; or where CLGs do not have clear outcome-based projects against agreed priorities, could be considerations affecting funding in future.

There has been a 50/50 split between individual CLG and Groups allocations. There is no evidence that a 50/50 split will result in better outcomes than any other split. There should continue to be a Group CLGF program aimed at sub-regions and regions.

The indication is that there are stronger leveraging results for Groups projects. Despite the added funding derived from leveraging, it seems that the Groups CLGF is often underfunded for the projects envisaged.

The Groups scheme needs to be more flexible and sensitive to the different circumstances of different regions. Certain CLGs, sub-regions and regions may need different mechanisms for project delivery.

There are individual CLGs the size of Victoria or Tasmania which are entitled to be considered regions on their own, and should not be forced into CLG Group allocations in order to access regional funding.

There are certain areas of the State where individual CLG allocations should be reviewed by RDL. This is particularly the case where CLGs are really struggling for financial viability and sustainability and are candidates for amalgamation. There may be a case to be made for only CLG Group money to be available in such areas.

The CLGF should not be used to prop up unsustainable CLGs. On the other hand essential local and sub-regional infrastructure must be maintained, renewed or created.

At present it is the intention that 2012-13 remain at a 50/50 split and that from 2013-14 no funding will be to individual CLGs and all funding will be directed to CLG Groups. The Trust does not support this approach. The Trust recommends there should continue to be an individual CLG CLGF component and a Group CLG CLGF component.

The 'regional' concept is a blurred one. Many individual CLGs qualify as 'sub-regions' or 'regions' on their own. These include individual CLGs with very large square kilometre areas, country cities like Albany, super-charged economies like the Shire of Roebourne, those country towns designated as SuperTowns, major regional centres or catchments such as the Shire of Katanning, and those CLGs rated as high growth prospects.

An issue is concern over the planned transfer of responsibilities for Aboriginal municipal services. There are ongoing Commonwealth–State negotiations over the transfer of responsibility for the provision of municipal services to remote Aboriginal communities.

It would be within the purpose of the CLGF for a CLG to use grant funds for infrastructure that helps normalise service delivery to Aboriginal communities.

There are 248 Aboriginal communities in 22 local government areas across 5 regions of WA. Following an analysis by the DLG, liaising with the Department of Indigenous Affairs (DIA), WALGA and the 22 affected CLGs, an estimate calculated at many hundreds of million dollars was thought to be needed to upgrade existing capital infrastructure, and that significant recurrent funding would also be needed.

How should they be funded?

'How should they be funded' addresses the terms of reference 1, 3 and 4 in chapters 5, 7 and 8. Getting a fair share exercises every mind.

The problem for 'fair share' proponents is that the CLGF should be neither entitlement nor equity-based; the CLGF has to be outcome-based, determined by the intent of the Act.

Every CLG did (and most probably still do) have an infrastructure backlog, and they legitimately felt entitled to an equitable share of the CLGF, but by 2013 all CLGs will have had a chance to address some of that backlog through the existing allocation system.

The Trust argues that by 2013-14 further infrastructure investment in CLGs should move onto a more strategic outcomes-based approach.

There is support for the present CLGF formula. It is well-established, its inputs are professionally and independently constructed by the WA Local Government Grants Commission (LGGC), it is not subject to ministerial or departmental instruction, it was made available to every CLG in the State, and it is accepted as having integrity by the CLG sector. Spending decisions and priorities are determined by CLGs themselves under broad RDL guidelines and are not determined by the Minister, and RDL governance has been thorough.

The 43 Wheatbelt CLGs (39% of all CLGs) get 31% of CLGF funding but only house 13% of the regional population. The South West and Peel regions get far less CLGF funding than their population would suggest, while the Kimberley, Pilbara and Gascoyne regions have 11% of the CLGs and 18% of the funding.

Many CLGs have issues with the formula. The CLGF formula uses LGGC factors which attend to needs components, equalisation criteria and roads components. CLGs proposed other factors be considered in the future CLGF allocation, such as:

- being more closely aligned to the Act and intended CLGF outcomes
- being based on CLGs actual infrastructure needs
- including a factor for remoteness and the vast size of some CLGs
- taking into account drive-in-drive-out (DIDO) and fly-in-fly-out (FIFO) effects
- taking into account transient population pressures such as by tourists
- taking into account economic and population growth prospects and patterns

Ultimately the allocation formula or methodology, as with the principles, design and structure of the CLGF, must comply with the intent of the Act.

Many CLGs and WALGA argue persuasively for a project-time approach rather than a financial-year approach. This desire is legitimate and should be further considered to allow out-years funding to be guaranteed, particularly so that wet-season sufferers and larger or more difficult projects can be accommodated.

In addition, consideration must be given to improving the speed with which decisions are made, and to streamlining the process.

At present funding varies to CLGs according to:

- the formula, but with a floor and ceiling;
- whether the funding is for individual CLGs or collaborative groups of CLGs (local or regional);
- for specific capacity purposes; and
- for voluntary amalgamation purposes.

Differential CLGF funding should be retained, but should be better targeted. This requires a more refined approach than the present formula. To arrive at that outcome, a set of matters need to be resolved.

Firstly, the Trust has recommended that no material change in CLGF systems (unless generally welcomed by the sector) occur earlier than 1 July 2013, to allow present CLGF budgets plans and projects to be realised under existing administrative arrangements.

Secondly, the Trust has recommended that RDL analyse all FCWPs by 1 July 2013 to determine the actual infrastructure status, needs, and priorities of each CLG on an asset class basis, to determine CLGF desired outcomes by categories of CLGs.

Thirdly, the Trust has recommended that, subject to feasibility, all CLGF funding from 1 July 2013 will not be on a budget-year basis but on a project time basis.

Fourthly, the Trust has recommended that to encourage strategic investment and to fulfil the purposes of the Act, that from not later than 1 July 2013 all CLGF spending will be outcomes-based; and, that CLGs will be rated for risk, prospects and capacity needs.

The Trust has recommended two main forms of grants, contestable and non-contestable. The Trust does not specify the quantum that should be in each pool, or indicate which CLGs should qualify for each pool under what conditions, as that would pre-empt the process that needs to follow the findings of this Review.

A variety of circumstances need to be taken into account, including the nature and prospects of small poorly resourced CLGs, sub-regional and regional groups, shared services propositions, country cities, very large CLGs (by square kilometres), country towns that are major regional centres or catchments, and those CLGs with high growth prospects.

Splitting the CLGF funding into two pools will allow for further refinement and improved targeting of areas deemed as priorities. Given the scale of Groups projects as envisaged by the CLGF policy, the funding offered by the CLGF is insufficient at present and needs to be increased. The non-contestable grant pool component should be based on key indicators determined by RDL in consultation with stakeholders.

Who makes decisions on what basis?

The principal decision-makers in the CLGF are the Minister, RDL and the CLGs. The CLGF role of the Regional Development Council (RDCo) and the RDCs need clarification.

From the very beginning, the CLGF was predicated on the principle of subsidiarity, so that grants to CLGs should be spent on a wide range of infrastructure types, but the choice of which infrastructure and by what means it would be tackled was up to the local CLG.

The principle of subsidiarity should be maintained, but to ensure confidence in CLG decision-makers it is vital that planning, asset management and systems reforms continue.

On what basis are the decision-makers to make decisions? Risk should exercise their minds.

The risk management practices of CLGs matter to the CLGF because the CLGF invests in infrastructure assets, which are then subject to the management of CLGs.

Important risk management tools include comprehensive insurance, and good health and safety practices. Sound financial systems calculate the real carrying cost of assets and their replacement cost, and realistically plan for maintenance or upgrade or replacement over known time frames. Good planning systems try and realistically appraise the future, using sound data. Sound governance systems are needed to guard against fraud or misconduct.

Procurement is another area of risk, how to appraise the quality of those tendering and supplying, and how to secure value for money. It is no accident that Commonwealth and State Auditors General concentrate attention on tendering and procurement practices.

Risk management requires a structured approach to identifying and assessing uncertainties and potential dangers to finances programs and assets; monitoring and reporting on risk; and, developing strategies to manage and minimise risk.

The Trust prefers an approach which avoids being risk averse while sensibly and responsibly managing and minimising the effect of identified risk. RDL has accepted that it will manage risk and that governance will be tailored to ensure that compliance cost and time is not excessive and is relevant to cost, risk, and the project and entity concerned.

The CLGF has not used risk management processes. If it had, governance would have been tailored to the individual CLG. Instead, CLGF governance has been common to all CLGs.

CLGs are long-established independent political and executive bodies with governance determined by statute. This warrants respect, and trust in their judgement and capability. However, respect and trust do not mean that wide differences in individual CLG capability or capacity or performance history should be ignored.

Efficiency, flexibility, productivity and value for money are enhanced where the governance is determined by the capacity of the proponents, the nature of the project, and the outcome.

The Trust does not suggest a risk-management model or methodology. What the Trust recommends is that RDL risk-rate its CLGF grantees on a simple defensible professional and objective basis, with two intended consequences.

The first consequence is that higher risk grantees might be excluded from the CLGF, so helping protect the integrity of the Fund; and the second being that governance requirements and compliance costs for both RDL and the grantees will fall for those rated lower risk.

The CLGF must contribute meaningfully to local, sub-regional or regional economic business and social development. This means:

- CLGs or Groups with better development prospects and projects with development outcomes should be better funded; and
- A rating system is needed ranking CLGs according to development prospects.

If the purpose of CLGF funding is local, sub-regional or regional economic business and social development, then the development prospects of the CLG should be the principal determinant. Development prospects are not a determinant at present, need is.

If the CLGF is to operate under principles of subsidiarity and efficiency through a system of CLG decision-making funded by grants, then a rating system is needed to allocate funds which will vary by outcome, quantum and purpose.

Assessment could be done bi-annually for development prospects, under such heads as actual and projected growth, actual and projected population, existing economic importance, and projected economic expansion. Sophisticated input will be needed.

The assessment for prospects would mean that all CLGs and Groups would be assessed as either lower medium or higher development prospects.

The Trust was interested in RDL's actual experience in the process of selecting prospects for priority investment, and in subsequently managing that relationship.

The selection process for the Government's SuperTowns initiative meant that 22 nominated towns were assessed against the potential for population expansion; the potential for economic expansion and diversification; strong local governance capabilities; and ability to generate net benefits to WA. Other considerations included established transportation linkages; planning maturity and capacity; and committed or current capital expenditure or investment linkages to other major infrastructure projects or strategies.

The approach used in the selection of the nine SuperTowns utilised a local decision to nominate a town, a regional level review of the information submitted, and a decision was made on the selected towns which incorporated local and regional input, at the State level.

Similar methodology could be adopted to rate the growth prospects of CLGs, involving multi criteria evaluation and aligning with local regional and State planning.

The ability of CLGs to compete for contestable funds should be linked to an assessment of their capability. A three-tiered approach of planning, corporate capacity (financial, HR, systems) and governance could be assessed in concert with those agencies with related responsibilities and recognised knowledge and expertise in these areas.

The higher the assessed capability and 'prospectivity' of an individual CLG, the greater might then be their access to the contestable fund pool.

To round out the assessment, risk needs to be rated, so that a four-part assessment would be done on prospects, risk, capability and capacity. Having prospects dominate over risk is unwise. It is important to marry the prospects for development with a risk assessment.

The Trust has not recommended a prospects or risk assessment model or methodology. What the Trust recommends is that RDL prospects-rates its CLGF grantees on a simple defensible professional and objective basis, in order to assist CLGF decision-makers balance need with prospects. Secondly, that it protects the program by combining this approach with risk-rating. This is not done at present.

What will deliver the best outcomes?

The EAC states that WA's government historically overall has not been outcomes-based. One of the Trust's key governance conclusions, accepted by RDL, is that all regional development projects and programs must be outcomes-based.

In the public sector 'result' has two components – the intended result, and the actual result.

The EAC has concluded that the public sector does not currently have sufficient clear direction and strategy due to a historical focus on inputs and outputs (including dollar spent) or processes, rather than end results or benefits.

The EAC states that there is concern that excessively enthusiastic and ambitious interpretation and accountability requirements in government (i.e. over governance) have drawn government away from an outcomes focus and led to weaknesses.

Since 2008 the CLGF intended outcome has been to reduce the CLG infrastructure backlog.

Without data outcomes cannot be established. The size and nature of the backlog is not yet known. RDL has consequently required CLGs to produce FCWPs so that it can get a clearer understanding of CLG infrastructure priorities and projects. The FCWPs and new asset management plans will materially improve the situation.

There is a need for consistent CLG performance measures of cost, quality and timeliness. This does not imply that RDL must do this. Such systems can be developed for and by the CLG sector. It is of material importance to ensure CLGF outcomes are as intended by the purpose of the Act and are measured in performance terms.

While the current objectives of CLGF do connect to the purposes outlined in s9(1)(a) of the Act, a specific outcomes-based approach to the CLGF's development and implementation is needed, at both the departmental and local government level.

Currently, the applications for CLGF allocations are varied depending on the mechanism for funding delivery. All regional and sub-regional Groups projects must now be supported by a business case that includes a list of deliverables (which includes outputs, productivity benefits, and outcomes) along with a set of descriptions and performance measures.

The individual CLG allocations do not have such parameters set and do not appear to be based on any specific outcomes other than the requirement for spending on infrastructure.

For regional and sub-regional Groups, the project objective must now also be clearly defined, including a clear statement of the outcome/s the project aims to achieve, but at the regional and on a broad CLGF level this is not the case.

Currently, it is unclear what the CLGF is trying to achieve regionally and therefore RDL RDCs and the CLGs are unsure which projects best deliver desired outcomes.

Not every project readily responds to an outcomes-based approach. Many projects undertaken create social as opposed to economic outcomes. There is no one agreed method on the best way to capture such social outcomes. Given its impact, there is still an essential role for the CLGF to play in building the social capital of local government communities.

Although it is vital that the actual outcome is reported and measured, it is not always possible; for instance, it is hard to measure the impact of new pedestrian pavements, or the impact of refurbishing a village hall, except in the most general terms.

An outcomes-based approach requires the development of a measurement and reporting mechanism, and where appropriate, a performance audit system. It is important to avoid excessive compliance costs and complex processes.

The Economic Audit made it clear that an outcomes-based approach is desired of government agencies and grant recipients. That means not only by RDL and the CLGs but by all recipients of CLGF funding.

RDL administers 93% of the State's land and is responsible for regional development for the whole of the State. Effective engagement with the regions is vital for RDL.

The CLGF is largely a desk-top administration, with very limited engagement on the ground with CLGs, and a heavy reliance on RDCs, WALGA and CLGs for such face-to-face engagement as occurs. Other RforR programs such as the Community Development Centres (CRCs) and SuperTowns have a different administration structure to the CLGF.

RDL senior executives visit the regions on RforR and departmental business, and in the process therefore at times engage at a professional level with CLGs. However interaction with CLGs on CLGF matters by other RDL officers is largely by telephone and by email.

If such a desk-bound approach is driven by thoughts of cost it is a false economy. The Trust believes that RDL project officers who visit the regions and acquaint themselves with the people and circumstances relating to CLGF projects are far more likely to make efficient informed and timely decisions than those that do not.

It is essential for both stakeholder relations and the delivery of regional development policy that administrators and decision-makers do not remain centralised and that they experience the regions for which they are decision-makers or administrators.

RDL should reassess the resourcing, administrative structure, and operational and communications systems of the CLGF. As part of this exercise RDL should examine ways of engaging more with CLGs on the ground.

Good communications contribute to better outcomes. Whether it was the Shadow Minister or a CLG, one of the most consistent issues raised in consultation and evidence was information – a need for the easy to get, easy to understand, easy to use and useful kind.

The CLGF is forecast to reach $1 billion within ten years. The political and media interest in the CLGF, the community interest in it, and the quantum scope impact and nature of the program demand ready access to quality and pertinent information.

Capacity-building

Chapter 11 reviewed terms of reference 7. In a small but long-established CLG sector of only 109 organisations (138 in the State) the Trust has been surprised at the variance reported to it in accounting standards, systems and capacity.

It would be to the benefit of all parties providing funds to CLGs, all parties having an interest in the services delivered by CLGs, and all parties requiring data, financial statements and reports from CLGs, if systems were standardised.

It is desirable for RDL to have discussions with DLG and WALGA, and whomever else thought appropriate, on the matter of standardising accounting systems for CLGs. There are a number of agencies and many entities that have an interest in these matters, and further investigation beyond this Review is required. In particular a lead agency or entity is needed.

With respect to suitably skilled permanent staff for the accounting and data systems, it is obvious that high turnover and/or a low skill base would not be helpful, and that resourcing attracting and keeping skilled staff will be more difficult in some CLGs than others.

Failing to attract and retain skilled knowledgeable staff in CLGs with a low population or rate base or with poor amenity may impact on the standard of financial management. RforR social investment, particularly in housing, is relevant here to the retention of staff.

Asset management is at the heart of considerations of CLG financial sustainability. The main requirement is asset data integrity and sector comparability. A resolution of depreciation is an essential consideration in any review of CLG accounting systems.

A number of CLGs criticised RDL audits and double or multiple audits as a costly consequence of high political interest, a waste of money resources and time, as exhibiting a lack of trust in CLGs, or as showing ignorance as to the existing integrity of CLG processes.

Audit of different types often appear to be a response to a variance in the capability and capacity of CLGs, with a greater audit intensity and investigation unnecessarily applied to the best because it is needed for the worst.

RDL could either rely on CLGs under the principle of subsidiarity to carry out project work under broad guidelines with fairly minimal auditing and reporting requirements; or, to have prescriptive and detailed expectations and guidelines which require detailed audit and reporting and which then places additional costs on both RDL and CLGs; or, to have a less prescriptive but more sophisticated outcomes and risk based system tailored to the varying types and capabilities of CLGs. The Trust favours the latter approach.

If external audit practice is regarded as less than adequate then this will need to be separately addressed. The Trust considered it useful to compare the audit expectations placed on corporations by the Commonwealth and that placed on local governments in WA.

Some of the differences between audit responsibilities in the *Corporations Act 2001* and the *Local Government Act 1995* are that the *Local Government Act 1995* does not:

- explicitly require the financial report to give a true and fair view of the financial position and performance;
- require the auditor to give a written and signed declaration of the auditor's independence. (However, the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* are very clear as to who may not be appointed as auditor to a local government);
- make a reference to the severity of penalties, if any, for non compliance by the auditor with any of the sections of the *Local Government Act 1995*; and
- clearly state the level of responsibility the auditor has in terms of reporting any breaches or interference with the proper conduct of the audit.

The Trust is generally concerned with enhancing productivity and efficiency, but specifically the Trust encourages RDL to keep CLGF compliance costs down. RDL argues on accountability grounds that it must guard against variances and inadequacies in CLG systems.

The greater the certainty of high quality in the standard CLG auditing process, the less will be a perceived need for additional assurance by outside agencies. On the face of it, enhancing the role of the external auditor may lessen the need for other audits by RDL or any other agency, or at least reduce the intensity and cost of those audits.

2.2 Recommendations

The Trust's 26 recommendations are to be found at the end of the nine sections in Chapter 12, which is headed 'Trust view and conclusions'.

Section 12.1: Introduction

Recommendation 1

The Trust recommends that RDL provide both the Minister and the Trust with a detailed report of progress made with respect to the recommendations of the CLGF Review by 31 December 2012, and with a further update by 1 July 2013.

Section 12.2: What is the purpose of the CLGF?

Recommendation 2

The Trust recommends that the Minister accept that:

1. *The purpose of the CLGF* is to satisfy the intent of sections 4 and 9(1)(a) of the Act, principally by addressing the infrastructure requirements of country local government either through individual CLGs or contiguous groups of CLGs;

2. That being said, CLGF spending on infrastructure that addresses other section 9(1) requirements by providing services, or that develops and broadens the economic base, or that creates jobs or improves career opportunities, is to be preferred over infrastructure spending that does not; and

3. *To enable the purpose of the CLGF to be realised* it is necessary to also invest in CLG capacity-building, both physical capacity and human capacity, and CLG capability, provided that investment will assist in producing optimal future CLG infrastructure investment decisions, and help improve the overall financial viability of CLGs, particularly through improved asset management.

Recommendation 3

The Trust recommends that the Minister:

1. Continue the CLGF at least at the current level of budget allocation;

2. Build into his considerations that while it is vital to focus on strategic outcomes, there is still a need to continue to address relevant smaller local infrastructure requirements that are valued by CLG communities;

3. Taking into account the evidence to the Review and the Trust's findings, consider increasing the CLGF budget allocation; and

4. Appropriate CLGF funds for allocation to categories of individual CLGs and groups of CLGs selected and appropriated against defined criteria.

Recommendation 4

The Trust recommends that no material change in CLGF allocation systems (unless generally welcomed by the sector) occur earlier than 1 July 2013, to allow present CLG budgets plans and projects to be realised.

Section 12.3: What should be funded?

Recommendation 5

The Trust recommends that by no later than 31 December 2012 in order to be operational by 1 July 2013, in consultation with the CLG sector and taking into account evidence to this Review and the findings of the Trust, RDL settle revised guidelines for both individual CLGs and groups of CLGs, making clear the purpose and priorities of the CLGF, what will be funded, the outcomes that are sought and the conditions that apply.

Recommendation 6

The Trust recommends that, by no later than 31 December 2012 in order to be operational by 1 July 2013, and taking into account evidence to this Review and the findings of the Trust, RDL after consultation with DLG and WALGA, review the basis on which CLGF funding will be provided for the amalgamation of selected CLGs, to improve the likelihood of amalgamation occurring.

Section 12.4: How much money is needed?

Recommendation 7

The Trust recommends that:

1. RDL analyse all FCWPs by 31 December 2012 in order to be operational by 1 July 2013, to ascertain the actual infrastructure status, needs and priorities of each CLG on an asset class basis to help determine CLGF desired outcomes by categories of CLGs; and

2. That RDL develop and publish improved data on the infrastructure backlog in the CLG sector.

Recommendation 8

The Trust recommends that RDL in conjunction with RDCo the RDCs and the CLG sector, develop methods for improving CLG leveraging ability.

Section 12.5: Who should be funded?

Recommendation 9

The Trust recommends:

1. That the CLGF continue to have an individual CLG component and a Group CLG sub-regional and regional component; and,

2. Recommends against the current intention of moving the CLGF to 100% Group CLG funding in 2013-14.

Recommendation 10

The Trust recommends:

1. That in the interests of regional development the CLGF support targeted capability and capacity-building funding for the CLG sector, with the intention of improving the financial sustainability and operating capacity of those targeted;

2. That such assistance should include supporting the amalgamation of weakly resourced and structured local governments, particularly those rated after assessment as financially unsustainable; and,

3. That RDL in consultation with DLG should report annually on progress and outcomes.

Recommendation 11

The Trust recommends that the Minister, noting the ongoing Commonwealth–State negotiations on the matter of adequate funding for the provision of local government services in remote Aboriginal communities and CLG concerns thereto, request advice from the State's Aboriginal Affairs Coordination Committee on consequential infrastructure capability and capacity matters affecting CLGs, that might need to be taken into account in future CLGF policy.

Section 12.6: How should they be funded?

Recommendation 12

The Trust recommends:

1. That by 31 December 2012 in order to be operational by 1 July 2013, the CLGF be distributed through two funding pools, one of which is allocated to qualifying grantees who will be rated prior to allocation as entitled to receive funding; and one of which is a contestable grants pool to which applications may be made by potential grantees rated as eligible;

2. That the CLGF funding quantum determined by the Minister and Cabinet be informed by the evidence to the Review and the findings of the Trust, and in particular by the sum of the recommendations in the Review;

3. That by 31 December 2012 in order to be operational by 1 July 2013, that all CLGs should be able to be rated on prospects, capability, capacity and risk, which rating shall identify those qualifying or not qualifying for the various categories of the two CLGF funding pools; and, that rating should be done on a publicly defensible professional basis; and

4. That taking into account evidence to the Review and the findings of the Trust, the required CLG rating systems are to be agreed by a committee which shall take professional input and advice as required; and, the committee should be chaired by RDCo and include but not necessarily be limited to representatives of RDL, DLG, WAPC/DoP and WALGA.

Recommendation 13

The Trust recommends:

1. That RDL investigate the feasibility of CLGF funding from 1 July 2013 not being on a budget-year basis but on a project-time basis, so that such issues as the northern wet season affecting project delivery, or trying to force longer time-scale projects into a financial year framework, fall away; and

2. That, subject to the feasibility study being positive and the Minister agreeing to RDL's proposals, that the CLGF operate on this funding system from 1 July 2013.

Section 12.7: Who makes decisions on what basis?

Recommendation 14

The Trust recommends that RDL and RDCo assess the relevant evidence and findings of this Review, and determine for the Minister's approval by no later than 31 December 2012 in order to be operational by 1 July 2013, the manner in which the RDCs role in the CLGF can be adjusted to facilitate and maximise CLGF outcomes.

Recommendation 15

The Trust recommends that by no later than 31 December 2012 in order to be operational by no later than 1 July 2013, RDL introduce a CLG risk rating system for its CLGF grantees, so that:

1. Higher risk grantees might be assessed and thereafter a judgement made as to whether they should be excluded from the CLGF, so helping protect the integrity of the Fund; and

2. Reduced governance requirements and compliance costs for both RDL and the grantees can thereafter be applied for those rated lower risk.

Recommendation 16

The Trust recommends that by no later than 31 December 2012 in order to be operational by no later than 1 July 2013, RDL take into account the CLG prospects-assessment for its CLGF grantees, in order that the quantum and destination of CLGF grants can be better directed for optimal regional development outcomes.

Section 12.8: What will deliver the best outcomes?

Recommendation 17

The Trust recommends that taking into account the evidence and findings of the Review, that RDL reassess the outcomes sought, and the resourcing, administrative structure, and operational systems of the CLGF, including greater engagement with CLGs by administrators and decision-makers on the ground; and report its recommendations to the Minister for approval by no later than 30 June 2012.

Recommendation 18

The Trust recommends

1. That to facilitate CLGF investment that is strategic and prioritised, and to fulfil the purposes of the Act, from not later than 31 December 2012 in order to be operational by 1 July 2013, CLGF spending should be outcomes-based;

2. That taking into account the findings of the EAC, evidence to the Review, and the findings of the Trust, RDL must establish the principles methodology and operational systems for making CLGF projects and programs outcomes-based; and,

3. That from no later than 1 July 2013, the Minister require as a condition of grant that CLGF grantees comply with relevant outcomes required by the Act, expanded where applicable by specific outcomes expressed in the CLGF guidelines, and where applicable specific outcomes by program or project or in the FAA; and that wherever practicable and relevant the outcomes achieved shall be measured and reported.

Recommendation 19

The Trust recommends that by no later than 31 December 2012 in order to be operational by 1 July 2013, RDL in consultation with DLG and the CLG sector and taking into account evidence to this Review and the findings of the Trust, develop a practical means for collecting and reporting the necessary data while minimising compliance costs, so that benchmarks for CLGF infrastructure and capacity-building can be set, against which the results of CLGF investment can be measured.

Recommendation 20

The Trust recommends that RDL, taking into account evidence to the Review and the Trust's findings, further consult with local government to identify opportunities to refine streamline and simplify current CLGF reporting processes on a preferred 'report once' basis wherever possible, but which ensures relevant information can still be captured and reported, and that necessary accountability is not compromised.

Recommendation 21

The Trust recommends that in the context of evidence to the CLGF Review and the Trust's findings, RDL review the outcomes sought and the resources needed for a better information flow to and from the CLGF with respect to three issues: communication by RDL to stakeholders; a response protocol or system to issues raised by stakeholders; and an automatic web-based information system.

Recommendation 22

The Trust recommends that RDL, taking into account evidence to the Review and the Trust's findings, assess the Commonwealth Roads to Recovery website and administrative system with a view to using desirable features of that system to improve the CLGF, but without compromising the administrative outcomes required for the CLGF.

Section 12.9: Capacity-building

Recommendation 23

The Trust recommends that the Minister, in the interests of CLG capacity-building:

1. Require RDL to have discussions with DLG and WALGA and whomever else thought appropriate, on the matter of standardising accounting systems for local government, with a view to determining if such a project should proceed, with what timelines, and on what basis; and

2. If a decision to proceed is made, to agree on the funding and methodology for a scoping and consultation exercise, including consideration of the suitability of the Local Government Accounting Manual, software, hardware, network connectivity and workforce upskilling; and subsequently, if standardisation is found feasible and desirable, for the implementation of a standard system for the local government sector.

Recommendation 24

The Trust recommends that the Minister, in the interests of CLG capacity-building:

1. Taking into account evidence to the Review and the Trust's findings, examine whether additional CLGF investment in housing and amenity for particular CLG permanent staff is warranted, particularly in locations remote from regional or metropolitan centres; and,

2. Task the RforR Directors General Reference Group, taking into account evidence to this Review and the Trust's findings, to explore options for staff attraction and retention across the CLG sector, particularly as they relate to the more remote areas of the State, including but not limited to housing, amenity, family and social requirements, professional development, special allowances and incentives.

Recommendation 25

The Trust recommends that the Minister require RDL to engage with DLG and WALGA to ensure that CLG asset management, depreciation systems, and forward capital works plans are integrated or harmonised as systems in the most practical efficient and useable manner.

Recommendation 26

The Trust recommends:

1. That the Minister for Local Government review the *Local Government Act 1995* to determine whether the provisions governing the auditing of local government could or should be enhanced; and

2. That until the DLG review of the audit provisions of the *Local Government Act 1995* is completed, RDL work with DLG to examine options for and a process for increasing the consistency and general alignment of local government audit practices and grantee audit requirements with the existing audit provisions of the *Local Government Act 1995*.

Chapter 3: CLGF History and Program

3.1 Before the Act[5]

As an instrument of regional development, the CLGF is a novel policy innovation, without an equivalent Australian parallel. The RforR CLGF was announced on 16 December 2008 as a $400 million program to be spent over four years.

The CLGF was established to provide an opportunity for CLGs to upgrade their infrastructure, and in the process revitalise country communities.

The CLGF program was a policy response to various reports indicating that the significant infrastructure backlog in the sector was not only a serious social and economic concern in regional WA, but was also a major contributing factor towards many local governments being determined financially unsustainable.

RforR is funded by hypothecation from the State's annual royalty income. At the time of the CLGF launch $100 million per annum was a significant portion[6] of the forecast 25 % of royalties income expected to be available for RforR. Since 2008-09 State royalty income has accelerated, and the CLGF proportion has declined.

Excepting for Parts 3 and 5[7] the *Royalties for Regions Act 2009* was proclaimed on 27 March 2010. It provides for the operation of the Fund. Prior to the proclamation of the Act, the RforR program operated pursuant to section 10(a) of the *Financial Management Act 2006*.

The CLGF was administered by the DLG until April 2010, since then it has been administered by RDL.

The effective date of the Fund and therefore the CLGF is the Cabinet decision of 13 October 2008, which gave effect to the RforR policy formally agreed to at the formation of the current WA Government.

The CLGF policy encouraged increased local decision-making on issues of planning, determination of priorities and expenditure in regional areas on infrastructure and services that aligned with these policy objectives:

- Increased capacity for local strategic planning and decision-making;
- Retaining the existing benefits in regional communities and expanding on these into the future;
- Relevant and accessible local services;
- Communities that can expand social and economic opportunities; and
- Regional communities that are prospering through increased employment opportunities, business and industry development opportunities, and improved local services.

---

5 The Trust has heavily relied on RDL for much of the background and data contained in this Chapter.

6 25% of the forecast royalty income for 2008-09 of $2,645.9 million is $661.4 million for RforR, and $100 million for the CLGF is 15.1% of that. By 2010-11 the CLGF was 11.4% of the RforR budget.

7 Parts 3 and 5 of the Act were proclaimed on the 13 July 2010, and concern the Trust.

3.1.1 The SSS Report and the CLGF

While not developed in response to the Systemic Sustainability Study (SSS) report, that report does form a significant backdrop to the CLGF and the issues it is trying to address.

The SSS report was commissioned by WALGA in January 2006[8] to review the sustainability of local governments in WA. The report made a total of 41 recommendations, a number of which were integrated into the development of the CLGF.

The financial sustainability of local governments was highlighted in the SSS report, with a reported 83 councils assessed as financially unsustainable when an 'own source' methodology[9] was applied.

The report stated that the sector faced many significant challenges, not all of which are financial. However the report indicated that financial issues will become more prevalent if the economic, capacity, skills, demographic and service problems facing local governments are not addressed.

A key component of the SSS report is its estimated $1.75 billion[10] metropolitan and non-metropolitan infrastructure backlog[11] and the lack of financial and resource capacity of local governments to address the backlog.

While this is a complex issue, apart from the issue of funding it was determined that this infrastructure backlog developed due to the lack of strategic financial and asset management plans and the lack of capacity of local government officers generally:

> The industry does not always apply strategic considerations to annual budgeting and related program decision making … Some financial decisions, contractual undertakings and processes such as rate setting and development of infrastructure assets are conducted without a thorough understanding of their costs or impacts on other services.[12]

The SSS report said that feedback from local governments highlighted the decline in the proportion of funds received from other levels of government as the major cause of the infrastructure backlog, although others believed capacity and expertise shortages were strong influences.

It was also argued that inconsistent approaches to asset and financial management and reporting may have lead to an undervalued backlog and other related infrastructure issues.

---

8 A full copy of the SSS report can be found at: http://www.walga.asn.au/sss/documents/sspanelreport

9 The 'own source' methodology was based on advice from Access Economics and a full explanation of the approach can be found on pages 14-18 of the SSS report.

10 This figure is determined through an Access Economics formula and is not an actual list of infrastructure needs.

11 This figure is inclusive of road infrastructure: WALGA supplementary submission, page 1.

12 SSS Report, page 14.

The SSS report stated that an estimated $120 million[13] annual deficit would be inherited by local governments State-wide, including metropolitan councils, if the infrastructure backlog were to be immediately addressed in a sustainable manner. However it was noted in the report that there were no comprehensive council-by-council figures on the backlog due to the:

- Lack of 'role clarity'[14] in terms of asset ownership, renewal and maintenance;
- Variations in the approaches to depreciation;
- Inadequate monitoring and reporting of a Council's financial position and performance; and
- Variations to whole-of-life asset costings.

There is also an increased community expectation on local governments to deliver services and infrastructure which councils often do not have the capacity to undertake. Trying to meet this expectation is placing further pressure on local government capacity and financial sustainability. Concurrently some local governments feel it is the responsibility of other levels of governments to address any such gaps in financial infrastructure or services.

Entwined with the issue surrounding the infrastructure backlog is the major issue highlighted in the SSS report regarding a lack of asset management understanding and implementation. The report makes a number of recommendations in this area including:

- Adoption by all local governments of a total asset management system;
- A unified and consistent approach to asset management, financial practices and decision-making;
- Development of sector-wide standards for service levels and consistent processes for calculating whole-of-life costs associated with core asset classes; and
- Improved access to financial and assessment skills and/or training.

The SSS report estimated that capacity building projects would require an indicative budget of $25 million in order to implement the recommendations made:

> There is a critical need for local government to strengthen its asset management capabilities. The measures proposed include better technical expertise; use of more consistent processes and methodologies and greater disclosure to communities and funding partners of the challenge faced and the remedies being applied.[15]

13 This figure is specifically related to recommendation #33:
WALGA develop a campaign strategy to leverage funding to eliminate the infrastructure backlog in conjunction with improved asset management practices, recognising that sustainable progress will not be made on reducing the backlog unless additional annual revenues of approximately $120M per year are secured, based on current calculations of the infrastructure deficit.

14 In the report it stated that anecdotal evidence suggested that CLGs were unclear which infrastructure and services they were responsible for as opposed to other levels of government which could often lead to industry vulnerability in the context of cost-shifting or willingness to undertake projects.

15 SSS report, page 11.

It is acknowledged in the SSS report that these issues are inter-related and a joint approach to addressing them is more likely to derive success. The majority of the recommendations made are on a sector-wide basis because in most cases the challenges are State-wide and are beyond the scope and capacity of individual councils and shires to address. There are a number of recommendations regarding:

- Standardisation to various responsibilities such as financial planning, rate setting and reporting;
- Best-practice approaches, reforms and uniformity towards strategic decision-making (including a best practice guide for debt funding of infrastructure and associated training);
- Improvement of State-wide data collection and information to assist with better policy and planning; and
- Development of asset management frameworks.

The SSS report also made a number of recommendations regarding structural reform for the sector, and the benefits of combining resources and service delivery.

The SSS report did not recommend forced amalgamations of local governments:

> We see particular advantages to the industry of agreed regional pool arrangements for key staff, back office services and for some whole-of-region infrastructure services.[16]

The SSS report suggests that there could be benefits in offering incentives and support mechanisms to assist those who wish to pool or share resources on an agreed basis. The report does not take a clear position on the delivery of combined local government infrastructure.

Appendix 3 of the SSS report outlines anecdotal recommendations by local governments of amendments to the *Local Government Act 1995* that would enable improved service delivery and more sustainable local governments including:

- Increased tender limits in local government to generally match procurement thresholds applied by the State Supply Commission to State Government activities;
- Regulate asset management plans and long term community financial plans;
- Reduce reporting and compliance requirements; and
- Provision for clear processes and easier transition in situations of amalgamation.

The sector has said that while funding is available at both State and Federal government level to address both infrastructure and capacity-building within the local government sector, the conditions and reporting requirements attached to funding can place administrative burdens on the local governments' resources that can sometimes outweigh the benefits of the funding.

It is generally recognised that this significant infrastructure backlog cannot be addressed by current local government funding based on own source revenue. State and Commonwealth transfer income remains vital, as well as specific infrastructure programs such as 'Roads to Recovery' (R2R).

16 SSS report, page 68.

Therefore the CLGF was implemented based on the initial broad outcomes of:

- Improving the financial sustainability of regional local governments in WA through improved asset management; and
- Addressing infrastructure backlogs and supporting capacity building.

In his launch speech, the Minister for Local Government, Hon. John Castrilli, MLA, stated that the funding should target asset management and renewal and also enable the creation of new infrastructure assets.

To support the building and maintenance of community infrastructure, the funding was tied to expenditure on infrastructure and buildings defined through standard accounting guidelines used by local governments.[17] More specifically, these were assets such as halls, recreation centres, council offices, swimming pools, roads, parks, gardens and airports.[18]

In the initial year of CLGF, funding was only directed to individual CLGs.

3.1.2 The formula, the guidelines[19] and governance

The formula

Both the original and the current CLGF formula[20] allocations are determined on the basis of population and needs, and include equalisation criteria and roads components.[21]

The CLGF has been distributed on an equity-based principle, in that every CLG is entitled to an annual allocation, set for the initial four years of the program. Allocations are not adjusted for large geographic areas covered by the CLG (apart from the roads component), nor are they adjusted for growth rates and forecasts, nor is there an allocation per region.

RDL advises that the 2008-09 CLGF 'Frequently Asked Questions' states that:

> The population component is based on $172.50 per person. A minimum amount of $400,000 and a maximum amount of $900,000 has been incorporated to avoid distortions in allocations due to small or large populations. This cap does not include the needs component.
>
> The needs component is additional to the population component. It is based on the combination of the Local Government Grants Commission's (LGCC) 2008-09 equalisation grants and road grants. The allocation of these grants is based on indicators of equalisation need and road asset preservation needs, reflecting different road lengths, standards and costs in each local government.[22]

---

17 The DLG 2009 LGAM.

18 RforR and CLGF Launch Speech Notes, Tuesday 16 December 2008, Hon John Castrilli, MLA, Minister for Local Government. Available from: http://www.mediastatements.wa.gov.au/Lists/Statements/Attachments/131059/uwaroyaltiescas.pdf

19 A breakdown of the formula can be found in the CLGF Issues Paper, a copy of which is in Appendix 2. The 2011-12 guidelines are in Appendix 3.

20 This was derived by dividing the available $97.5 million equally amongst the CLGs based on the 2007 regional WA population.

21 The population component uses ABS census figures. These are not without controversy. In consultation with the Trust the Town of Port Hedland advised that the 2007 census was an undercount. They advised that the ABS population figure was 13,375 but the CLG count for Port Hedland and South Hedland was 19,500.

22 The total Financial Assistance Grant pool (both general purpose and roads allocation) is the surrogate measure for need; equalisation criteria try to account for local governments that have a limited capacity to fund service provision needs; roads components take into account asset preservation needs reflecting different road lengths, standards and costs.

RDL advised the Trust that in 2008-09 the existing LGCC assessment was used because it was believed that this was a formula understood by local governments and that it took into account many different aspects of local governments' accounting and capacity.[23]

The guidelines

RDL advises that the guidelines were set based on an agreement with the then WA Department of Treasury and Finance (DTF), the CLGF policy, the RforR policy and other State Government funding policies.

Given the program was new, it was the intention to keep the guidelines short, understandable and as least descriptive as possible. Additional information surrounding the nature of the CLGF, spending and governance restrictions were provided as additional information.

The guidelines outlined the objectives, what could be funded, what could not be funded, conditions and obligations attached to the funding, and other administrative processes. These were provided to the CLGs in early January 2009 as part of the initial information package provided.

The guidelines were developed with approval from both the Minister and the Minister for Local Government. For 2008-09 the guidelines were presented to Cabinet on a 'noting-only' basis.

Governance

It was intended for the governance of CLGF to be as simple as possible for both RDL (given that only one FTE had been assigned to the program's administration), and the CLGs.

Therefore no application forms, business cases or grant agreements were attached to the receipt of the funds. Instead local governments were required to "execute a claim document, in which they… agree[d] to conditions of funding".[24]

These conditions and reporting tied into the existing accounting practices of CLGs in order to reduce the administration burden on CLGs. Such arrangements were processes such as bi-annual expenditure reports and tying audits/acquittals into existing CLG annual report processes.[25]

The reporting system was based more on financial outcomes, (i.e. expenditure) rather than performance (e.g. outcomes, achievements), therefore limited project information was captured.

3.1.3 CLGF 2008-09

The 2008-09 CLGF was administered by the former Department of Local Government and Regional Development (DLGRD) until it split on 30 June 2009, with responsibility assumed by the DLG. To enable alignment with other RforR activities, responsibility for the CLGF was transferred to RDL in March 2010.

23 Further discussion surrounding the formula can be found in Chapter 7.

24 RforR and CLGF Launch Speech Notes.

25 2008-09 CLGF Additional Information Sheet.

In 2008-09, $97.5 million was available between the 110[26] CLGs, with allocations ranging between just under $470,000 and just over $2 million. The RforR disbursement of funding was delayed while awaiting the *Treasurer's Advance Authorisation Bill 2009* to be approved. This had a direct impact on some of the forecasted expenditure trends due to funding being unable to be disbursed until after 8 May 2009. Therefore 2008-09 CLGF payments were not made until May and June 2009.

Funding was tied to expenditure on the infrastructure asset classes outlined in the Local Government Accounting Manual (LGAM). These are:

- Buildings (e.g. halls, recreation centres, council offices)
- Infrastructure:
  - Roads
  - Bridges
  - Drainage
  - Parks, gardens and reserves
  - Footpaths and cycleways
  - Airports
  - Sewerage
  - Other[27]

Allocations were paid in two instalments against submission of reporting requirements and were intended to be spent on projects above and beyond that already planned/budgets by local governments.

Table 1: 2008-09 Breakdown (Source: RDL November 2011)

Number of CLGs:	110
Total allocation:	$97,500,000
Total disbursed:	$97,500,000
Total acquitted:	$81,974,542
Number of local governments yet to acquit[28]:	21
Total number of projects:	625
Total number of completed projects:	590
Total value of projects:	$187,533,901
Total amount leveraged (including own source revenue):	$90,033,901

26 There are now 109 CLGs with the amalgamation of the City of Geraldton-Greenough and the Shire of Mullewa in July 2011.
27 2008-09 CLGF Guidelines.
28 This figure of 21 is at November 2011. RDL advised the Trust that at 19 January 2012 11 CLGs had yet to acquit their 2008-09 CLGF grants. These were: Goldfields-Esperance region 6 CLGs - Coolgardie, Esperance, Kalgoorlie-Boulder, Laverton, Ngaanyatjarraku, Ravensthorpe; Great Southern Region 1 CLG Plantagenet; Kimberley region 1 CLG-Wyndham-East Kimberley; Wheatbelt region 3 CLGs – Beverley, Lake Grace, and Tammin.

A major concern that emerged for RDL from the CLGF experience in 2008-09 was the number of CLGs that found it difficult to get projects under way. The lag between approval and expenditure was pronounced for a number of CLGs, and has been compounded by a lag between approval expenditure and acquittal (see Table 1 and the footnote).

RDL advised the Trust that it was intended that $2.5 million be available for different capacity building initiatives to be delivered through DLGRD such as encouraging standardised asset management practices and regional governance models in local government. This funding was then redirected toward support for the CLGs with their initial structural reform submissions. This included up to $10,000 for each local government to prepare their report, funding to support the development of Aboriginal Corporation business cases and administration costs.

RDL advises that a significant portion of this funding (the figure was not specified) was carried over into 2009-10.

RDL advised that the CLGF arrangements were as follows:

> In 2008-09, $97.5m of Royalties for Regions funding was provided to 110 local governments through an individual allocation based on a formula developed by the then Department of Local Government and Regional Development (DLGRD). Before receiving initial annual funds, recipients were required to provide to DLGRD a completed CLGF Acceptance Form outlining the local government's infrastructure priorities for the financial year.
>
> As a condition of funding all financial assistance recipients were required to have fund expenditure independently audited. Documentation of the audit was to be forwarded separately to DLGRD and included in each local government's annual report. Compliance with reporting requirements for the Fund was also to be included in the annual compliance audit. Final reporting requirements for the 2008-09 allocations were to be received by the Department by 30 November 2009. Funding payments for future years would not be made until the required documents were received to the satisfaction of DLGRD …
>
> … In 2008-09 DLGRD was allocated $2.5m per annum from Royalties for Regions for the purposes of capacity building and enhancement of asset management capacity and regional governance structures for local government sector. Both individual and regional local governments were to receive capacity building support consistent with the State's overall responsibility for the local government system.[29]

3.2 After the Act

3.2.1 The Act and the policy

On 3 December 2009 the Act was passed. It was proclaimed on 27 March 2010. The Act entrenched the CLGF as one of the three specific funds under RforR. There was no sunset clause and the CLGF was therefore automatically extended beyond its original four-year timeframe.

The Act states in Section 4 that "the objective of this act is to promote and facilitate economic, business and social development in regional Western Australia through the operation of the Fund". This indicates that after 2009 all RforR projects were intended to provide outcomes measured against the Act.[30]

29 RDL submission, pages 13-14.

30 Further discussion on the purpose of the Act and on outcomes can be found in Chapter 12.

In recognition of the passing of the Act, RforR adjusted its policy to state:

> Royalties for Regions is a long-term vision for Western Australia, one that recognises that the sustainable development of regional Western Australia is vital to the State's future.[31]

The RforR policy was the plan for the whole of WA, with a focus on building communities in regional areas through six policy objectives:

- Building capacity in regional communities;
- Retaining benefits in regional communities;
- Improving services to regional communities;
- Attaining sustainability;
- Expanding opportunity; and
- Growing prosperity.

The CLGF was approved by Cabinet in late 2008 as a four year program.

It would appear that the CLGF policy and formula was not adjusted subsequent to the passing of the Act. The original intent and allocation to every CLG was retained, with only minor additions to the aims of the CLGF, which were to:

- Provide financial assistance to CLGs which choose to amalgamate; and
- Assist groups of CLGs to fund larger scale infrastructure projects.[32]

CLGF allocations were also intended for Groups from the second year onwards, but were deferred when year two funding was provided for the preparation of FCWPs.

It was envisaged that Groups would see collaboration by CLGs to agree on regional priorities for new infrastructure, working along similar lines to regional road groups.

A number of CLGs were already part of formal groupings such as regional organisations of councils (ROCs) or strategic alliances, with others involved in informal groupings such as WALGA zones.

However, some CLGs were involved in more than one grouping; therefore it was determined that it was best left to the CLGs themselves to determine which Group they wished to form for the purpose of CLGF funding.

In 2009-10 the RDCs were requested by the Minister to support the facilitation of the Groups, especially in areas where no formal grouping was already established.

RDL advises that the original policy intent was for a staggered approach in funding that lead to a 50% split in funding between the individual CLGs and Groups components.

31 RDL website: http://www.rdl.wa.gov.au/royalties/r4robjectives/Pages/default.aspx

32 2010-11 CLGF Guidelines.

Once the CLGF was entrenched in the Act, it was the intention that funding beyond the original four years[33] would become available solely for the Groups.

The aim of the Groups was that the CLGs would identify larger scale infrastructure projects that could leverage additional funding and would address wider community benefits across the region (for example infrastructure developments that attract industry, such as upgrades to ports, roads, rail, communications, power etc).[34]

3.2.2 The formula the guidelines and governance

The formula

The formula has not been reviewed or updated since its original application. While the 2007 population figures are outdated, the Minister determined an adjustment to the formula was not required due to:

- The allocations were set and approved by Cabinet for the years inclusive of 2008-09 to 2011-12;[35]
- The structural reform agenda has been announced and any amalgamations would need to be confirmed to review the effect on the formula and/or allocations; and
- The LGGC had commenced a methodology review[36] which could have significant implications to the base data for the needs component of the formula.

RDL advised that therefore allocations were determined by the percentage difference in each allocation relevant to the total funding available differential, rather than dividing the total available equally amongst the CLGs to derive a new per capita amount, as per the formula.

Instead of entering the new 'total pool' amount into the formula annual allocations have been determined by the percentage each CLG had of the total pool. For example in 2008-09 the City of Albany (Great Southern) received 1.61% of $97.5 million. For 2010-11 the City of Albany received 1.61% of $94.5 million, which was then split 65/35 into individual and Group allocations.

The guidelines

In response to feedback from various stakeholders, the annual guidelines were adjusted in consultation with WALGA, DLG, the Local Government Managers Australia WA (LGMA) and the RDCs.

Changes included removing reference to the LGAM asset classes; becoming more descriptive with what cannot be funded, conditions and obligations; and providing differentiation between the individual CLGs and Groups components.

33 This became five years with the additional year added due to the deferral of funding in 2009-10 because of the GFC (global financial crisis).

34 2009-10 CLGF Guidelines.

35 With the deferral of funding in 2009-10, this was pushed out a year to 2012-13.

36 For details of the review visit the DLG website: http://www.dlg.wa.gov.au/Content/LG/GrantsCommission/Default.aspx

The opportunity to be involved in the development of guidelines and RDL's willingness to accept CLGs feedback appears to have resulted in a better acceptance of the CLGF program and increased support from organisations such as WALGA and the RDCs. RDL said:

> Feedback provided to RDL suggests that country local governments have experienced difficulties in various aspects of the operation of CLGF. However, and importantly, RDL considers that this has improved as the program has evolved and the department and local governments have become more familiar with the program and its operations and guidelines.
>
> In the development of the 2010-11 and 2011-12 guidelines, RDL made a conscious effort to engage with the Western Australian Local Government Association and its zones, Regional Development Commissions and [the] Local Government Managers Australia to improve the operation and flexibility of the program in response to feedback from stakeholders. RDL has offered to form a reference group with LGMA to assist with the ongoing and continuous improvement of the program.[37]

However it would appear that the guidelines have become more prescriptive over time and are moving further away from the original intention of local decision-making.

Governance

It would appear that due to a number of factors such as political and media commentary, a lack of quality reporting and data, increasing timeframes, and a lack of trust that the CLGF governance requirements became much more onerous. From 2009-10 onwards:

- All allocations must have signed Financial Assistance Agreements (FAA) attached to them;
- All groups projects must be supported by a business case that has been developed in consultation with the RDCs;
- Must meet set eligibility criteria;
- Have an increased RDL assessment;
- All groups projects must be submitted to and approved by Cabinet; and
- Provide progress reports, annual audit statements and final independent acquittals.[38]

As later chapters will discuss, evidence to the Trust indicates that while some of the additional governance requirements are considered reasonable, it would still appear that the CLGF is moving away from subsidiarity towards a more prescriptive risk-averse and lowest common denominator approach that suggests a lack of trust of the CLG sector. This is placing pressure on both RDL and CLGs resources and capacity.[39]

---

37 RDL submission, page 5.

38 Individual CLG's 2009-10 and 2010-11.

39 Further discussion surrounding the process and governance can be found in Chapter 6.

3.2.3 CLGF 2009-10 to 2011-12

CLGF 2009-10

RDL explained the reason for the deferral of 2009-10 allocations:

> As a direct impact of the Global Financial Crisis and the need to reduce recurrent expenditure across the State Budget, the amount made available in the 2009-10 budget for CLGF was reduced to $10 million. In order to manage the funds appropriately for the 2009-10 CLGF funding round the Western Australian Government determined that the $10 million would be allocated to country local governments to support capacity building and improved planning through the development of a forward capital works plan (FCWP). At this time, very few local governments had acquitted the 2008-09 funds. Given that the next year's funding relied on the acquittal of the previous year's, the impact of deferring the funds was considered to be minimal.
>
> In 2009-10, local governments were provided with [up to] $35,000 each to develop FCWP and each Regional Development Commission (RDC) was provided with $100,000 to support regional groups of local governments with the development of business plans (with a larger allocation to the Wheatbelt in recognition of the larger number of local governments). The remaining 2009-10 allocation ($90 million) was to be repositioned into the out years to 2013-14.[40]

Table 2: 2009-10 Breakdown (Source: RDL November 2011)

Number of CLGs:	110
Total allocation:	$3,850,000
Total disbursed:	$3,715,070
Total acquitted:	26
Total amount spent on FCWP:	$3,373,963
Internally developed FCWP:	23
Externally developed FCWP:	87
Total value of FCWP projects:	$114,699,266

In 2009-10, DLG was provided with:

- $2.475 million for complementary capacity-building initiatives – strategic and asset management planning; and
- $2.5 million to assist CLGs who have formalised their position and wish to amalgamate.

However it was DLG's position to provide strategic and asset management support only to those CLGs which were involved in structural reform activities rather than making it available to all CLGs.

40 RDL submission, page 14.

Therefore the $2.475 million was budgeted accordingly:

- Collaborative Group Planning: $240,000
- Strategic Planning and Asset Management: $540,000
- Indigenous Community Business Plans: $760,000
- Reform Submissions: $460,000
- Administration: $475,000

The CLG sector have had significant planning and capacity issues and progress on amalgamations has been slow.[41]

CLGF 2010-11

2010-11 was the first year with funding directed to the two different components in a 65/35 split of the total available funding between individual CLGs and the Groups respectively.

The guidelines were slightly altered to include allowances for planning and associated project management costs; a shift from the LGAM asset classes to any capital works[42] component of an infrastructure project; allowances for expenditure on third-party or community owned infrastructure; and that projects must be part of a FCWP[43].

RDL said that to be eligible for receipt of individual allocations, CLGs must have acquitted their 2008-09 allocation:

> As at October 2011, 88 local governments had acquitted their 2008-09 CLGF funds, while 21 local governments were yet to complete their 2008-09 projects. One local government has not commenced expending its 2008-09 funds. RDL is concerned that these local governments have not been able to spend funds to address the backlog of projects.
>
> As of November 2011, 109 FCWPs have been received. A total of 108 local governments have approved plans, 79 CLGF Financial Assistance Agreements (FAA) have been signed for 2010-11 funds and a further nine FAAs are in draft form. A total of $32,661,347 of the individual allocation has been requisitioned within Office of Shared Services (OSS). However, $28,802,653 yet remains unallocated and may not be used by those local governments unable to acquit 2008-09 funds until 2011-12. This creates a two-year lag in the use of funds which are available.[44]

41 Further discussion surrounding amalgamation funding can be found in Chapter 5. Further discussion surrounding capacity building can be found in Chapter 9.

42 Capital works, as per the Individual Country Local Governments 2010-11 CLGF Guidelines, are defined as:
Building and engineering works that create an asset, as well as constructing or installing facilities and fixtures associated with, and forming an integral part of, those works (such as buildings, floor finishes, air conditioning and security systems, but excluding items such as furniture and office equipment). The definition encompasses the purchase of buildings. Headworks costs associated with an eligible capital works project are acceptable.

43 Individual Country Local Governments 2010-11 CLGF Guidelines.

44 RDL submission, page 13.

Table 3: 2010-11 Individual Component Breakdown (Source: RDL November 2011)

Number of CLGs:	109
Total allocation:	$64,530,155
Total disbursed:	$58,730,448
Total acquitted:	$0
Total number of projects:	444
Total number of completed projects:	0
Total value of projects:	$113,894,356
Total amount leveraged (including own source revenue):	$49,364,201

RDL stated that receipt of 2010-11 Groups funding is not attached to acquittals of individual allocations but projects must be supported by a business case:

> Local governments that have planned and received funds for 2010-11 projects are progressing well. Planning has been the key to setting direction and funding project and has enabled local governments to identify projects as priority and thus addressing the backlog.
>
> A total of 35 regional groups of local governments projects have signed 2010-11 CLGF FAAs; a further 13 FAAs are in draft stage, five business cases are being finalised; two are on hold and one has been withdrawn.[45]

Table 4: 2010-11 Groups Breakdown (Source: RDL November 2011)

Number of CLG Groups:	32
Total allocation:	$35,786,298
Total disbursed:	$31,786,298
Total acquitted:	$0
Total number of projects:	54
Total number of completed projects:	0
Total value of projects:	$144,396,477
Total amount leveraged (including own source revenue):	$108,610,179

RDL has noted that the leveraging for CLGs shown in Tables 3 and 4 indicates a better leveraging result for CLG Groups than for individual CLGs. (This matter is raised again in Chapter 6).

In 2010-11, DLG was provided with:

- $2.5 million to assist CLGs who have formalised their position and wish to amalgamate;
- $1.8 million for strategic planning and asset management;
- $200,000 for Indigenous community business plans; and
- $390,000 for administration.

45 RDL submission, page 14.

It is important to have data and information that identifies where and what activities are being funded, and how much has been spent thus far. This will enable critical analysis of outcomes, key performance indicators and value for money assessments to be undertaken.

RDL advises that DLG is required to provide regular reports to RDL on the expenditure of CLGF funds.

CLGF 2011-12

The guidelines for 2011-12 were only released in October 2011 and therefore little activity has been completed against this funding year. 2011-12 has a 50/50 split of the total available CLGF funding of $108.06 million between the individual and Groups components.

There are additional new criteria for individual CLGs[46]:

- CLGs must be well advanced in their project planning;
- Purchasing vacant land for the purpose of development is allowable; and
- Documentation must be submitted by 30 December 2011.

There are additional new criteria for Groups[47]:

- Projects must demonstrate regional significance and be of a strategic nature;
- Groups must participate in a regional planning process, facilitated by the RDCs;
- Projects must be well advanced in its planning; and
- Purchasing vacant land for the purpose of development is allowable.

A new process has also been developed in that projects must also be approved by Cabinet, submitted by RDL on a quarterly basis.

Further funding has been provided to DLG but there are the same issues regarding information as mentioned earlier. In 2011-12 the CLGF provided for the following:

- $1.52 million for strategic planning and asset management;
- $480,000 for Indigenous community business plans; and
- $390,000 for administration.

According to the disbursement profile provided by RDL, DLG are in receipt of all current CLGF capacity building funding it is entitled to.

46 Individual CLGs 2011-12 CLGF Guidelines.
47 Regional Groups of CLGs 2011-12 CLGF Guidelines.

3.3 Four year summary

3.3.1 Intended and actual outcomes

The original aims of the CLGF were to:

- Improve the financial sustainability of CLGs in WA through improved asset management; and
- Address the infrastructure backlog and support capacity building.

In 2010-11, the following aims were added:

- To provide financial assistance to CLGs which choose to amalgamate voluntarily; and
- To assist groups of CLGs to fund larger scale infrastructure projects.

Infrastructure backlog and capacity building

RDL advised that:

> It is important to state that the SSS report was not based on a detailed audit of each of Western Australia's local governments' asset base or infrastructure. This mean there is effectively no existing comprehensive baseline against which to measure the extent to which local governments' infrastructure backlog is being addressed through CLGF … In the absence of a detailed audit prior to the commencement of the CLGF, and based on RDL's experience that expenditure by local governments has been slower than expected, the accuracy of the estimate of the infrastructure backlog is questionable.[48]

However with the completion of FCWPs, there is the potential to gain a more accurate picture of the backlog within the sector.

According to RDL's figures, there is an estimated $114 million worth of current capital works programs within the sector for 2010-11. This figure may be conservative. In its submission, the City of Bunbury (South West) alone claim to have $140 million worth of capital works in their FCWP over the next five years.

Without detailed commentary from RDL, it is also unclear exactly what these programmed works entail.

Additionally, DLG are in the progress of mandating asset management planning across the sector, which must be complete by 30 June 2013. This would also provide a clear indication of exactly what backlog sits within the sector. However given that CLGF investment has supported the undertaking of $444,824,734 worth of projects from 2008-09 through to 2010-11, it would suggest CLGF has indeed assisted in addressing the infrastructure backlog.

RDL comments on the support for capacity building in these terms:

> There may be other contributing factors impacting on local governments' ability to spend funds quickly, including the availability of resources and labour, their general capacity, approvals timeframes and in remote areas, climatic impacts.

48 RDL submission, page 2.

> RDL contends that, in general, there is limited capacity in country local governments to deliver their obligations under this program in addition to their existing commitments. RDL understands that the intensive CLGF capacity building assistance offered by the Department of Local Government and Regional Development (DLGRD), and subsequently by the Department of Local Government (DLG), has not been provided to all country local governments. DLG is of the view that only country local governments which are participating in the government's reform agenda are entitled to capacity building assistance. RDL supports a broader approach by providing assistance to build the capacity of all country local governments.[49]

When discussing capacity building, DLG note:

> Local governments have been assisted by frameworks, guidelines, training programs and grants provided to date. However, widespread behavioural change cannot be achieved overnight. It will therefore be necessary for continuing support to be provided, particularly over the next two years until 1 July 2013 when the new integrated planning regulations come into effect.[50]

Improving asset management

Planning

Through a portion of its CLGF funding, DLG has implemented the Integrated Planning Framework (IPF) that has been mandated under legislation. The DLG has also continued the development of the LGAM.

Integrated planning is the development and delivery of a Strategic Community Plan[51] and a Corporate Business Plan[52]. Integrated planning is supported by informing strategic plans including asset management, long term financial planning and workforce planning.

The framework and guidelines have been developed as part of the State Government's Local Government Reform Program (LGRP). They reflect a nationally consistent approach to integrated planning as expressed by the Council of Australian Governments 'Local Government Planning Ministers' Council.

Legislation

All local governments are currently required to produce a Plan for the Future under s5.56(1) of the *Local Government Act 1995*.

It is intended that regulations will be made under s5.56(2) of the *Local Government Act 1995* to replace the Plan for the Future with the IPF and to briefly outline the minimum requirements to achieve this. The minimum requirement to meet the intent of the plan for the future is the development of a:

- Strategic Community Plan; and
- Corporate Business Plan.

---

49 RDL submission, page 2.

50 DLG supplementary submission, page 2.

51 DLG: A Strategic Community Plan outlines community long term (+10 years) visions, values, aspirations and priorities with reference to other local government plans, information and resourcing capabilities.

52 DLG: The Corporate Business Plan is an internal business planning tool that translates council priorities into operations within the resources available.

The new regulations also require each local government to include in its annual report any changes to either of the above plans. This will keep the community informed of any specific changes it would otherwise be unaware of.

Compliance with the new regulations will not be enforced until 30 June 2013.

An Integrated Planning Advisory Standard document to be released by DLG will detail what a local government will be expected to include in its Plan for the Future in order to achieve compliance with the new regulations.

The Advisory Standard will also detail the integrated planning elements and processes that a local government will need to implement in order to achieve intermediate or advanced standards of planning maturity.

Website

The DLG planning website branch[53] provides information, guidelines, templates, definitions and other tools surrounding asset management, financial planning and workforce planning. CLGF funding is not identified by program.

Workforce planning will be the focus of 2011-12. This focus is a result of the Human Resources and Change Management Working Group which sits under the Local Government Reform Implementation Committee and is developing tools to assist local governments with workforce planning. This is expected to be available from November 2011.

The DLG website does not detail what financial support DLG or CLGF are providing direct to local governments for this. Overall, it is unclear from the DLG website/s where CLGF funding is being directed or that it is available for local governments to access. However local governments are only eligible for CLGF funding under the LGRP if they have:

- Resolved to amalgamate;
- Resolved to participate in a Regional Transition Group (RTG); or
- Resolved to participate in a Regional Collaborative Group (RCG).

Local Government Accounting Manual

The LGAM was developed through a Steering Committee with representatives from DLG, the WALGA and LGMA as a response to WALGA's SSS report.

The LGAM was to be released in stages over three years. Stage 1 was released in October 2008; Stage 2 was released in February 2011; and Stage 3 will be released in 2012. Stage 3 will cover strategic issues in finance, internal control framework, financial management and financial statistics.

53 See http://integratedplanning.dlg.wa.gov.au

The LGAM is based on and complies with the Australian Accounting Standards and Urgent Issues Group (UIG) interpretations, and any additional requirements imposed under the WA legislation. The LGAM includes the following sections:

1. Introductions
2. Roles and Responsibilities
3. Strategic Issues in Finance (Stage 3)
4. The Budget Process
5. Local Government Accounting
6. Financial Reporting
7. Internal Control Framework (Stage 3)
8. Financial Management (Stage 3)
9. Asset Accounting
10. Liabilities
11. Financial Statistics (Stage 3)
12. Attachments

The 2008-09 CLGF Guidelines were based around the requirements and asset classes stated in the LGAM.

Voluntary amalgamation

DLG was provided with $2.5 million in both 2009-10 and 2010-11 for assistance to those local governments CLGs who have voluntarily chosen to amalgamate.

This is in addition to significant CLGF funding towards reform submissions and collaborative group planning. DLG reported only one CLG amalgamation has resulted to date, with a possible two more:

> In addition to the recently created City of Greater Geraldton, there are 2 local governments currently subject to review by the Local Government Advisory Board for a potential merger, another 3 are considering their options following a poll of electors subsequently stopping a merger of these 3 plus another (Perenjori) into a new entity.[54]

DLG recognise that by its nature, amalgamation is likely to be a longer-term exercise.[55]

54 DLG submission, page 3.

55 Further discussion on the effectiveness of investment in voluntary amalgamation can be found in Chapter 5.

Larger scale infrastructure projects

Based on the figures provided by RDL, despite CLGF supporting over $144 million worth of Group projects, on average these projects are only worth $2.674 million each:

> Given the significant costs generally associated with funding larger-scale infrastructure, it is apparent that relatively few CLGF projects at this time are large scale. However, the regional group component is in its early stages and appears that larger scale, strategic projects are emerging from the process of engaging local governments facilitated by Regional Development Commissions.[56]

This would suggest that to date this aim is yet to achieve its intended outcome; however it may be too early in the process to come to a definite conclusion.[57]

3.3.2 Issues and concerns

RDL has been alert to the need to have issues of importance to the CLGF program professionally assessed. Such reviews are important inputs into CLGF governance. For instance:

1. In September 2009 KPMG conducted a Governance and Risk Management Review of the then Major Regional Projects division of RDL. The review encompassed all RforR funding sources including CLGF.
2. In April 2010, 2020 Global conducted an audit of the DLG's management of CLGF (prior to RDL taking responsibility for the management of CLGF).
3. In October 2011 Ernst & Young developed a Fraud Control Strategy and Fraud and Corruption Control Plan which is applicable to CLGF funded CLGs.
4. In October 2011 RDL engaged the chartered accountant firm BDO to conduct a review of a sample of five local governments against their individual CLGF funding obligations (the review does not include Groups). This review is currently in progress and is anticipated to be finalised by the end of February 2012.

RDL has been concerned at lags in the system at the RDL end and at the CLG end. The time between the policy and budgetary commitment and the acquitted completed project is often too long. These are matters that concern this Review.

It would appear that in response to reports and media/political scrutiny, CLGF has moved towards more prescriptive guidelines, increased RDL Ministerial and Cabinet approval, and increased governance. This has placed additional pressure on the administrative resources of RDL and the CLGs.

This approach has shifted away from the original intent of the CLGF not to be administratively onerous and to be based on local decision-making. It has been suggested that if funding was approved on a project basis as opposed to an allocation/expense line item basis this would significantly reduce this burden and the audit requirements.

This would still require risk mitigation strategies by RDL such as spot audits and a strong evaluation framework (which the Trust understands has been recently finalised).

56 RDL submission, page 4.

57 Further discussion surrounding the Groups component can be found in Chapter 5.

Auditor General Report[58]

As part of its *Second Public Sector Performance Review 2010*, the OAG undertook an audit on RforR focusing on the CLGF component of RforR. The objective was to determine if CLGs had spent their 2008-09 CLGF grants in accordance with the guidelines and appropriate accountability. The three main areas of focus were:

- Could CLGs accurately acquit their funding allocation to government in accordance with the guidelines, and had they done so;
- Did accountability requirements provide sufficient and timely financial information and assurances to government; and
- Did CLGs comply with their purchasing policies before awarding contracts funded using CLGF?

The audit acknowledged that, although CLGs operate under the *Local Government Act 1995*, they can have varying levels of sophistication in their accounting systems and processes. The results of the audit reflect this.

The key findings of the report were:

- There was a significant delay in expenditure due to reasons such as shortage of contractors, time taken to obtain sufficient quotes, time required for planning approvals and attempts to secure additional funding for larger projects.
- Guidelines were deficient in some areas, particularly:
  - What funds were not to be spent on – which lead to potentially 3 percent of CLGF audited being spent on ineligible items; and
  - No requirement for timely or frequent reporting.
- Half the CLGs made no differentiation in local government accounting ledgers between CLGF and non-CLGF funds used on projects.
- A majority of the CLGs did not obtain sufficient written quotes for 30 percent of procurements that required them.

OAG acknowledge in the report that a number of the issues raised in the report have been addressed in the 2010-11 guidelines. However the report also makes the following recommendations:

- RDL should liaise with the DLG to ensure CLGs have appropriate accounting systems and governance capacity to meet CLGF funding accountability requirements; and
- RDL should conduct risk based reviews to ensure CLGs are meeting CLGF funding requirements.

Parliamentary scrutiny

The Trust wished to see if the anecdotal reports of greater parliamentary interest in the CLGF than for other RforR programs was borne out by fact.

58 A full copy of the report can be found at: http://www.audit.wa.gov.au/reports/pdfreports/report2010_12.pdf. Also see Chapter 11.

Parliamentary records indicate that the CLGF has been a politically contentious initiative. The public record also shows that the CLGF has been the subject of considerable discussion at each Budget Estimates Committee hearing held since the introduction of the CLGF.

The CLGF was part of a review into the RforR policy announced well prior to its actual implementation in the regions. On 1 December 2008 the Estimates and Financial Operations Committee of the Western Australian Parliament resolved to undertake an inquiry into the RforR. The Committee provided a report to the Legislative Council in May 2009.

While in 2008-09 the CLGF made-up 15.1% of the RforR budget, by 2010-11 CLGF was 11.4% of the RforR budget. Yet, after a review of Hansard requested by the Trust and provided by RDL, it is estimated that parliamentary questions on the CLGF have been asked at a rate of 3:1 compared to other RforR programs and/or projects.

With information provided through the CLGF reporting processes, RDL addresses parliamentary and community requests for quantitative and qualitative information. Explanations are supplied on issues such as where funds were spent, confirming the validity of the activity, and demonstrating that funding was appropriated in line with the guidelines.

CLGF funded activities are reported in RDL's RforR Annual Report. In 2010-11, after the Annual Report was released, 92 parliamentary questions were answered about projects undertaken in CLGF. RDL answered the questions with information held through the reporting process.

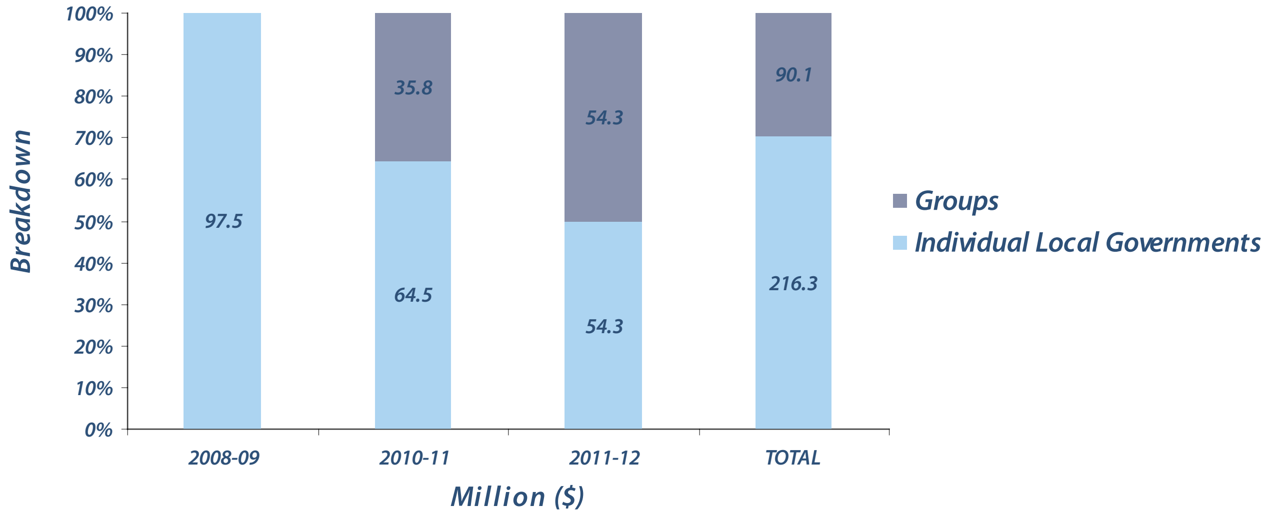
The Trust examined RDL's website. The level of information available on the website is limited (given a number of answers which referred parliamentary questions to information on the RDL website).

It could be argued that the increased reporting onus put on CLGs since 2008-09 is one consequence of RDL needing data to support answers to parliamentary questions.

3.3.3 Funding and data snapshot[59]

Infrastructure

Figure 1: Total CLGF



59 Further details can be found in the Appendices.

Individual local governments

Figure 2: By infrastructure : 2008-09

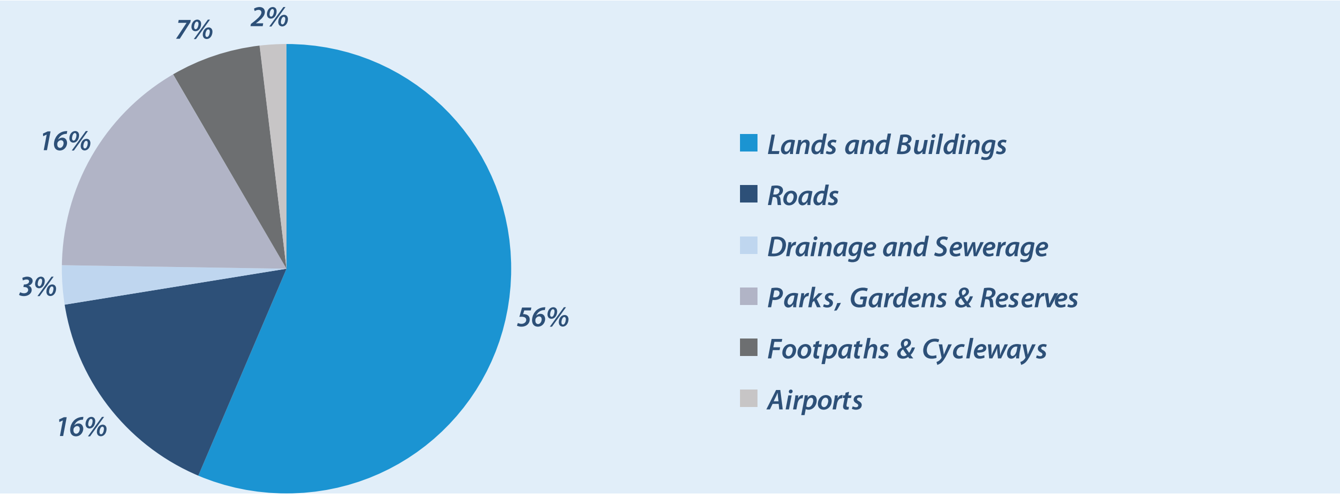


Figure 3: By infrastructure : 2010-11

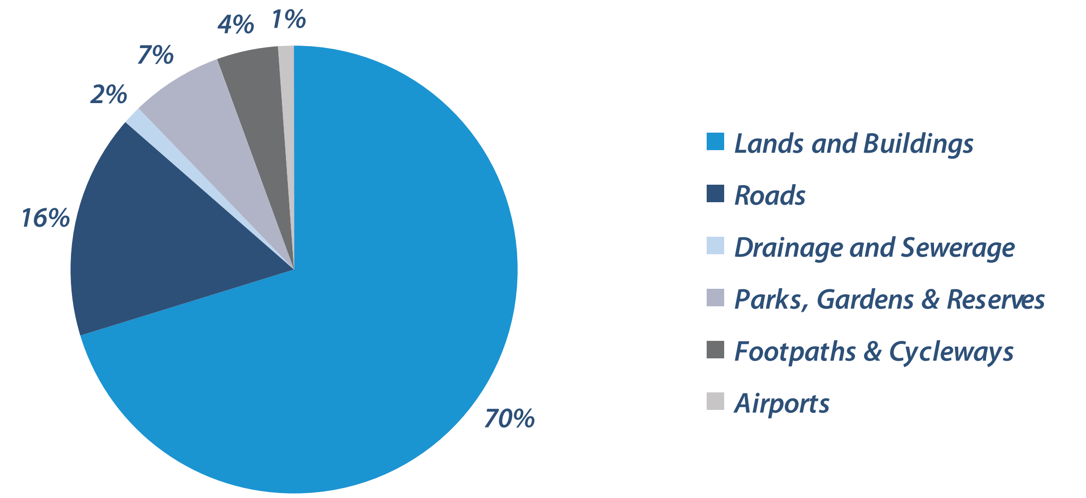


Figure 4: By infrastructure : Total

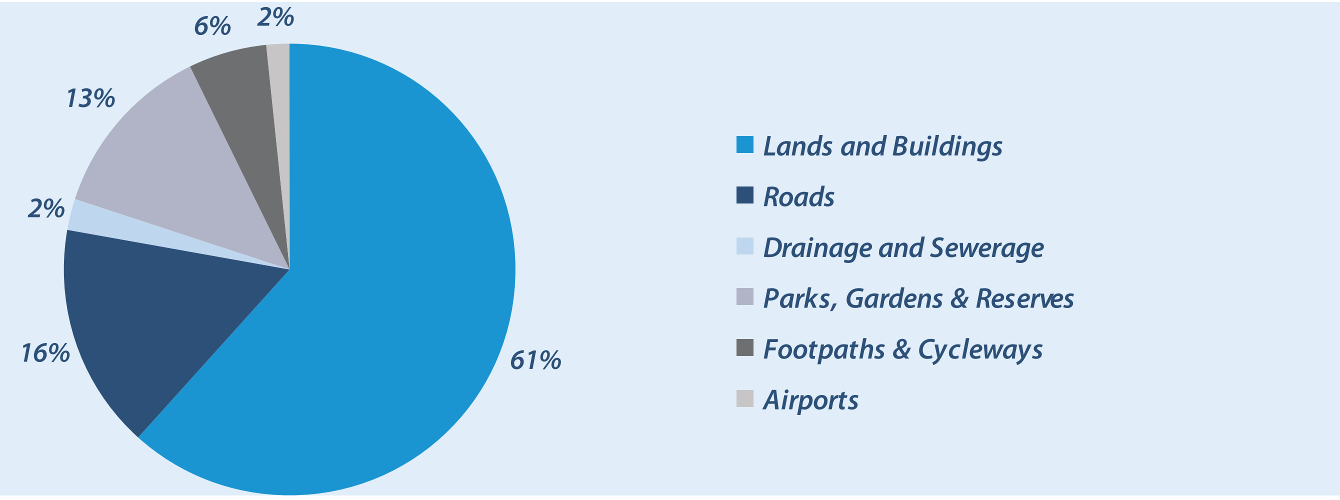


Figure 5: By project type : 2008-09

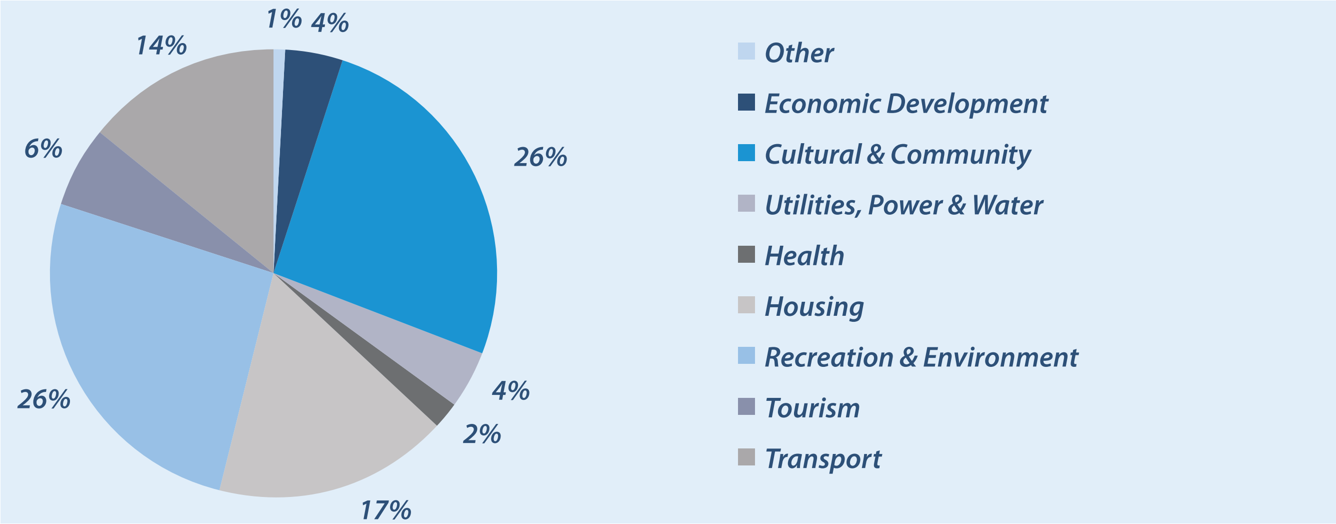
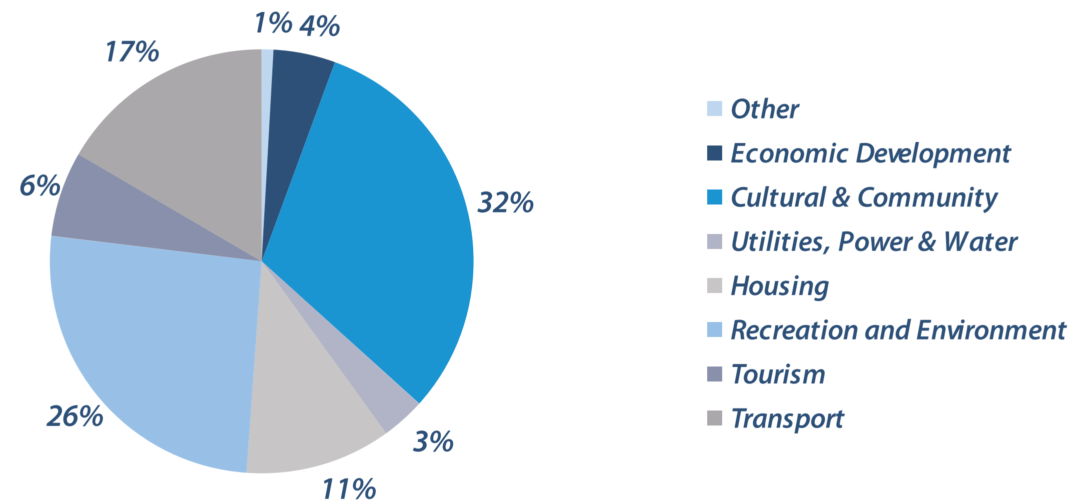


Figure 6: By project type : 2010-11



NB: (2010-11) Due to small expenditure, "Other" includes Agriculture, Communications, Health and Mining

Figure 7: By project type : Total

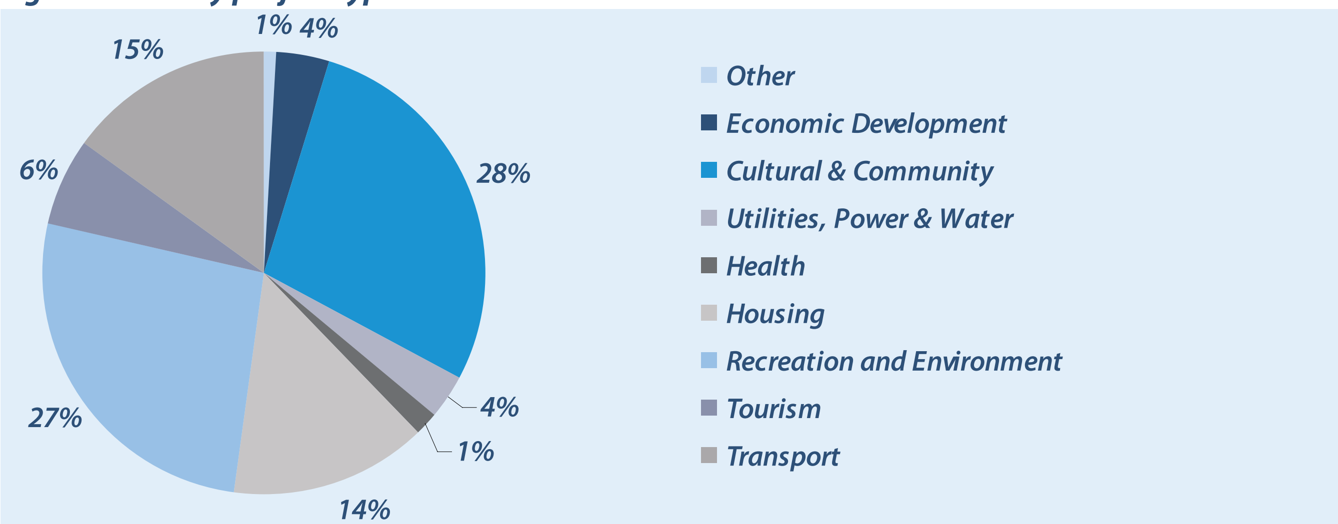
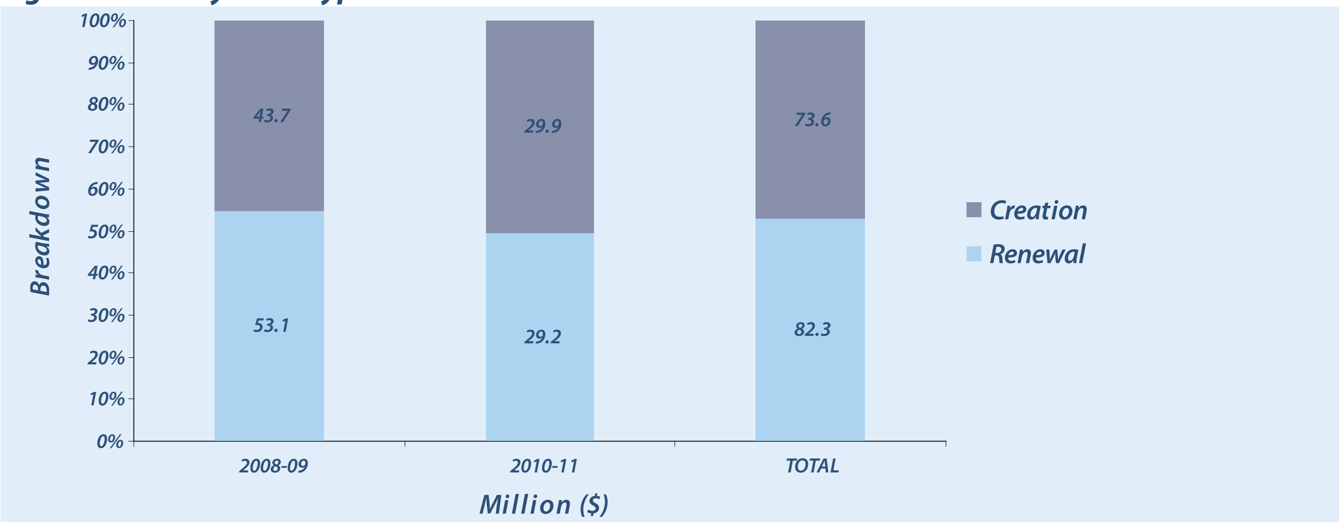
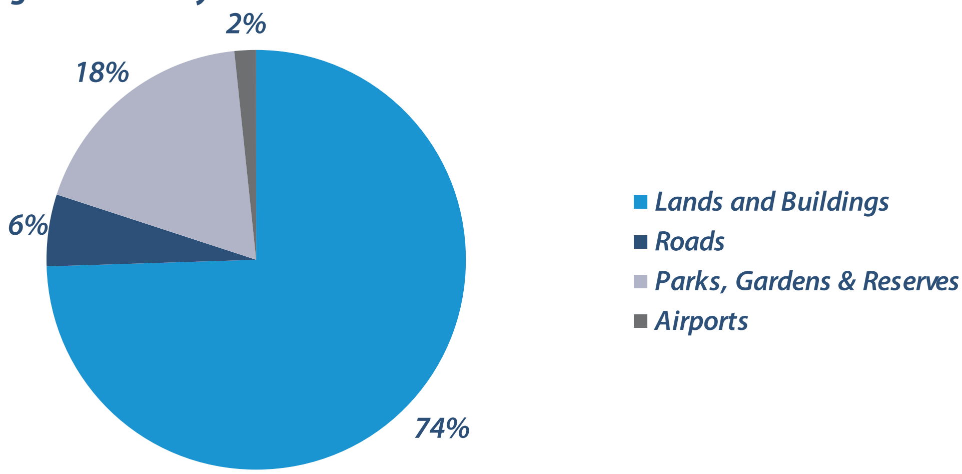


Figure 8: By asset type : Total



Regional groupings of country local governments

Figure 9: By infrastructure : 2010-11



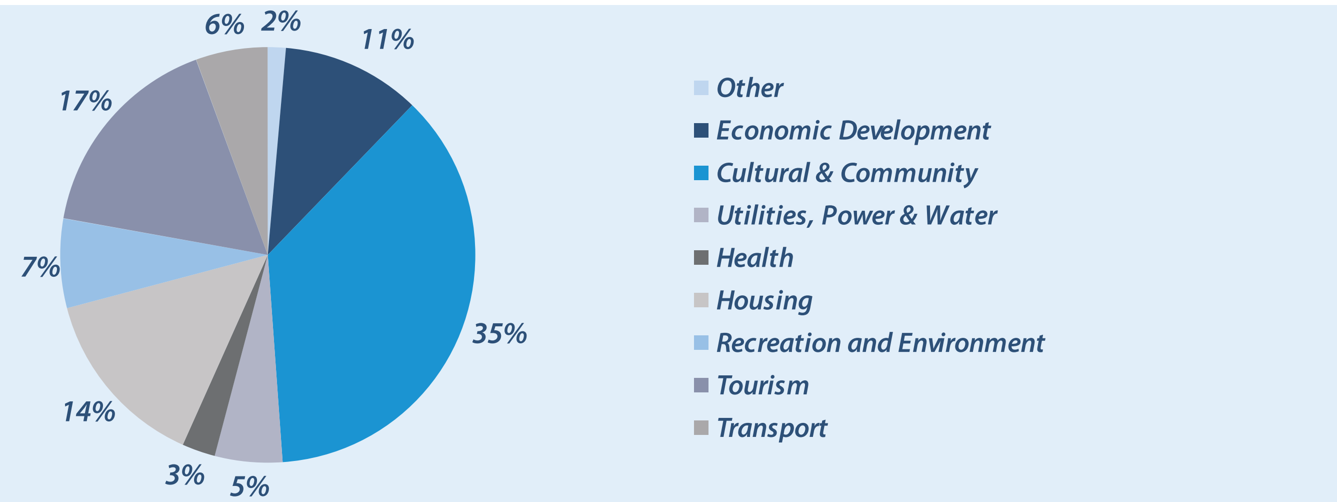
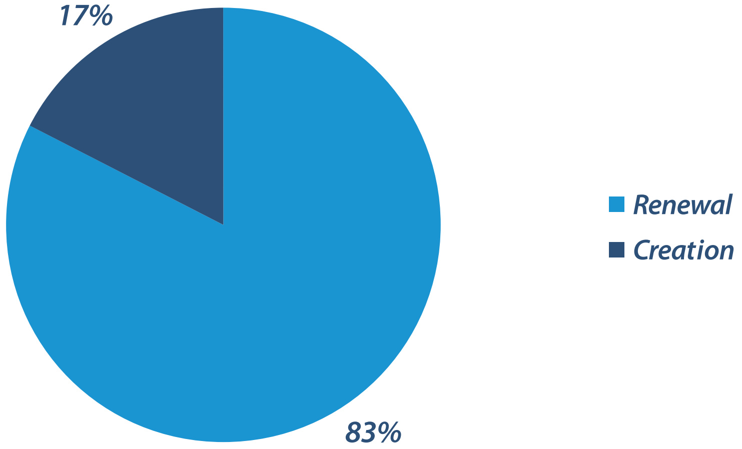


Figure 10: By project type : 2010-11



NB: Due to small expenditure, "Other" includes Agriculture, Communications and Mining

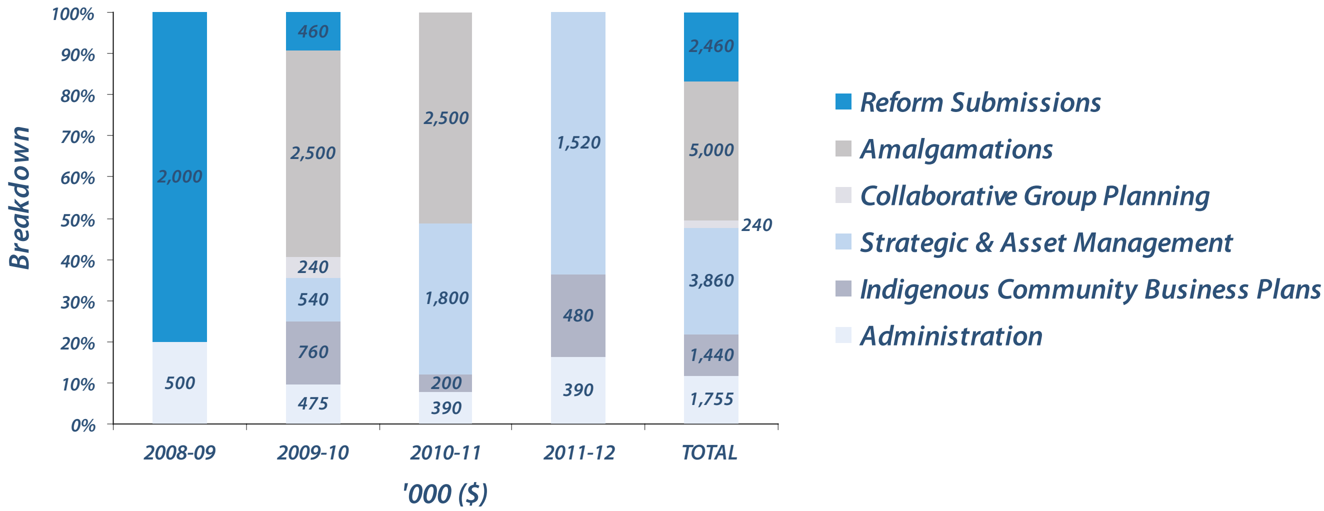


Figure 11: By asset type : 2010-11

Capacity-Building

Figure 12: Capacity-Building Budget

3.3.4 Forward Capital Works Plans Analysis

It was evident to the Review that there was limited data available to either support the SSS report's claim of a $1.75 billion infrastructure backlog or to enable a critical analysis of the impact of the CLGF against this backlog.

The Trust therefore undertook a broad desk-top analysis of a sample of 16 CLG FCWPs (about 15% of all CLGs) from across the State.[60]

The Review did not attempt to audit or interpret the FCWP figures provided but just sought to get an indication of the potential infrastructure quantum at issue.

At the outset the Trust acknowledges the limitations of its crude analysis of the figures available.

60 These FCWPs were provided to the Trust by the CLGs concerned.

Without a qualitative and comprehensive analysis of these FCWPs against previous years' infrastructure expenditure and other baseline data, cross-referenced to the annual accounts and detailed asset management plans, this analysis can only be indicative.

Nevertheless what the Review's indicative analysis has highlighted is that the SSS report's $1.75 billion infrastructure backlog estimate for the whole State is at best conservative for the non-metropolitan CLG sector, and potentially very conservative.

Such a conclusion is supported by the 2009 OAG examination into the maintenance[61] required for the State's road network.

That report estimated that the cost to eliminate overdue road maintenance alone may exceed $800 million.[62]

With road expenditure in the FCWPs that were analysed only representing around one quarter of the proposed total expenditure by CLGs, it would suggest that with additional areas of infrastructure requirements added onto this, the figure would again reach well beyond the original estimated $1.75 billion backlog.

These figures must be treated with caution as more thorough analysis is essential, but indicatively, if the sample of 16 CLGs was extrapolated out to the 109 CLGs, the consequent estimated forward capital works figure over five years is between $7-8 billion, to be funded from a variety of sources.

On the face of it this seems quite possible, given the size of the State and the aggregate balance sheet.

Table 5: Overall general analysis

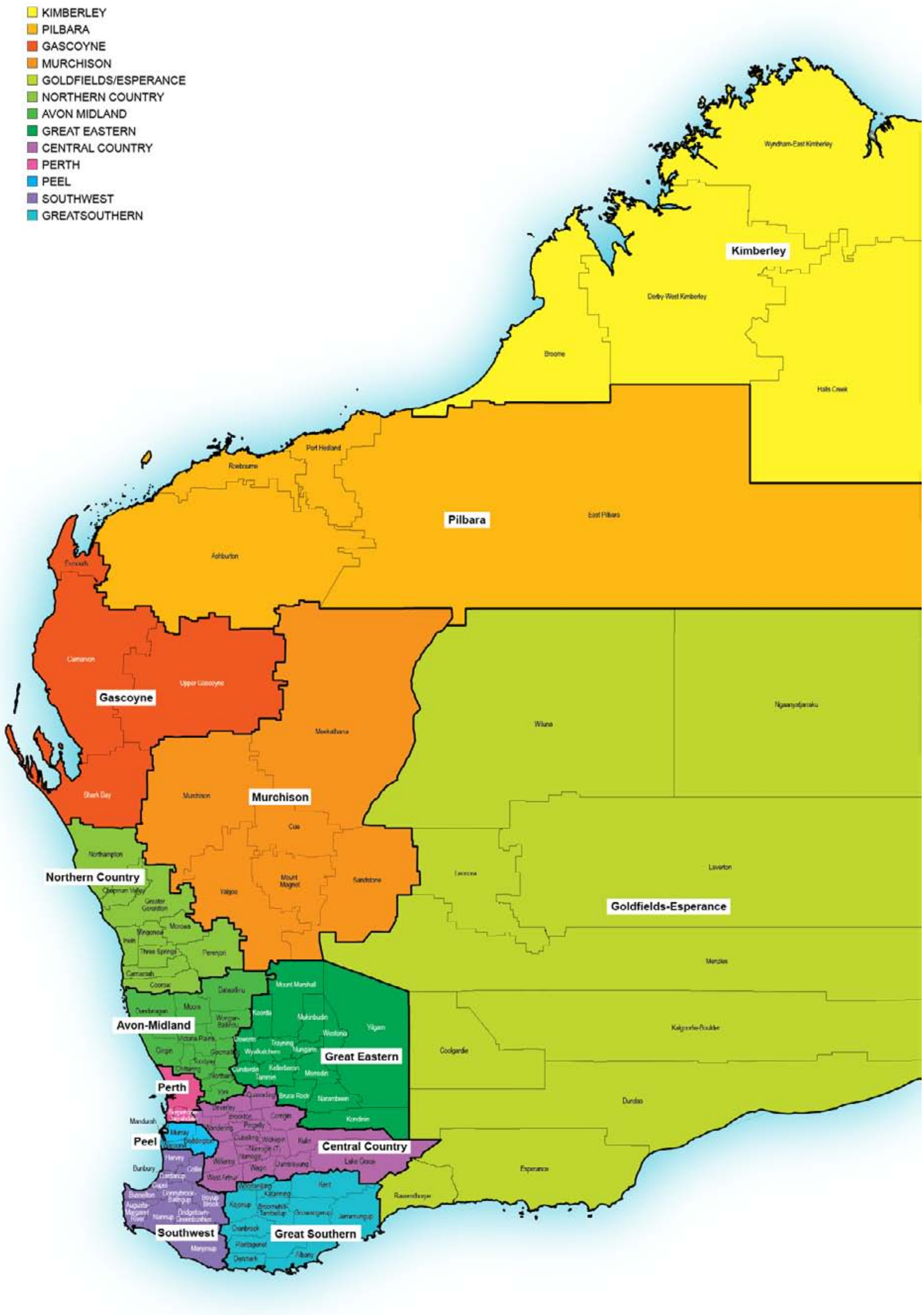
16 CLG FCWPs	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL	AVERAGE (per CLG over the whole 5 years)
Projects (#)	298	271	230	200	187	**1,186**	**74.13**
Total Value ($)	217,264,514	210,573,204	289,485,722	226,491,684	218,561,839	**1,162,376,963**	**72,648,560**
Internal Expenditure ($)	106,545,961	117,407,920	104,892,905	108,077,659	114,380,827	**551,305,272**	**34,456,579**
External Expenditure ($)	110,718,553	93,165,284	184,592,817	118,414,025	104,181,012	**611,071,691**	**38,191,981**

NB: External expenditure includes the CLGF; with the funding gap generally not identified it is assumed that such amounts are accounted for in internal expenditure through mechanisms such as loans, borrowings, etc.

61 The outline for what is considered maintenance is indicated on page 10 in the OAG report. Maintenance does not include works such as sealing roads, widening, or the creation of new roads.

62 Western Australian Auditor General's Report, *Maintaining the State Road Network*, Report 6 – June 2009, page 6.

MAP 2: Western Australian Local Government Association Zones



THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Chapter 4: Overall Terms of Reference

Overall, whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

4.1 Is there a continuing need for the CLGF?

Evidence

Is there a continuing need for the CLGF? None of those consulted and none of the submissions suggested to the Review that the CLGF be wound up.

The submissions and consultation confirmed the popularity of the CLGF in the regions. They also confirmed the considerable investment task CLGs still see before them.

In consequence, asking CLGs whether there is a continuing need for the CLGF was bound to get a very positive response, which it did.

The Shire of Broomehill-Tambellup (Great Southern) reflected a typical attitude:

> The creation of the Royalties for Regions program and the Country Local Government Fund has been one of the most effective programs that this Council has participated in for a considerable period of time.[63]

Essentially, both in the submissions and consultation, the attitude of CLG was that they were and are badly in need of more income for a multitude of purposes, especially infrastructure, and that the CLGF had provided very welcome relief, it was mostly well targeted, and should continue.

The Western Australian Planning Commission (WAPC) confirmed that infrastructure investment had occurred that otherwise would not have been undertaken:

> There is no doubt that the fund has provided a welcome source of funds for local government in regional Western Australia, to achieve some of the infrastructure which otherwise would be foregone or significantly delayed.[64]

The Shire of Brookton (Wheatbelt) indicated how significant CLGF grants are to them:

> In Brookton's case the combined CLGF allocation represent over 40% of our total rates income.[65]

The question is whether the CLGF grants since 2008 have satisfied the need for infrastructure spending. RDL reported that a significant number of projects have been completed:

> To date, over 1000 projects have been funded by the CLGF across 109 country local governments.[66]

The submissions were all of the view that there is much more to be done. The City of Bunbury (South West) quantified the capital projects ahead of it:

> Bunbury has over $140 million in capital projects in our 5 Year Plan, almost all of which are true regional facilities.[67]

63 Shire of Broomehill-Tambellup (Great Southern) submission, page 1.
64 WAPC submission, page 1.
65 Shire of Brookton (Wheatbelt) submission, page 2.
66 RDL submission, page 4.
67 City of Bunbury (South West) submission, page 2.

The South East Avon Regional Transition Group (SEAVTRG) (Wheatbelt) quantified their funding shortfall:

> The Asset Management Plans for Buildings and Structures completed for the Group reveal – (1) Funding shortfalls over 10 years of between $56 000 to $371 000 for each local government.[68]

WALGA took a sober view of what had been achieved so far, and of the magnitude of the CLGF task ahead:

> The Country Local Government Fund has gone a small part of the way towards addressing the significant Local Government infrastructure backlog. To fully address this backlog, and ensure full community benefit and intergenerational equity, the CLGF must provide ongoing resources into the foreseeable future.[69]

4.2 In what form should the CLGF be?

Evidence

In what form should the CLGF be? 'Form' in the context of the Review is taken by the Trust to mean the CLGF's method of delivery and by whom. The method of delivery could be either by grant (tied or untied), contract, loan, subsidy, as a result of a formula, and so on.

By whom refers to the agency that should undertake and oversight the project. The evidence in consultation and in the submissions supports the principle of subsidiarity, founded on a tried and tested political and executive WA local government system.

Subsidiarity has been an overriding consideration in the CLGF, and that principle of local decision-making is considered by the sector to be best facilitated by a defined but untied direct grants system.

RDL confirmed the strength of that principle:

> ... the Western Australian Government's intention at the outset of the program was unambiguous: local governments are best placed to determine how individual CLGF allocations should be spent, consistent with the guidelines.[70]

On the other hand, the Shadow Minister for State Development said:

> It is a mystery to me exactly how decision[s] are made and how priorities are allocated. I don't believe that this process is transparent or accountable.[71]

In a perfect CLG world, the preference would likely be for large ongoing untied grants that could be spent at CLG discretion on infrastructure and related purposes. CLGs are more realistic than that.

The evidence is that there is a general acceptance that the grant pool is finite, that some grants should be contestable, that governance and accountability is required, and that CLGF guidelines are necessary.

---

68 South East Avon Regional Transition Group (Wheatbelt) submission, page 4.
69 WALGA submission, page 22.
70 RDL submission, page 2.
71 Hon Mark McGowan MLA, Shadow Minister for Regional Development submission, page 1.

The CLGs all agree on the need for a distribution formula, but not necessarily on the present formula. There is less warmth towards regional grants, but there is universal CLG support for individual CLG grants.

4.3 What budget parameters should the CLGF have?

Evidence

The budget parameters refer to how much money should be allocated to the CLGF, how much should be allocated, over what period, and to whom.

CLG submissions and consultation almost universally reflect the view that the budget parameters for the CLGF should be determined by the cost of the infrastructure backlog identified by WALGA and the CLGs.

CLG submissions and consultation almost all felt that this should be addressed by a certain and ongoing CLGF grants program over a set period of years; most felt this should extend to the longer term.

As to be expected, CLGs do not want lower CLGF grants.

The Shire of Toodyay (Wheatbelt) wrote:

> There are a number of infrastructure projects which the Council consider to be priorities, which may not reach fruition without the assistance of the CLGF, and the Council is committed to the construction of these projects in its forward planning. Any reduction in the fund will have a serious negative effect on this program being met.[72]

CLGs also generally held a view that grants to individual CLGs for infrastructure are much more of a priority than grants to sub-regional or regional groupings of CLGs.

The Shire of Trayning (Wheatbelt) felt strongly about regional grants negatively affecting smaller communities:

> The concept of regionalising efforts, projects, funding and focus, is fundamentally flawed as it ignores the efforts and desires of smaller communities.[73]

In contrast, the South West RDC argued for a much greater commitment to regional spending by Groups:

> It is considered appropriate to adopt a proportional allocation of 25 (individual) to 75 (regional) after two years of the 50-50 split.[74]

There is concern at who gets what and why:

> [City of Mandurah (Peel)] The current method of funding allocation would not appear to achieve the best outcomes because it skews funding to small and very small local governments without assessing the benefits of the funding.[75]

72 Shire of Toodyay (Wheatbelt) submission, page 1.
73 Shire of Trayning (Wheatbelt) submission, page 1.
74 South West RDC submission, page 1.
75 City of Mandurah (Peel) submission, page 1.

> [Pilbara Regional Council (PRC)] ... the PRC is of the opinion that the distribution process is seriously flawed to the detriment of larger, more isolated local governments (and by extension – their associated regional bodies).[76]

The Chamber of Minerals and Energy (CME) is a supporter of the RforR program, but is concerned at the CLGF distribution formula:

> ... the importance of reinvesting government royalty revenue (collected from resource companies) in the regions where it has been created. ... However, in this regard the Country Local Government Fund is spreading royalty revenue into the regions in a different way, which in our view over-appropriates funding to regions that are not producing royalty revenue.[77]

4.4 What purpose should the CLGF have?

Evidence

With respect to the purpose of the CLGF, in the submissions and consultation everyone agreed that the purpose was to reduce the infrastructure backlog, and there was almost universal support for the CLGF remaining focussed primarily on infrastructure, and secondarily on capacity building.

There may be confusion as to the original intention. At the launch of the CLGF the Minister for Local Government stated that the funding should target asset management and renewal and also enable the creation of *new* infrastructure assets.[78] The Shire of Merredin (Wheatbelt) felt the purpose had moved away from its original intention:

> ... the infrastructure backlog has yet to be remedied. There has been a divergence away from backlog clearance to new infrastructure not necessarily replacing aged infrastructure but new initiatives. This to a degree has fragmented the impact of CLGF on a state-wide basis.[79]

Many CLGs consulted are evidently now automatically building the CLGF into their income expectations, and see its purpose as providing for a shortfall in funding. Others such as the PRC (Pilbara) see dangers in this approach:

> ... there exists a risk of this fund becoming a substitute for other traditional sources of funding which may be open to local government. It is essential that every endeavour be made to ensure this does not occur.[80]

A common view in the submissions and consultation is that the CLGF is an entitlement that every CLG has and should continue to have. The City of Bunbury (South West) stated:

> It guarantees that every country and regional Local Government receives an as of right allocation from Royalties for Regions.[81]

76 Pilbara Regional Council (PRC) submission, page 1.
77 The Chamber of Minerals and Energy of Western Australia (CME) submission, page 1.
78 RforR and CLGF Launch Speech Notes 16 December 2008. Available from: http://www.mediastatements.wa.gov.au/Lists/Statements/Attachments/131059/uwaroyaltiescas.pdf
79 Shire of Merredin (Wheatbelt) submission, page 2.
80 PRC (Pilbara) submission, page 4.
81 City of Bunbury (South West) submission, page 1.

There was some opposition to the CLGF being seen as a right, and an argument that participation in the CLGF should be earned by participating in reform. The Minister for Local Government wrote:

> This submission argues for continuation of the CLGF and for 100% of that fund to be invested in those current and future non metropolitan local governments that have embraced reform to assist to make their communities sustainable for the long term.[82]

4.5 Trust comment

The overall Review question as to whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose are further explored in the following chapters.

However, with respect to this overall question, one answer is immediately apparent. There is a continuing need for the CLGF.

The evidence has drawn the Trust to the conclusion that not only is the original infrastructure backlog estimate likely to be conservative, but the introduction of new planning and asset management systems in local government has resulted in improved analysis and a reordering of priorities that has brought forward more infrastructure requirements.

Another answer is immediately apparent. No case has been made for taking the decision-making and execution function from the CLGs, either individually or in collaborative groups, although a case has been made for additional non-CLG inputs at the sub-regional and regional level, and for capacity-building.

CLGs are long-established experienced contributors and participants in regional decision-making and development. Their local knowledge and judgement are invaluable, and not to fully exploit this local and regional political and organisational talent in the cause of regional development would be foolish.

CLGs are essential to the mix of methods, leaders, and organisations necessary to the optimal and further advancement of regional development, and the CLGF enables them to be actively engaged not just as facilitators but as proponents.

Whether there is a continuing need for the CLGF is a question of whether there is still a job to be done. RforR as a program experiences a constant call for more money for regional development projects. So does the CLGF.

Despite the considerable progress and investment made since 2008, in evidence CLGs universally indicated firstly, the need to complete projects planned or started and secondly, that continuing pressing infrastructure needs and obligations required many years of further infrastructure investment.

This demand demonstrably cannot presently be satisfied by the conventional revenue streams from State and Commonwealth grants, the existing CLG rates base, or existing CLG financial reserves.

82 Minister for Local Government submission, page 2.

Chapter 5: Terms of Reference 1

The extent, to which the stated aims of the CLGF are being met, in particular, have the objectives of the CLGF been materially achieved

- ***how the CLGF is addressing local governments' infrastructure backlogs and enhancing local governments' capacity building***
- ***how the financial sustainability of country local governments is being improved through improved asset management***
- ***the effectiveness of funds directed to voluntary amalgamation***
- ***how CLGF is assisting groups of country local governments to fund larger scale infrastructure projects***
- ***the effect or impact of funds allocated under the CLGF.***

5.1 Have the objectives of the CLGF been materially achieved

The extent to which the stated aims of the CLGF are being met, in particular, have the objectives of the CLGF been materially achieved.

5.1.1 Evidence

Evidence as to the extent to which the stated aims of the CLGF are being met and whether the objectives of the CLGF have been materially achieved, is addressed in evidence responding to the specific dot-point questions raised in this term of reference, and appears in the following sections of this chapter.

However, a number of witnesses responded to the overall question concerning aims and objectives:

> [Shire of Capel (South West)] The primary aim of the CLGF has been to provide funding for local government infrastructure projects … the CLGF has been very successful in achieving this aim …[83]

> [Shire of Cunderdin (Wheatbelt)] Council is of the opinion that the CLGF is positively addressing the infrastructure backlog and enhancing its long term sustainability.[84]

> [Shire of Derby-West Kimberley (Kimberley)] CLGF funding has enabled this local authority to address infrastructure backlogs and upgrades …[85]

The Gascoyne RDC ticked off each of the aims of the CLGF and except for voluntary amalgamation, essentially summarised it as a work in progress.[86] The Great Southern RDC took a similar view and thought the CLGF:

> … had worked well to address a backlog of local government related infrastructure projects … The existing capacity of Local Government Authorities (LGAs) to plan implement and manage significant infrastructure projects has probably been enhanced … now have more capacity to plan and implement strategic infrastructure projects across local government and regional boundaries. … The Shires of Broomehill and Tambellup voluntary amalgamation was completed in 2009-10 … [87]

The gist of the City of Kalgoorlie-Boulder (Goldfields-Esperance) submission is that if the aims and objectives of the CLGF are to be achieved, greater rigour is required in the CLGF program.[88]

The Shire of Perenjori (Mid West) was unequivocal:

> In the case of the Shire of Perenjori and the Mid West region the stated aim and key objectives are being achieved.[89]

83 Shire of Capel (South West) submission, page 4.
84 Shire of Cunderdin (Wheatbelt) submission, page 1.
85 Shire of Derby-West Kimberley (Kimberley) submission, page 2.
86 Gascoyne RDC submission, page 1
87 Great Southern RDC submission, page 2.
88 City of Kalgoorlie-Boulder (Goldfields-Esperance), pages 1-2.
89 The Shire of Perenjori (Mid West) submission, page 2.

WALGA indicated there was a way to go yet:

> There is still a demonstrated need for the Fund to continue to ensure further progress towards addressing the infrastructure backlog and improving Local Government capacity and financial sustainability.[90]

5.1.2 Trust comment

The overall aims of the CLGF can be summarised as having been to

- address the infrastructure backlog in the regions through individual CLGs
- address the infrastructure backlog in the regions through groups of CLGs
- build capacity in individual CLGs and groups of CLGs
- improve CLG sustainability through better capacity and improved asset management
- assist CLGs to voluntarily amalgamate

In the sections following in this chapter, evidence is reviewed on each of these. At the outset however, it is clear that the main CLG interest has been in addressing the infrastructure backlog, with a real appreciation of the benefits of developing capacity.

The evidence from recipients of CLGF grants is that the aims and objectives of the CLGF are either being materially achieved, or are in the process of being materially achieved. However, as the Mid West RDC correctly states, without a benchmark for infrastructure it is difficult to measure the success that is being achieved.[91]

5.2 The infrastructure backlog and capacity-building

How the CLGF is addressing local governments' infrastructure backlogs and enhancing local governments' capacity-building.

5.2.1 Core business

This question of how the CLGF is addressing local governments' infrastructure backlogs and enhancing local governments' capacity-building is a key question, since it relates not only to the core business of the CLGF but also to the core business of RforR.

Section 9(1)(a) of the Act states that the application of the Fund will be to provide infrastructure and services in regional WA. The subsidiary funds constituted by sections 5(1)(a) and (c)[92] have been the principal vehicles for meeting this obligation.

90 WALGA submission, page 8.

91 The Mid West RDC submission, page 2.

92 *Royalties for Regions Act 2009*: Section 5(1)(a) the Country Local Government Fund; Section 5(1)(c) the Regional Infrastructure and Headworks Fund.

As discussed in Chapter 3, a major reason for establishing the CLGF was to address an infrastructure backlog identified in a 2006 report sponsored by WALGA which had estimated that a $1.75 billion infrastructure backlog existed for all local governments in WA.[93]

A recommendation of this 2006 report was that WALGA develop a campaign strategy to leverage funding to eliminate the infrastructure backlog in conjunction with improved asset management practices, recognising that sustainable progress will not be made on reducing the backlog unless additional annual revenues of approximately $120 million per year were secured, based on calculations at that time of the infrastructure deficit.

For individual CLGs expenditure of CLGF allocations was to be directed to individual CLGs infrastructure asset renewal and/or infrastructure asset creation.

For Groups expenditure of CLGF allocations was to be directed to significant and strategic regional infrastructure asset renewal and/or infrastructure asset creation.

The intention of the Groups component was to provide financial assistance to Groups to fund larger scale infrastructure projects which clearly demonstrate wider community benefits across a region.

The CLGF has also been committed to capacity building as a necessary adjunct to effective infrastructure investment. This includes assistance towards the development of strategic plans, asset management plans, the costs of amalgamation; and scoping plans to cost the delivery of municipal services to Aboriginal communities.

The provision of adequate FCWPs, informed by strategic and asset management plans, has been an RDL pre-requisite to accessing individual CLGs allocations from the CLGF since 2010-11.

5.2.2 Evidence

RDL indicates how hard it is to report on performance when the data is inadequate:

> ... the SSS report was not based on a detailed audit of each of Western Australia's local governments' asset base or infrastructure. This mean there is effectively no existing comprehensive baseline against which to measure the extent to which local governments' infrastructure backlog is being addressed through CLGF…[94]

WALGA agrees that the data is a problem but anticipates that further clarity resulting from systems improvements will reveal an even bigger infrastructure need:

> Identifying the extent of the backlog is a difficult task. ... as Local Governments' asset management practices become more sophisticated, the extent of the infrastructure backlog is likely to be more accurately revealed and may prove to be larger than estimated.[95]

93 See the December 2006 report: *In Your Hands – Shaping the Future of Local Government in Western Australia*; sponsored by the WALGA.

94 RDL submission, page 2.

95 WALGA submission, page 9.

As a consequence of poor data, the particular infrastructure backlog for each CLG to address was never specified. The City of Kalgoorlie-Boulder (Goldfields-Esperance) states that:

> There is no clear structure under the current guidelines to ensure local governments are addressing their infrastructure backlogs.[96]

Road infrastructure accounts for approximately 60% of local government's non-financial assets and buildings and other infrastructure account for a further 30%.[97]

The snapshot of CLGF expenditure in Chapter 3 indicates that an estimated 16% has been spent on roads and 61% on buildings. The Shire of Donnybrook-Balingup (South West) was typical of many CLGs and said that in its case the CLGF funding:

> ... has been used primarily to address the backlog of maintenance on roads and building assets...[98]

There is also the question of whether CLGs are equipped to carry out the additional CLGF task of addressing their infrastructure backlog. RDL is not convinced that they are:

> RDL contends that, in general, there is limited capacity in country local governments to deliver their obligations under this program in addition to their existing commitments.[99]

Looking at outcomes, the Regional Development Council (RDCo) wants a focus on core priorities within a band of key objectives such as infrastructure, sustainability and planning, and that:

> ... greater emphasis be given to local governments leveraging CLGF investments with other funding sources ... to ensure the CLGF funds are made to "work hard".[100]

The Peel RDC argues that for the CLGF to be effective in assisting to maintain an acceptable level of CLG infrastructure, a longer term planned and prioritised approach is essential, centred on an asset replacement schedule that includes new assets. The Peel RDC also argues for a greater use of DLG in achieving CLGF infrastructure aims:

> At the very least the use or partnership of this [DLG's] organisation's skills and experience in local government may alleviate some of the issues raised throughout this review.[101]

The Mid West RDC argues:

> MWDC considers a better way forward would be for a local government to be given a CLGF allocation which must be spent on projects contained within their Forward Capital Works Plan, with the remainder of funds being allocated to a sub-regional 'funding pool' which could be administered by the relevant regional development commission.[102]

96 City of Kalgoorlie-Boulder (Goldfields-Esperance) submission, page 1.
97 WALGA submission page 8: Access Economics (2006) *Local Government Finances in Western Australia, page 24.*
98 Shire of Donnybrook-Balingup (South West) submission, page 4.
99 RDL submission, page 2.
100 RDCo submission, pages 1-2.
101 Peel RDC submission, page 1.
102 Mid West RDC submission, page 1.

The Shire of Plantagenet (Great Southern) makes the point that the CLGF is quite broad in its application; and that it:

> ... has provided the capacity to fund much more than infrastructure backlogs. …
>
> [but the regional guidelines] are becoming further removed from the objective of addressing infrastructure backlogs.[103]

The WAPC suggests that better planning coordination would help lift CLGF performance:

> To achieve greater clarity related to the context and rationale for any of the project expenditure, as well as collective initial understanding and agreement of stakeholders I would suggest that reference be made to the RPIFs and that there should be contact with the Department of Planning (DoP) staff where necessary for comment.[104]

WALGA suggests that a weakness in the CLGF is not having major projects thoroughly well prepared so that decisions to proceed or not proceed are soundly based, or so that they are ready to go when final budget approval is received:

> ... an issue regarding the Country Local Government Fund relates to the time and expense associated with planning major infrastructure projects. One concept, worthy of consideration, is for funding to be made available to Councils to plan projects in advance of their implementation. Funding of this nature would also ensure that infrastructure projects, when delivered, have been soundly scoped and planned.[105]

Most CLGs felt real progress had been made. The Shire of York (Wheatbelt) wrote:

> The allocation of significant funding to individual local governments' has allowed rural local governments to meet deferred community needs for infrastructure in realistic and planned processes.[106]

The Shire of Williams (Wheatbelt) expressed a common CLG view:

> The CLGF has been effective in assisting in local governments' infrastructure backlog, as it has enabled local governments to use the funds for asset renewal (which in some cases was overdue) as well as asset creation. Some of these projects were planned, and some have been planned since the inception of the funding program. Projects have been able to be implemented earlier than planned, especially if additional funding has already been secured. In the cases where additional funding has to be leveraged, at times this has been frustrating as the funding application periods have made it difficult to expend one funding pot before another is approved.[107]

Apart from addressing the backlog, it is not uncommon for CLGF funds to be used to provide economic development opportunities. In 2012 the Shire of Westonia (Wheatbelt) is planning to build a staff residence using the CLGF allocation, but previously:

103 Shire of Plantagenet (Great Southern) submission, pages 2-3.
104 WAPC submission, page 1.
105 WALGA supplementary submission, page 1.
106 Shire of York (Wheatbelt) submission, page 3.
107 Shire of Williams (Wheatbelt) submission, page 1.

... was able to build five townhouses which have been leased by the local gold mining company, for employee residential purposes, on mid-term lease and with financial guarantees in the (unlikely) event of early mine closure. The fact that five mining industry families are now resident in Westonia is a positive economic and social outcome for our community, resulting directly from the CLGF.[108]

One Group argued that not enough funding has been made available to seriously address the infrastructure backlog, but provided no figures to substantiate their claim:

[Wheatbelt East ROC (WE-ROC)] Whilst country local government has benefited from CLGF funding, with obvious improvements to infrastructure and some reduction in the backlog of work required it is argued that insufficient funding has been made available for country local governments to seriously address their infrastructure asset backlog. This is particularly the case with the knowledge that in 2013/14 funding will only be available to regional groupings of country local governments for projects of regional significance. There will be no local component.[109]

Their concern at the bias towards CLGF regional expenditure in future was supported by the Shire of Murray (Peel) who stated that:

As can be seen above, collectively the $2,056,273 of CLGF has allowed a total of $4,984,149 of infrastructure investment within the district ... in 2013/14 the CLGF will be totally allocated to regional projects ... By allocating all of the CLGF to regional projects, critical local projects which have been funded (above) will either not eventuate or be addressed later and thus increasing the infrastructure backlog.[110]

While some shires such as Wagin (Wheatbelt) are very pleased to have spent money on aged care infrastructure[111], and shires such as Perenjori[112] enthusiastically investigate alternative power generation and housing for tertiary education, others such as Trayning (Wheatbelt) complain that:

There is also significant pressure to spend funds on infrastructure that is not local government responsibility such as

- Private companies (mobile phone)
- State Government (roads, rail, some health, some housing)
- Commonwealth Government (aged care, health)[113]

The Shire of Pingelly (Wheatbelt) argues that the backlog has not been adequately addressed:

By and large, the facilities are mostly past their useful life and are being maintained as there has not been sufficient funding for their replacement.[114]

108 Shire of Westonia (Wheatbelt) submission, page 1.
109 WE-ROC (Wheatbelt) submission, pages 3-4.
110 Shire of Murray (Peel) submission, page 2.
111 Shire of Wagin (Wheatbelt) submission, page 1.
112 Shire of Perenjori (Mid West) submission, pages 3-4.
113 Shire of Trayning (Wheatbelt) submission, page 2.
114 Shire of Pingelly (Wheatbelt) submission, page 1.

WALGA states that capacity-building is a long-term process and in a CLG context:

> ... consists of a number of key components, including
>
> - Having the financial resources to service the community and its infrastructure;
> - Attracting and retaining executives and staff with appropriate competencies;
> - Training and developing staff with appropriate skills;
> - Training and up-skilling Elected Members to take a strategic approach to providing communities with infrastructure, facilities and services; and,
> - Developing a sound organisational culture where strategic, financial and asset management planning are ingrained.
>
> ... [and] increased regional cooperation and collaboration between Local Governments ...[and] greater intergovernmental cooperation and collaboration. [115]

When discussing capacity-building, DLG note that this will take some years:

> Local governments have been assisted by frameworks, guidelines, training programs and grants provided to date. However, widespread behavioural change cannot be achieved overnight. It will therefore be necessary for continuing support to be provided, particularly over the next two years until 1 July 2013 when the new integrated planning regulations come into effect.[116]

The Shire of Manjimup (South West) finds it difficult to quantify whether the CLGF has enhanced capacity-building in their area, particularly since:

> The Shire has only recently been offered very modest levels of funding towards capacity building and is yet to apply these funds. If there was a concern, it would be the perceived bias of the DLG to direct funds towards engaging consultants (refer to the conditions of grant) rather than to actually build the capacity of the local governments own employees. This achieves a short term gain (to satisfy the immediate requirements for various reports) but risks no long term cultural change within the local government itself.[117]

5.2.3 Trust comment

The broad question of how the CLGF has been addressing the CLG infrastructure backlog is answered in Chapter 3, where the types and nature of CLGF infrastructure spending is captured in a representative snapshot.

However, since the CLGF was designed to significantly erode the infrastructure backlog, a more precise answer is needed. To measure the inroads the CLGF has made into the infrastructure backlog so far and how many more years of investment might be required needs hard data.

In the absence of a quantified and comprehensive summary of the nature of the infrastructure backlog by CLG and by asset, aggregated by region, the question is impossible to answer. The data is just not available.

115 WALGA submission, pages 9-10.

116 DLG supplementary submission, page 2.

117 Shire of Manjimup (South West) submission, page 2.

However qualitatively the evidence supplied to the Review and the evidence on the ground both indicate that real and valued progress has been made in CLG infrastructure asset renewal and/or infrastructure asset creation. This is backed up by the overall spend.

RDL advises the Trust that CLGF investment has supported the undertaking of $445 million worth of projects from 2008-09 through to 2010-11. That alone would suggest CLGF has indeed assisted in addressing the infrastructure backlog.

With the availability of FCWPs and significant improvements expected in CLG asset management there is the potential to gain a more accurate picture of the backlog within the sector.

DLG are in the process of mandating asset management planning across the sector, which must be complete by 30 June 2013. This should provide a clear indication of exactly what backlog sits within the sector.

As discussed in Chapter 3, the backlog and new infrastructure needs may turn out to be very substantial. Just one of the 109 CLGs, the City of Bunbury (South West), claim to have $140 million in their five-year forward capital works plan.[118]

On the evidence available, the Trust agrees with WALGA that the CLGF is contributing meaningfully to CLG capacity:

> Firstly, the CLGF increases the financial capacity of Local Governments to respond to challenges and meet community expectations. Secondly, the CLGF is helping to ingrain sound asset management planning in Local Government administrations and Councils. Thirdly, the CLGF facilitates regional collaboration which increases communication and ties between Local Governments which can help to build organisational capacity and resilience.[119]

5.3 Financial sustainability and asset management

How the financial sustainability of country local governments is being improved through improved asset management.

5.3.1 Evidence

RDL answers the question 'how the financial sustainability of CLGs is being improved through improved asset management' this way:

> CLGF has assisted country local governments in this regard as it provides financial assistance to develop FCWPs and asset management plans. For many local governments this is the first comprehensive asset management planning exercise undertaken.[120]

The Shire of York (Wheatbelt) agrees with RDL's approach:

> The compliance requirements in forward capital planning to access the grants beyond the 2008/09 allocations is an important control mechanism forcing local governments to seriously consider their financial situations.[121]

118 City of Bunbury (South West) submission, page 2.
119 WALGA submission, page 10.
120 RDL submission, page 3.
121 Shire of York (Wheatbelt) submission, page 3.

The Shire of Manjimup (South West) said of improved asset management:

> It has not in itself made the Shire more financially sustainable but rather made the Shire become more strategic about the application of scarce resources.[122]

The Shire of Collie (South West) said a big benefit of CLGF funding was that it:

> ... provided the Council with flexibility to increase its own expenditure in areas requiring attention.[123]

The Shire of Perenjori (Mid West) makes a telling point:

> There have been waves of funding for community assets over many decades. The CLGF is different in that it requires planning for ongoing replacement and renewal to be considered and planned for.[124]

The Shire of Mingenew (Mid West) emphasised how vital improved asset management was to financial sustainability, and how important CLGF funding had been. It also wrote:

> This is probably one area where smaller local governments have struggled in the past due to the lack of dollars and other resources.[125]

WALGA also made a positive assessment:

> The financial sustainability of Local Governments is being improved through enhanced asset management practices to the extent that Councils are better placed to make long term strategic decisions, grounded in quality data, regarding the whole-of-life financial implications of the assets under their stewardship.[126]

The Shire of Williams (Wheatbelt) strikes a cautionary note, making the sensible point that asset management plans are only as good as the people who develop them and the people who carry them out, and indicating that the use of poor external consultants and template reports can be counter-productive:

> These plans will only improve financial sustainability of local government if the plans are relevant and useful, if they are not, then they will do nothing to improve asset management and the status quo will remain.[127]

Asset management systems enable better planning and better understanding of financial sustainability. The Shire of Bridgetown-Greenbushes (South West) says funding has assisted in the:

> ... preparation of a new Strategic Community Plan, Long Term Financial Plan and Asset Management Plan.[128]

The Shire of Dardanup (South West) said that it:

> ... has developed and adopted a comprehensive road asset management plan, footpath asset management plan, a parks asset management plan and a building asset management plan. The implementation and re-ordering of priorities within these plans has been made possible by the CLGF program.[129]

122 Shire of Manjimup (South West) submission, page 3.
123 Shire of Collie (South West) submission, page 3.
124 Shire of Perenjori (Mid West) submission, page 4.
125 Shire of Mingenew (Mid West) submission, pages 1-2.
126 WALGA submission, page 12.
127 Shire of Williams (Wheatbelt) submission, page 2.
128 Shire of Bridgetown-Greenbushes (South West) submission, page 1.
129 Shire of Dardanup (South West) submission, page 2.

The Shire of Brookton (Wheatbelt) put it well:

> The funds available for asset management planning will ultimately improve financial sustainability through better informed decision making.[130]

However the Shire sounded a note of warning:

> [There is a] Risk of worsening sustainability by encouraging the development of additional infrastructure before the planning has been done. The risk is greater for regional projects.[131]

RDL guidelines are meant to address this regional projects risk:

> ... groups must demonstrate they have consulted with relevant agencies to ensure that the project is sustainable. The Directors General Royalties for Regions Reference Group also considers regional group projects, which provides another avenue to ensure the sustainability of the asset being established.[132]

In its submission the Shire of Broome (Kimberley) details a sharp upgrade in professionalism, using a structured approach to asset management including training, planning, new information systems, a new dedicated Property Unit, the introduction of asset registers, an asset assessment and revaluation process, whole-of-life costing and so on.

The Shire states that its vision is:

> To ensure that services delivered by the Shire of Broome are sustainable whilst Infrastructure Assets used to support service delivery adhere to the level of service determined by Council.[133]

The Shire of Murray (Peel) also takes a professional view, and it remarks that:

> ... asset management plans for buildings, roads, paths, parks, waterways and drainage have been completed due to the funding made available under the CLGF. These plans now clearly identify the condition of each asset, when intervention/funding is required and the estimated cost of the renewal of that asset. These plans have been fed into the long-term finance plan.[134]

The CLGF investment in assets contributes to amenity, so helping financial sustainability by making it more likely that people remain in or are attracted to the CLG, thus shoring up the rate base. The Shire of Perenjori (Mid West) makes that point:

> Perenjori has received funding assistance for the development of key community infrastructure projects including a new aquatic centre and upgrades to existing sporting facilities. The services are important to the existing community and have created an incentive to attract new people to the region.[135]

---

130 Shire of Brookton (Wheatbelt) submission, page 2.
131 Shire of Brookton (Wheatbelt) supplementary submission, page 2.
132 RDL submission, page 3.
133 Shire of Broome (Kimberley) submission, pages 5-6.
134 Shire of Murray (Peel) submission, page 4.
135 Shire of Perenjori (Mid West) submission, page 4.

The City of Albany (Great Southern) highly values the CLGF contribution to amenity:

> Without this continued funding support, the City of Albany Council will not be able to undertake projects such as: Paths ... Public Toilets … Recreational grounds ... Day Care facility ...[136]

Showing the practical use to which new data can be put, the Shire of Beverley (Wheatbelt)[137] provided analysis from its Buildings and Structures Asset Management Plan. Of particular note is the projected annual funding shortfall:

No of buildings/structures (0 poor 103 fair 9 good)		112
Replacement value	$	27 900 000
Projects service costs each year over 10 years	$	794 000
Estimated available funding each year over 10 years	$	618 000
Funding shortfall each year		($ 176 000)

Its plans indicate that over a period of eight years the Shire of Beverley's (Wheatbelt) spending on infrastructure will range between 4.0% and 12.7% of total asset value:

> The availability of the Country Local Government Fund grants is allowing the Shire of Beverley to address the infrastructure backlog through the development of Asset Management Plans and the examination of how assets can be used more efficiently and effectively in service delivery to the community.[138]

Really improving asset management is a challenging process for any CLG, but the Shire of Lake Grace (Wheatbelt) sees an even bigger challenge:

> The greatest challenge with asset management is educating the respective communities regarding its importance.[139]

The CLGF investment in assets can detract from financial sustainability by increasing recurrent operating costs. A common refrain in consultation was concern that such CLGF investment left CLGs with increased maintenance and eventual replacement, and recurrent operating costs that were not necessarily covered by future income.

A number of submissions felt that the CLGF is very much a work in progress:

> [Confidential submission] ... difficult to assess at this early stage.[140]

> [Shire of Lake Grace (Wheatbelt)] ... a journey that most have only recently commenced.[141]

> [Shire of Wagin (Wheatbelt)] As many of these plans are in the process of being developed it is too early to make comment, however their introduction will change the way many local governments will make future decisions when the implications of "to build or not to build" are known.[142]

136 City of Albany (Great Southern) submission, pages 1-2.
137 Shire of Beverley (Wheatbelt) submission, pages 2-3.
138 Shire of Beverley (Wheatbelt) submission, page 3.
139 Shire of Lake Grace (Wheatbelt) submission, page 5.
140 Confidential submission, page 1.
141 Shire of Lake Grace (Wheatbelt) submission, page 4.
142 Shire of Wagin (Wheatbelt) submission, page 2.

5.3.2 Trust comment

For the purposes of this Review the question of how the financial sustainability of CLGs is being improved through improved asset management can be considered from two perspectives: asset management systems and the investment in assets.

Asset management systems improve the financial sustainability of CLGs if they result in a properly prioritised managed and manageable asset maintenance renewal and replacement program that is affordable and productive.

Financial sustainability does not mean that CLGs should be able to fund their own services and capital expenditure from their own revenue. As WALGA points out,[143] local governments rely on supplementary income transfers from state and federal governments, and a large number are financially unsustainable if 'own source' methodology is applied.

It would seem reasonable to expect long-running standard transfers from state and federal governments to continue.

The Trust believes financial sustainability is more likely to pertain for CLGs where a conservative assessment of future own source and transfer income mean that asset operation, maintenance, replacement, renewal and creation can occur on a structured and planned basis over the longer term.

The evidence provided to the Review does not equip the Trust to make a judgement as to how well the CLGF is helping achieve improved financial sustainability from improved asset management for individual CLGs or for the sector as a whole, although the evidence clearly indicates that things are going in the right direction.

5.4 Voluntary amalgamation

The effectiveness of funds directed to voluntary amalgamation.

5.4.1 Evidence

Since 2009 the CLGF has assisted the DLG in implementing their local government reform program. This includes directing funds to assist in the voluntary amalgamation[144] of CLGs.

In the original Memorandum of Understanding (MoU) between RDL and DLG, the DLG were provided with $2.5 million in 2009-10 to assist CLGs who had formalised their position and wished to amalgamate. A further $2.5 million was provided in 2010-11.

In his submission to the CLGF Review, the Minister for Local Government stated that:

> ... the reform program was initiated to secure the long term sustainability of local government ... reform is in two key areas ... structural reform ... [and] capacity building.

143 WALGA submission, page 11.

144 Minister for Local Government submission, page 3: *In addition to the recently created City of Greater Geraldton there are 2 local governments currently subject to review by the Local Government Advisory Body for a potential merger, another 3 are considering their options following a poll of electors subsequently stopping a merger of these 3 plus another (Perenjori) into a new entity. 14 local governments are participating in 4 Regional Transition Groups that are preparing regional business plans to determine if mergers offer a sustainable future.*

> ... structural reform...advocates a regional approach to meeting challenges and identifying opportunities, and encourages centralisation of corporate activities to achieve benefits of scale not able to be achieved with 138 separate entities, administrations and elected councils. By necessity this reform requires fewer stronger regionally focussed local governments.[145]

The Minister of Local Government points out that there are 30 local governments, mainly in the Wheatbelt and Great Southern regions that in the two previous published census periods have suffered declining population.[146]

From his submission, the Minister of Local Government evidently expects many of these CLGs to decline further in population. The Minister recommends that these CLGs and others that have not "embraced reform" should not receive CLGF funding.[147]

The Minister for Local Government states that 63 out of 109 non-metropolitan local governments (58%) have embraced reform, so his recommendation would effectively exclude 46 CLGs from CLGF funding.

The Minister for Local Governments's frank admission of the difficulties he faces on the reform front was confirmed by the Shire of Moora (Wheatbelt):

> Unfortunately there has been reluctance by local government to embrace structural reform, and in Moora's case, Council has been unable to find a partner or partners willing to compromise or negotiate a structural reform consensus. The funding available appears to be adequate to commence the process of Regional Transition Groups.
>
> Local Governments that embrace structural reform should be financed in full to cover costs associated with a merger.[148]

The Shire of Plantagenet (Great Southern) outlined how difficult it is to get agreement in a group of shires:

> In 2008/2009 the Shire of Plantagenet resolved that, to answer the Minister's call for structural reform, the four shires of Broomehill-Tambellup, Cranbrook, Kojonup and Plantagenet (members of the Southern Link Voluntary Regional Organisation of Councils [VROC]) should amalgamate to form one new council. ... except for the Shire of Broomehill-Tambellup, the other two shires oppose such an amalgamation, due primarily to concerns expressed by sectors of their respective communities.[149]

The Shire of Brookton (Wheatbelt) made it clear that CLGF funding was a real incentive to explore amalgamation:

> The availability of funds for Regional Transition Groups to develop integrated plans, asset management plans and long term financial plans was a major incentive for the Shire of Brookton to explore voluntary amalgamation.[150]

145 Minister for Local Government submission, page 1.
146 Minister for Local Government submission, Attachment 3.
147 Minister for Local Government submission, page 2.
148 Shire of Moora (Wheatbelt) submission, page 2.
149 Shire of Plantagenet (Great Southern) submission, page 1.
150 Shire of Brookton (Wheatbelt) submission, page 2.

The Shire of Mingenew (Mid West) also supported CLGF funding to help explore amalgamation:

> The Shire of Mingenew was an active participant in the proposed amalgamation project involving the Shires of Mingenew, Morawa, Perenjori and Three Springs. ... Unfortunately the democratic process in place saw this project come to an end ... it is vital funds are available to assist any local government that wishes to explore and/or venture into voluntary amalgamation.[151]

The Shire of Quairading (Wheatbelt) said that:

> The South East Avon Regional Transition Group (Beverley, Cunderdin, Quairading, Tammin and York) could not and would not have proceeded beyond the collaborative effort of SEAVROC without this funding component to move into the quantification and assessment of a voluntary merger of all or some Members of the Transition Group.[152]

The CLGF was not critical to one successful amalgamation:

> The Shires of Broomehill and Tambellup voluntary amalgamation was completed in 2009-10 ... and is not directly attributable to the CLGF.[153]

In the South-West region, the Shire of Manjimup indicated that 'stick' without 'carrot' is ineffective, and that CLGF funding had been to no effect:

> In essence, the study report recommended the Shires of Bridgetown-Greenbushes, Boyup Brook and Nannup amalgamate to form a "Blackwood Valley Shire" roughly the same size and population as the Shire of Manjimup, and that the Shire of Manjimup remain as is. This was always going to be the likely outcome (irrespective of the findings of the study) and therefore the funds applied to this process have been wasted in the absence of any ability by the Minister to direct the application of such findings. The obstacles to amalgamation (namely community identity, town recognition, local employment and grant funding) have not been addressed through short term CLGF incentives.
>
> For the record, the Shire of Manjimup is and remains open to the concept of amalgamation with the Shire of Nannup.[154]

In consultation, it was suggested that one of the current impediments to amalgamation, especially in the Wheatbelt, is the perception that the better local governments may be responsible for taking on the responsibility of other councils' "bad" infrastructure.

They said that there could be an argument that within Groups there is the opportunity to ensure each local governments' infrastructure is up to a certain standard (e.g. the approach being taken by SEARTG), and then to revisit the possibility of amalgamation.

---

151 Shire of Mingenew (Mid West) submission, page 2; and, the Shire of Perenjori (Mid West) submission pages 2-3; both outlined benefits arising from CLGF amalgamation funding.

152 Shire of Quairading (Wheatbelt) submission, page 3. The Shire of York (Wheatbelt) submission, page 3 repeated this statement.

153 Great Southern RDC submission, page 2.

154 Shire of Manjimup (South West) submission, page 3.

The Shire of Beverley (Wheatbelt) expressed this fear:

> The Shire would not like to see a reduction of grant funding to the proposed new local government as a result of amalgamation.[155]

The alternative to efficiencies arising from amalgamation is efficiencies arising from shared functions and services. The Peel RDC made that point:

> In the Peel there is no proposal to amalgamate LGAs, however work is currently being undertaken to develop a structure whereby the LGAs will share particular services ... Funding to assist amalgamation and shared services may be required for up to 4 years, but is unlikely to be needed after this.[156]

One report had this to say about shared services:

> Shared services is widely seen as a 'practical and cost effective way for councils to share experience and resources, tackle common tasks, or take advantages of economies of scale'. The shared services approach is not a panacea. Success depends on a number of factors including the commitment of both political and executive management leadership.[157]

5.4.2 Trust comment

The Review has been tasked to examine the effectiveness of funds directed to voluntary amalgamation. The first question to ask is why the CLGF should concern itself with the amalgamation of CLGs at all.

While the answer is that as a policy matter the amalgamation of CLGs is not the central interest of the CLGF, as the infrastructure backlog is its central concern, amalgamation is nevertheless of policy interest to both the CLGF and the Government, affecting as it does the capacity of CLGs to address their infrastructure obligations.

Those CLGs willing to amalgamate do make a case for needing funding to be able to professionally explore the issue.[158] The obvious government source would be DLG, but the CLGF also has a legitimate part to play.

Judging the effectiveness of the CLGF funds directed to voluntary amalgamation on the basis of one amalgamation success, a number of community votes on amalgamation in a few other CLGs, and a few further possibilities still in negotiation, would be unwise at this point.

The Trust recognises that the nature of amalgamation is long-term, in that the CLGs and their communities need time to be persuaded that amalgamation is both necessary and beneficial.

To persuade any CLG community to amalgamate with another needs as a vital first step for the longer term financial prospects of the CLG to be thoroughly professionally and independently dissected.

---

155 Shire of Beverley (Wheatbelt) submission, page 3.

156 Peel RDC submission, pages 1-2.

157 Consolidation in Local Government Report Volume 1, page 40, including a quote from Dollery, B. et al (2009) *Shared Services in Australian Local Government: Rationale, Alternative Models and Empirical Evidence*, The Australian Journal of Public Administration, 68 (2) 208-219.

158 WALGA submission, page 13: *There should be distinct and separate funding to support local government that wish to amalgamate.*

Unless CLGs and their communities are exposed to the full facts and reality of their own CLG's financial status and prospects, and accept the case made, it will be difficult to advance the amalgamation cause at a faster pace.

The sustainability and capacity of CLGs as organisations overall is of interest to RforR where it affects the economic business and social development of regional WA and the overall outcomes required by the Act.

From the point of view of RforR, it is obvious that all of the economic social and business development in the regions must take place within the boundaries of a CLG. Even where CLGs are not the prime proponents of particular developments, local governments are important and sometimes vital facilitators of nearly all development in their council area.

The Trust recognises that it is important to regional development to have well resourced able experienced CLGs in place, and where and if amalgamation can help deliver that, it is a plus to development.

The Minister for Local Government's recommendation that a significant number of CLGs governments that have not "embraced reform" should not receive CLGF funding might have the effect of making it a little more difficult for weakly resourced or funded local governments to continue, and would therefore possibly act as an incentive for them to "embrace reform".

Whether that is an appropriate policy consideration for the CLGF to take into account is moot.

There are 109 CLGs in the nine regions of WA, going from north to south down the State: Kimberley 4, Pilbara 4, Gascoyne 4, Mid West 17, Goldfields-Esperance 9, Peel 5, Wheatbelt 43, Great Southern 11 and South West 12.

The issue of voluntary amalgamations to reduce the number of CLGs to achieve sustainability does not affect those regions with few local governments. The reverse may be true one day, if development results in the creation of additional CLGs in the north of the State in future decades.

Size by area and size by population affect the sustainability of CLGs, although other factors such as their economies have to be taken into consideration.

Three of the smallest regions by number of CLGs have these average areas per CLG: Kimberley 105 879 square kilometres; Pilbara 125 500 square kilometres; Peel 1 662 square kilometres.

In contrast the largest region by number of CLGs, the 43 Wheatbelt CLGs, each average 3 601 square kilometres.

The 2009 resident population average for each CLG in these four regions is: Kimberley 8 752; Pilbara 11 882; Peel 20 975 and Wheatbelt 1 674.[159]

The Trust will address the issue of funding for which CLGs for what purpose in Chapter 12.

159 Extrapolated from RDL's Regions in Profile series of publications 2011.

5.5 CLG groups and large-scale infrastructure

How CLGF is assisting groups of country local governments to fund larger-scale infrastructure projects.

5.5.1 The regional framework

RDL advises that the intention of the Groups component of the CLGF is to provide financial assistance to Groups to fund larger scale infrastructure projects which clearly demonstrate wider community benefits across a region.

Projects must demonstrate regional significance and be of a strategic nature.

Note that 'region' in this context does not mean one of the nine regions established under the *Regional Development Commissions Act 1993,* but any 'region' encompassed by the boundaries of more than one CLG.

Groups may include RCG[160], RTG[161], those CLGs that have agreed to amalgamate, ROCs, strategic alliances or any other grouping of CLGs that wish to work together for the purpose of delivering a regionally significant infrastructure project.

CLGs must be in a group to receive CLGF regional funding. However just two CLGs can constitute a group.

The Minister has announced that the CLGF will move from a 100% local (CLG) component in 2008-09 to a 100% Groups intention in 2013-14.

This CLGF Groups regional infrastructure allocation concept has policy merit when considering the 43 CLGs of the Wheatbelt. The concept becomes more strained when just 4 CLGs in each of the vast Kimberley and Pilbara regions are supposed to find mutually beneficial regional projects.

The Kimberley CLGs average 105 879 square kilometres, the Pilbara CLGs average 125 500 square kilometres. Switzerland covers 41 285 square kilometres.

When an individual CLG is a region unto itself with an area as large as Victoria or Tasmania, it does leave open to question the Groups policy of obliging it to join other CLGs in a group in order to access regional grants.

There is a marked difference in regional perspectives between the north and south of the State, and in the maturity of their economies. Up north in WA historical underinvestment and under-development combined with huge economic opportunities, have together made a legitimate case for heavy RforR investment in infrastructure.

The principal vehicle for this northern RforR investment has been the Regional Infrastructure and Headworks Fund (RIHF), which is the vehicle for the transformational RforR Pilbara Cities and Ord Extension programs.

---

160 These are described thus by DLG in its submission, page 3: *23 local governments are engaged in Regional Collaborative Groups that are collaborating on a regional basis to jointly identify solutions to challenges and opportunities for the future of their regions.*

161 These are described thus by DLG in its submission, page 3: *14 local governments are participating in 4 Regional Transition Groups that are preparing business plans to determine if mergers offer a sustainable future.*

The CLGF has principally been spent in the southern half of the State; indeed only 18% of the CLGF allocation has been to the northern regions of the Kimberley Pilbara and Gascoyne.

5.5.2 Evidence

Well-targeted investment in infrastructure delivers an economic dividend:

> Given the underinvestment of recent years, the provision of infrastructure is one of the simplest and most effective ways to boost productivity.[162]

The two Pilbara shires of Ashburton and East Pilbara cover 95% of the land mass of the Pilbara, the main iron ore producing region of Australia. High growth, FIFO and various State Agreements with mining companies mean that the CLG income needed for their infrastructure investment is too low. There is more than enough to do in each shire. Both the Shire of Ashburton and the Shire of East Pilbara:

> ... believe that identifying meaningful regional projects is too difficult, especially in the large, remote regions of the northwest, where the combination of limited available funds, the distance between communities and the scale of truly regional projects, means that it would be a more effective use of the available funding to direct it towards more significant local and sub-regional projects.[163]

In northern WA it is a fact that for many in the various communities separated by great distances, their regional centre is often Perth:

> ... many residents ... find it quicker, easier and more economical to access services in Perth than to use similar services in the coastal Pilbara towns of Port Hedland and Karratha, due to the travel time and accommodation costs involved.
>
> [and] ... physical limitations on regional, social interaction in the Pilbara, and other north-west regions, mean that it is very difficult to identify local government based, regional projects ... In contrast, regional projects which would be of significant benefit to the regional communities (eg improvements to communications links) are, most frequently, the responsibility of State and Commonwealth governments and therefore outside the scope of CLGF funding.[164]

In contrast, Regional Development Australia (RDA) Pilbara:

> ... recognises the importance of developing the regional context through funding arrangements ... to foster regional collaborations and associated leveraging of other funding sources.[165]

The Shire of Esperance (Goldfields-Esperance) outlines what happens when regional groupings lack geographical integrity:

> It has been next to impossible to find local government projects with any commonality that would deliver regional benefits to all 10 local governments. With the benefit of hindsight, the Goldfields-Esperance CRG should have been split into 2 or more CRG's (northern/southern etc) to provide better value for money in determining appropriate projects that would benefit the regions.[166]

162 Nicholas Moore CEO Macquarie Group *The Weekend Financial Review* 28 December 2011 page 18.
163 Joint submission by the Shires of Ashburton and the Shire of East Pilbara (Pilbara), page 2.
164 Joint submission by the Shires of Ashburton and the Shire of East Pilbara (Pilbara), page 2.
165 RDA Pilbara submission, page 2.
166 Shire of Esperance (Goldfields-Esperance) submission, page 1.

The Mid West RDC does not think the Groups should continue to be self-chosen:

> ... strongly advocates for the commissions (in line with WAPC thinking) to determine regional collaborative groupings rather than shires doing so.[167]

The WAPC for its part says that:

> The WAPC would consider it important that the larger scale projects be identified and supported through early collaboration and agreement of stakeholders. In producing the RPIFs for each region, the WAPC and DoP are working closely with the Regional Development Commissions and local governments.[168]

The Shire of Halls Creek (Kimberley) said the CLGF was assisting investment in collaborative infrastructure projects such as a regional housing factory:

> ... aimed at addressing the high cost of providing housing in the region.[169]

The Shire of Lake Grace (Wheatbelt) describes the regional 'Well-aged Persons Housing Strategy' as a "*showcase project*".[170]

The Shire of Perenjori (Mid West) was enthusiastic about the CLG Group's regional projects, including new dental consulting rooms, a road bridge, and a regional drive trail. Future projects being examined include rail loading facilities, an early childhood development centre and a solar thermal power station:

> ... the group in which Perenjori has been involved have taken a truly regional approach rather than taking turns getting the money.[171]

The Shire of Brookton (Wheatbelt) says that the guidelines definition of a regional project:

> ... needs to change to include power, water, sewerage, and recreation infrastructure in individual local governments.[172]

The Shire of Brookton (Wheatbelt) indicates that the time cost and resources involved in regional projects has a negative effect:

> Individual Councils are reluctant to take on the responsibility for regionally significant projects because of the considerable project management burden involved.
>
> [and] ... current arrangements have the potential to place unrealistic burdens on individual councils to manage 'group', or regional projects.[173]

167 Mid West RDC submission, page 1.
168 WAPC submission, page 2.
169 Shire of Halls Creek (Kimberley) submission, page 1.
170 Shire of Lake Grace (Wheatbelt) submission, page 5.
171 Shire of Perenjori (Mid West) submission, page 5.
172 Shire of Brookton (Wheatbelt) submission, page 3.
173 Wheatbelt RDC submission, page 4.

WALGA suggests a CLGF weakness is not having major projects thoroughly well prepared:

> ... an issue regarding the CLGF relates to the time and expense associated with planning major infrastructure projects. One concept, worthy of consideration, is for funding to be made available to Councils to plan projects in advance of their implementation. Funding of this nature would also ensure that infrastructure projects, when delivered, have been soundly scoped and planned.[174]

There is a clear split between CLGs such as Wagin (Wheatbelt)[175] and Perenjori (Mid West)[176] that want to get on with the job of providing infrastructure regardless of who is notionally responsible, and CLGs that are concerned that expenditure should be specific to local government. The Shire of Dardanup (South West) is typical of the latter:

> [The Shire] Supports a proportion of the 50% that goes to regional groups of Councils being allocated to regional development commissions for community projects, however, does not support these funds being allocated to projects that are the responsibility of the state government.[177]

The City of Mandurah (Peel) argues that optimal CLGF outcomes will result from greater levels of capital utilisation that occur when infrastructure is prioritised, it addresses unmet identified needs, and it helps meet the demands of high growth:

> ... successful regional or group projects should represent the first call on CLGF funding. Only after these projects have been funded would an allocation be made to individual local governments.[178]

The Shire of Manjimup (South West) is clear on the choice. Essentially its submission argues that until the individual CLG infrastructure backlog is cleared, regional projects should take a back seat. The Shire argues that addressing the backlog requires the upgrade or replacement of local existing infrastructure while regional investment is biased towards new infrastructure.

The Shire states that:

> The most obvious larger scale infrastructure needs in the region tend to be the absence of State government infrastructure such as highways, rail, power, water, sewerage, hospitals etc which are clearly within the management control of State government agencies (not local government).[179]

Consultation often indicated a preference for local over regional. The Shire of Plantagenet (Great Southern) agreed:

> It is this Shire's view that ... the allocations would be better spent by the individual local governments.[180]

The RDCs are well placed to facilitate regional collaboration. The Gascoyne RDC described the collaborative arrangement as *"relatively painless"* and indicated that analysing waste as a regional project was valuable, but:

174 WALGA supplementary submission, page 1.
175 Shire of Wagin (Wheatbelt) submission, page 1.
176 Shire of Perenjori (Mid West) submission, pages 3-4.
177 Shire of Dardanup (South West) submission, page 2.
178 City of Mandurah (Peel) submission, page 3.
179 Shire of Manjimup (South West) submission, pages 3-5.
180 Shire of Plantagenet (Great Southern) submission, page 4.

> The Gascoyne region is a vast region and the four local governments are geographically distant. This caused some difficulty in identifying projects which met the criteria of providing truly regional benefits.[181]

A confidential submission said that:

> ... whilst infrastructure projects are being funded few could be termed larger scale ... there are a number of key reasons for this shortfall. The first is that cooperative arrangements and practices have not emerged from Local Governments to any real degree ... The second stems from restrictions imposed by the scale of the budget of the fund ... the Kimberley has attracted $7.654 million for the 2011/12 round.[182]

The Mid West RDC observed that regional groups may simply try to rotate regional funds so that each get a 'turn'. The Mid West RDC argues instead that the CLGF allocation:

> … must be spent on projects contained within their FCWP, with the remainder of funds being allocated to a sub-regional 'funding pool' which could be administered by the relevant regional development commission. This pool could only be used on strategic projects agreed to by that sub-region in consultation with their regional development commission.[183]

The Peel region has a genuinely larger-scale regional project under consideration – the Peel Waste Water Pipeline. The five Peel shires are one-hundredth the average area of the four Pilbara shires and as the Peel RDC points out, that makes regional collaboration far easier:

> The five LGAs in the Peel have a proven history of working together and have identified major regional projects through a 'regional priority' process.[184]

The South West RDC is similarly positive and offers up the expansion of the Bunbury Regional Entertainment Centre as a good example of a larger-scale regional project. Their strategic approach has been as follows:

> In 2010 the South West Development Commission partnered with Regional Development Australia - South West and engaged with the South West local governments to compile a compendium of priority projects for the region. The resulting document, the "South West Action Statement", supported by all three spheres of government, has been successful in assisting to secure funding for a number of significant projects.[185]

RDCo supports cross-region cooperation and recommends:

> ... at least 50% of the CLGF be dedicated to local government regional group projects, as anecdotally this approach appears to have had a positive impact in *some* [emphasis added] regions.[186]

181 Gascoyne RDC submission, page 2.
182 Confidential submission, page 2.
183 Mid West RDC submission, page 1.
184 Peel RDC submission, page 2.
185 South West RDC submission, page 2.
186 RDCo submission, page 1.

5.5.3 Trust comment

The question asked of the Review is 'how CLGF is assisting Groups to fund larger-scale infrastructure projects'.

The short answer is that the evidence is that in many regions it does not appear to be doing that much as yet.

There is also the question of which is more important – infrastructural investment by single CLGs or by Groups? On balance, if the CLGF were to remain true to its original concept the answer would be the individual CLGs, until the infrastructure backlog is met.

That does not mean that CLGF regional investment should be ended, but it does need to be better targeted, subject to larger budgets and to better preparation (see WALGA above), and to strategic oversight.

Increased resources will be needed for planning project and business case development and ongoing project management. CLGF funding was provided to RDCs to facilitate regional planning activities with Groups. It should continue.

The other point to make, one reinforced by agencies such as the WAPC and several RDCs, is that these Groups investment projects must be integrated into regional and State strategic priorities for regional development. Groups must function in a connected and contextual way.

'Larger-scale' needs to be emphasised, otherwise the effort and cost involved in meaningful collaboration is not justified. The Shire of Manjimup (South West) makes the point well that regional projects often require larger budgets.[187] The Trust agrees with the confidential submission that says that:

> ... to be considered large an infrastructure project would have to be in the region of $10 million or more.
>
> [and that] the funding criteria should be amended to include leverage as a priority ...[188]

Leveraging obviously has a valuable multiplier effect, but it has another dimension because it enables a partnering approach and might help overcome concerns in some quarters that CLGs alone are doing the job of other agencies.

Table 3 2010-11 in Chapter 3 sourced from RDL has an interesting comparison with Table 4 2010-11.

Table 3 shows 109 CLGs with $113 894 356 value of 444 projects, with the total amount leveraged including own source revenue of $49 364 201.

Table 4 shows 32 CLG Groups with $144 396 477 value of 54 projects, with the total amount leveraged including own source revenue of $108 610 179.

The Trust has not had the opportunity to test these RDL figures, but they do indicate much stronger leveraging results for Groups projects.

187 Shire of Manjimup (South West) submission, pages 4-5.
188 Confidential submission, page 2.

It should be noted that with respect to CLGF expenditure that particular concern from some CLGs and others that local governments are doing the job of other agencies is misplaced.

RforR funds are for regional development, and under the Act they can be spent on any regional infrastructure project, regardless of whether that project might be the usual responsibility of a local state or commonwealth agency.

As RDL outlines in its submission, regionally strategic projects often cover or overlap State or Commonwealth responsibilities – water, waste, aged care and power are a few examples. The Trust agrees with RDL that:

> ... resource constraints within other government portfolios means that it is reasonable for local governments to invest in necessary and strategic regional initiatives so that these are delivered sooner or more efficiently than they would otherwise be if undertaken by the state or commonwealth departments.[189]

There is the question of whether the Groups should continue to be self-chosen. On balance the Trust recognises that the CLGs are independent political bodies and that feature plus the principle of subsidiarity incline the Trust's view towards voluntary groupings.

However every effort should be made by the RDCs to ensure that there is some order of strategic communality involved, ideally to match CLG groups to the sub-regions the RDCs have developed. The Wheatbelt region for instance has five sub-regions within it; the MidWest has three.

To avoid the 'my turn' phenomenon and to ensure an objective and strategic regional focus, the RDCs do make a valid case for greater influence and perhaps authority in regional CLGF decision-making. The RDCs role needs rethinking.

The Trust considers that the process of determining and prioritising strategic regional projects such as that adopted by the South West RDC, but including consultation with the WAPC as the Mid West RDC suggests, is a good way to go.

Capacity is a real issue; a country city is far better equipped to take on regional projects than a small remote shire. This point is well made by the Wheatbelt RDC:

> ... few local governments in the region have the capacity to take on large projects on behalf of a group of local governments.[190]

The Wheatbelt RDC's recommendation of a more nuanced approach is worth considering:

> Differential funding also needs to be examined from region to region in terms of capacity in the region to develop and implement regionally significant projects within local government resourcing and capacity.[191]

RforR already recognises the higher infrastructure investment demanded by particular circumstances – hence the RforR Pilbara Cities and SuperTowns programs. The CLGF needs flexibility too.

---

189 RDL submission, page 4.

190 Wheatbelt RDC submission, page 6.

191 Wheatbelt RDC submission, page 4.

Some large CLGs are 'regions' on their own, and could be funded accordingly. Country cities are 'regions' on their own too, and could be funded accordingly.

5.6 The effect or impact of the CLGF

The effect or impact of funds allocated under the CLGF.

5.6.1 Evidence

RDL answers the question of the effect or impact of funds allocated under the CLGF succinctly, but as the added emphasis shows, has not been able to measure it:

> To date, over 1000 projects have been funded by the CLGF across 109 country local governments. ... The program is highly valued by local governments and *presumably* [emphasis added] their communities.[192]

WALGA reports that the CLGF has had a positive impact and has:

- brought a number of significant projects to fruition
- allowed CLGs to fast-track planned infrastructure projects
- allowed CLGs to revisit infrastructure needs previously thought unattainable
- allowed the modern consolidation in one facility of previously scattered buildings
- facilitated the establishment of planning and asset management tools[193]

The Shire of Quairading (Wheatbelt) stated that the effect was extremely high:

> For rural residents the effect/impact of allocations and expenditure under the CLGF is extremely high and these will particularly apply to the final three years of the current commitment as projects are planned and programmed ...[194]

The Shire of Plantagenet (Great Southern) reports the pleasure of the community in nine projects the CLGF has been used on, including a vital new cemetery, but says:

> Knowing what we know now, the Shire would likely have allocated the funds to one or two key projects which we would have been more able to concentrate on and complete in a timely manner. [195]

Like the Shire of Plantagenet (Great Southern) many CLG submissions listed the projects undertaken or being undertaken. The Shire of Broome (Kimberley) stated that the overall effect or impact of funds allocated under the CLGF *has been very positive.*[196]

192 RDL submission, page 4.
193 WALGA submission, page 14.
194 Shire of Quairading (Wheatbelt) submission, page 4.
195 Shire of Plantagenet (Great Southern) submission, pages 4-5.
196 Shire of Broome (Kimberley) submission, page 6.

The Shire of Collie (South West)[197] writes of the impact of the funding as *significant*. The Shire of Koorda (Wheatbelt)[198] describes the CLGF as *a major boost* and the Shire of Kulin (Wheatbelt) said it had *achieved a great deal under the program.*[199]

The Shire of Manjimup (South West) says that the effect or impact of funds allocated under the CLGF *has been real and noticeable*, and has been committed:

> ... 70% towards hard infrastructure (such as roads) and 30% towards soft infrastructure (such as community facilities).[200]

The Shire of Brookton (Wheatbelt) stated that:

> The net impact of the CLGF allocations has been the most significant boost to the sustainability of regional local government since the Roads to Recovery programme [but] is more visible to the community because it is being spent on infrastructure other than roads.[201]

The Shire of Williams (Wheatbelt) outlined the serious effects of guideline delays and new administrative requirements, so that projects which should have been started have not been, but in summary said:

> The impact has been a positive one, once the red tape of the Department had been addressed, in order to get the funding released. Community projects have been undertaken that have been of great benefit to the residents, ratepayers and visitors. The program is a good one, provided that the guidelines and funding is released in a timely manner and not delayed, as this has a negative impact on the rollout of projects. This is especially evident where projects rely on subsequent years of funding from CLGF and not just a single year's investment eg: 4WD/Lakes Aged Housing project.[202]

The regional group spend has been slower to materialise than the individual CLG spend. The South West RDC said:

> The value of the CLGF regional groupings component will become more evident in the future ...[203]

The WAPC argues for a performance-based measurement of the effect or impact of funds allocated under the CLGF:

> Ultimately the effect or impact of the expenditure and the resulting infrastructure should be in accordance with the original intentions and aims of the stakeholders, irrespective of the scale of the project. The RPIF's should be used as documents to measure completion and effectiveness of any infrastructure projects.[204]

197 Shire of Collie (South West) submission, page 4.
198 Shire of Koorda (Wheatbelt) submission, page 1.
199 Shire of Kulin (Wheatbelt) submission, page 1.
200 Shire of Manjimup (South West) submission, page 5.
201 Shire of Brookton (Wheatbelt) submission, page 3.
202 Shire of Williams (Wheatbelt) submission, page 3.
203 South West RDC submission, page 2.
204 WAPC submission, page 2.

5.6.2 Trust comment

Using language that is often full of superlatives, the evidence shows that the CLGF is highly valued, and the CLGF is undoubtedly regarded by CLGs and other stakeholders as having a significant effect or impact. However, as RDL recognises, that impact has not been measured.

The Trust agrees with the WAPC that the impact of the CLGF should be measured against the aims of the stakeholders.

RDL sums it up this way:

> RDL's focus in the first three years of the program was to ensure appropriate planning and accountability requirements. RDL is now placing greater emphasis on establishing a more robust monitoring and evaluation framework, which would usefully be informed by the Trust's advice on the purpose, outcome and performance measurement of the CLGF.[205]

205 RDL submission, page 5.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

MAP 3: Local Government Structural Reform Activities

LOCAL GOVERNMENTS WITH DECLINING POPULATIONS

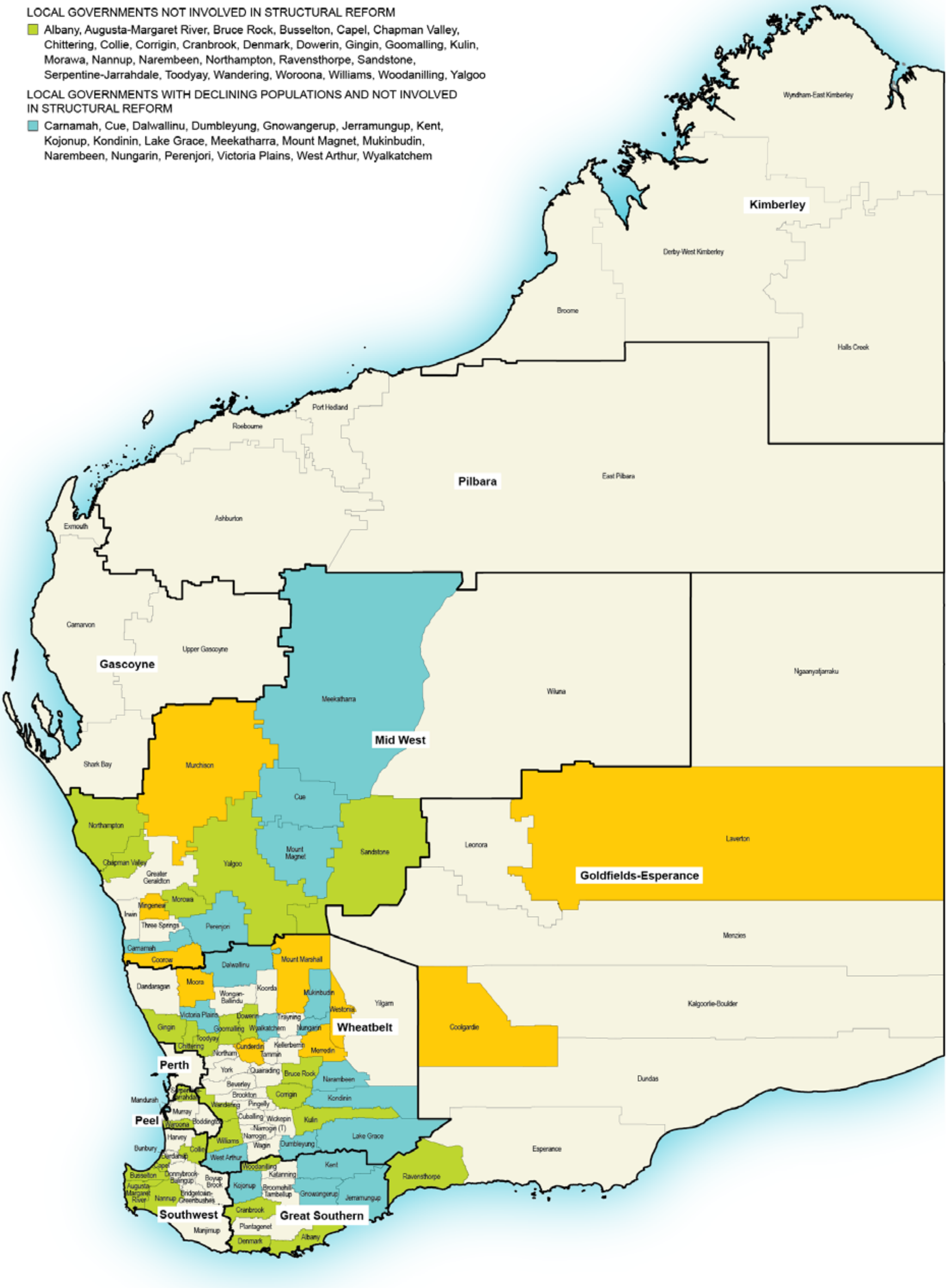
- Coolgardie, Coorow, Cunderdin, Laverton, Merredin, Mingenew, Moora, Mount Marshall, Murchison, Westonia

LOCAL GOVERNMENTS NOT INVOLVED IN STRUCTURAL REFORM

- Albany, Augusta-Margaret River, Bruce Rock, Busselton, Capel, Chapman Valley, Chittering, Collie, Corrigin, Cranbrook, Denmark, Dowerin, Gingin, Goomalling, Kulin, Morawa, Nannup, Narembeen, Northampton, Ravensthorpe, Sandstone, Serpentine-Jarrahdale, Toodyay, Wandering, Woroona, Williams, Woodanilling, Yalgoo

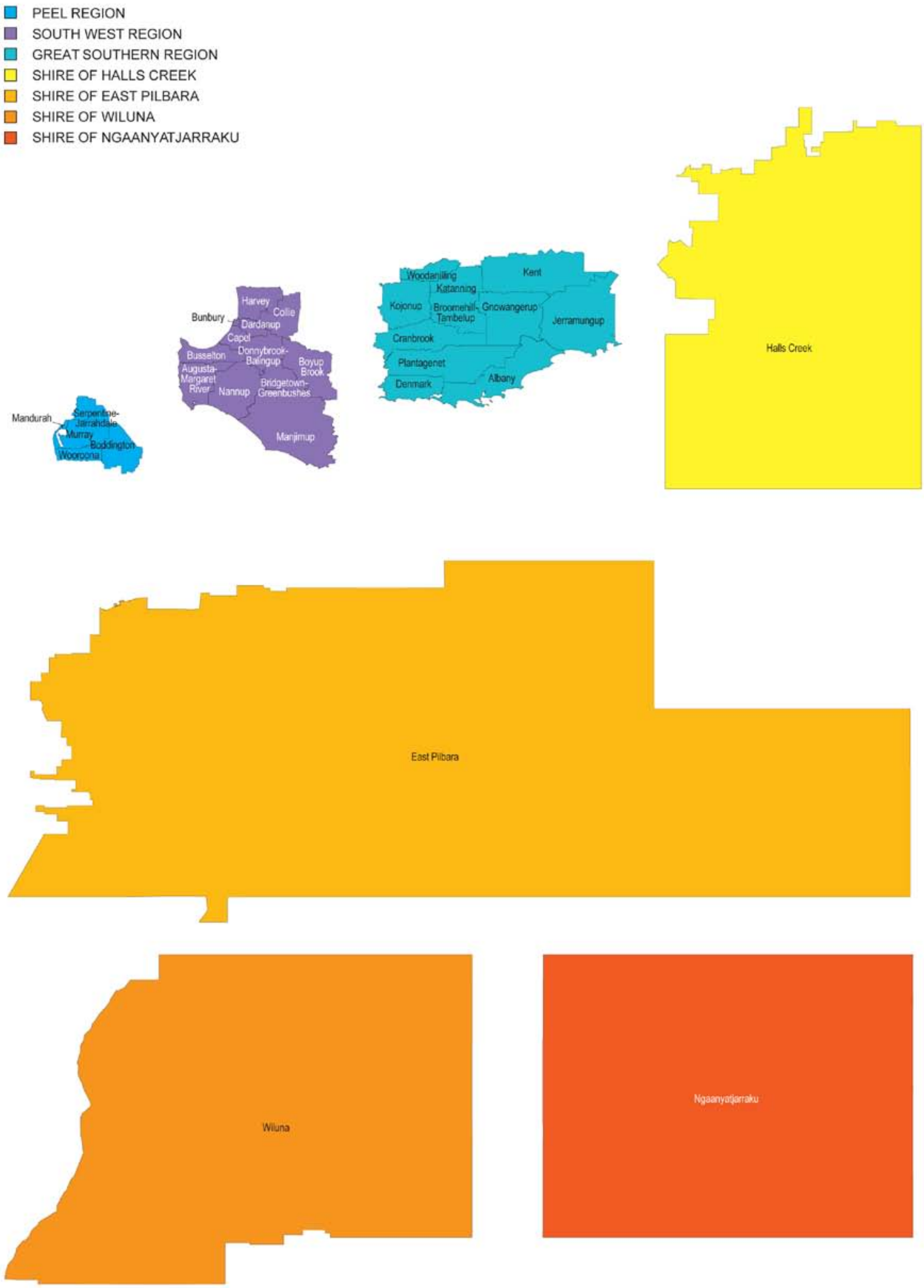
LOCAL GOVERNMENTS WITH DECLINING POPULATIONS AND NOT INVOLVED IN STRUCTURAL REFORM

- Carnamah, Cue, Dalwallinu, Dumbleyung, Gnowangerup, Jerramungup, Kent, Kojonup, Kondinin, Lake Grace, Meekatharra, Mount Magnet, Mukinbudin, Narembeen, Nungarin, Perenjori, Victoria Plains, West Arthur, Wyalkatchem



THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

MAP 4: Size Comparison



THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Chapter 6: Terms of Reference 2

Whether country local government or the Department of Regional Development and Lands has experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF.

6.1 The process and RDL evidence

The question of whether RDL has experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF is answered below.

The CLGF administration began with the DLG and moved from DLG to RDL in April 2010.

At the beginning, the CLGF administrative process was tied in to the accounting and governance systems of CLG decision-makers. This integrated administration into the CLGF principle of subsidiarity or localised decision-making. Project priorities and project selection were undertaken locally and not by centralised or external authorities.

When administrative changes to the program were required by RDL as a result of operational experience, those changes also resulted in more external processes designed not just to address the sector as a whole but to accommodate the least capable and worst performer.

Since the CLGF was introduced RDL advise that:

1) CLGF guidelines have been developed, reviewed and updated. RDL's intention was to provide CLGs with guidance and structure in administering the allocated funds. RDL report that the guidelines have been instrumental in encouraging better use of accounting, procurement and other processes and in improving the level of accountability in CLGs.

2) Governance structure has been introduced to CLGs through the signing of FAAs which provide not only a framework for reporting and acquittal but allow CLGF funding processes to be open and transparent to communities which they support. FAAs were introduced for CLGF funds allocated in 2009-10 and have continued on since. The FAAs have been modified on a regular basis to address a number of issues, including those raised by the 2010 OAG audit requiring local governments to keep separate accounts for CLGF and funding years.

3) RDL states that CLGF projects are acquitted in a logical and systematic way, providing evidence-based explanations as to how funds were expended. This process for acquittal informed the development of an evaluation framework for all RforR funded projects.

4) The completion of FCWPs and Asset Management Plans provide planning tools to give CLGs staff and councillors a better understanding of their business, including cash flows, revenues and expenses, and to be able to better plan their future.

Additions to the process also include that all business cases must be approved by Cabinet, the introduction of annual audit requirements, and regional proposals needing to be ticked off by the RforR Director Generals Reference Group.

RDL advises that CLGF Groups projects allow CLGs to work collaboratively, communicate openly, and to discuss projects that could be of strategic importance to the region.

RDL states that CLGF Groups projects have opened the door for RDCs to partner with CLGs in the development of regionally significant projects. Collaboration by CLGs across local government boundaries to produce greater benefits for regional communities was not a regular occurrence prior to the introduction of the CLGF.

One essential improvement has been in planning, particularly with the FCWPs, and as discussed in Chapters 3 and 11 DLG has also been making progress with CLG planning.

While the planning aspect may increase some project timeframes, RDL writes that much better CLG planning was needed:

> RDL strongly supports the need for planning by country local governments to ensure CLGF project funding is targeted, justified and carefully considered to ensure the full costs of any new asset are affordable. This is consistent with RDL's ongoing engagement with the DLG and the Department of Planning in support of integrated strategic and statutory planning that is informed by local and regional priorities. By requiring the FCWPs to be endorsed by the full Council, RDL can encourage community ownership and localised decision making for CLGF funded projects.[206]

Reporting processes are the same for both Groups and individual CLGs. While initially funds were expected to be expended and acquitted within the one year timeframe, experience of the process has shown that this is almost impossible to achieve.

RDL has become more flexible, but as the following quote from RDL shows, RDL remains concerned at the inability of a large number of CLGs to acquit project funds, comply with FAAs, submit annual reports, and satisfy audit requirements:

> In 2010-11 only those shires that have acquitted 2008-09 funds are eligible for funding. Regional Development Commissions continue to facilitate the process by which shires are working within groups to develop business cases for regionally significant projects.
>
> RDL is currently allocating 2011-12 funds. In order to make the process as streamlined as possible local governments are now only required to demonstrate reasonable progress with the 2010-11 CLGF grant expenditure to access 2011-12 funds. They do this through submitting a 2010-11 annual report to RDL. To date only 48 local governments have submitted annual reports. The remaining 62 are in breach of their FAAs and are required to take action.
>
> While local governments are paid CLGF funds up front on execution of an FAA, many are not used to reporting on a regular basis or to the standard required for Royalties for Regions. Many local governments have failed to report to RDL in a timely manner as required in the FAA. RDL has adopted an annual reporting cycle as the logistics of reporting are difficult to manage with the number of staff available to undertake the reporting role.
>
> Similarly, while the annual audit requirement is for audits to be undertaken by registered auditors, RDL has been flexible in this area, for example, by stating that the CEO and CFO can sign the audit statement. Discussions with auditors have indicated that the request for audits between July and October are high and auditors cannot reasonably service all local government requests for audits during this time without prior notification and adequate notice from local governments.

206 RDL submission, page 6.

> Local government are required to acquit funds which have been fully expended. These acquittals do need sign-off from registered auditors as defined in the FAA. Some local governments do not have access to registered auditors and many auditors appointed to acquit 2008-09 funds are unregistered. RDL has processed these applications and sent reminders to shires that a registered auditor needs to be used for future audits. RDL has appointed a contractor to ensure audits received meet FAA specifications and are acceptable for signoff.[207]

In contrast to the efficient manner in which CLGs have completed their FCWPs RDL states:

> … as of November 2011, 109 FCWPs have been received. … [acquittals have been more difficult] … as at October 2011 … 21 local governments [19% of all CLGs] were yet to complete their 2008-09 projects. One local government has not commenced expending its 2008-09 funds. … $28 802 653 yet remains unallocated and may not be used by those local governments unable to acquit 2008-09 funds until 2011-12. This creates a two-year lag in the use of funds which are available.[208]

With any new large funding program involving a large number of grantees there are expected to be issues requiring attention. WALGA acknowledges the efforts made to improve the administration of the CLGF:

> In the early rounds of the Country Local Government Fund, there were a number of administration issues associated with the approval, acquittal and management of the Fund. This is to be expected with a new large scale grant program operating in a politically sensitive context with multiple stakeholders and diverse objectives.
>
> The types of issues have reduced, both in volume and in scope, since the establishment of the Country Local Government Fund and the Association acknowledges the efforts that have gone into improving the administration of the Fund.[209]

6.2 CLG and other evidence

The question of whether CLGs have experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF proved the most contentious of issues with CLGs:

> [Shire of Collie (South West)] The Shire of Collie (Council) has been somewhat frustrated with the 'roll out' of the CLGF over the past four years. It is the view of the Council that the program has been in a constant state of flux with guidelines and indeed guidance somewhat lagging behind local government implementation.[210]
>
> [Shire of Capel (South West)] Initially there were some difficulties with the process of applying for and acquitting grants. These difficulties seem to have been the result of the CLGF being introduced quickly to provide the injection of funds required by country local governments. Unfortunately insufficient effort seemed to have been allocated to the administrative processes and capacity required to ensure transparency and accountability with the disbursement and expenditure of public monies.[211]

207 RDL submission, page 7.
208 RDL submission Attachment, page 13.
209 WALGA submission, page 15.
210 Shire of Collie (South West) submission, page 5.
211 Shire of Capel (South West) submission, page 5.

The Shire of Dardanup (South West) criticised continual change:

> There is recorded discontent and dissatisfaction on the timeliness, the application process and the acquittal processes that were rolled out spasmodically when as [sic] the program evolved over 3 years.
>
> As recipients of the funds, local governments were dealing with changing goal posts to address new requirements, including fund name changes from Royalties for Regions to Country Local Government Funds, and changing application processes, from a direct application to Regional Development and then separate programs being implemented through the regions Regional Development Commissions.
>
> The changes made it difficult for local government officers to advise community groups about which funding program they were eligible to make application to and who they should talk to. Then with the acquittals process changed, knowing which fund that a project was funded from was a test of our internal record keeping and governance practices.[212]

Other CLGs had similar criticisms:

> [Shire of Jerramungup (Great Southern)] Local governments have been criticised for not spending the funding in line with the program timeframes. Although the Shire understands that some local governments have underperformed in this area, at times the Department of Regional Development and Lands has also performed poorly from an approval and administrative perspective. This all adds to the project delivery timeframes.[213]
>
> [Shire of Narambeen (Wheatbelt)] Unfortunately, the guidelines and goal posts continually change and therefore this has created a backlog of projects not only getting off the ground but delivering and completing projects due to the extraordinary administration of the Fund. Local Government has incurred an unnecessary setback whilst trying to achieve benefits and completion of projects.[214]
>
> [Shire of Broomehill-Tambellup (Great Southern)] Council accepts that there has to be timeframes attached to the program however in our experience they were often way too short which led to an ongoing round of requests for extensions. This had the unintended consequence of making local government look inefficient and disorganised and at the same time local government formed the same opinion [of] the CLGF program. This could easily have been avoided if the time has been taken to understand what processes local government would have to follow (operational and legislative) in accepting and spending the funding and consideration given to the challenges that small rural communities face in engaging contractors. Also Councils were not always aware of the constraints faced by the Department of Regional Development and Lands. Timeframes have been a significant issue for Broomehill-Tambellup during the life of the CLGF.[215]

---

212 Shire of Dardanup (South West) submission, page 4.
213 Shire of Jerramungup (Great Southern) submission, page 2.
214 Shire of Narembeen (Wheatbelt) submission, page 2.
215 Shire of Broomehill-Tambellup (Great Southern) submission, page 2.

The Shire of Brookton (Wheatbelt) felt the innovative CLGF policy had been diminished by administration issues:

> The history of the CLGF is a case study how innovative policy development does not necessarily result in effective programme delivery in the short term. It is a highly politicised programme that generates high scrutiny. This leads to the programme being over governed. This has resulted in restrictive guidelines and conditions and the consequent reduced effectiveness and lesser outcomes.
>
> The guidelines have improved with each iteration however there has to be better ways to provide oversight and accountability.[216]

In DLG and RDL's direct dealings with CLGs, consultation and evidence indicate many generally positive experiences. RDL was commended by the Shire of Broome (Kimberley) for its good attitude and service:

> In general terms we have found the processes with RDL and CLGF to be flexible and open, with good lines of communication and customer service.[217]

Other positive comments were:

> [Shire of Collie (South West)] [Despite frustration "over the past four years"] Council has been satisfied that the Department of Regional Development have been somewhat flexible and willing to assist through acquittal processes.[218]
>
> [Shire of Kellerberrin (Wheatbelt)] As with any new initiative, there have been some "teething" problems with the acquittal of the funds due to the requirement to properly plan the works prior to commencement. Consultation with DRDL and regular feedback has ensured that any problems experienced have been minimised.[219]
>
> [Shire of Quairading (Wheatbelt)] The approval process through the Department of Regional Development have been well managed and undertaken, with staff always being very supportive.[220]

Guidelines

The late release of the guidelines, which affects the timeliness of project delivery, allocation of funds, and acquittals was raised by a number of CLGs and other stakeholders:

> [WALGA] Another key issue which could be improved relates to the timing of the release of the Country Local Government Fund guidelines. Projects of appropriate scale and scope for the Country Local Government Fund can take significant time to properly plan and Local Governments have articulated a desire for the guidelines to be released as early as possible.[221]

---

216 Shire of Brookton (Wheatbelt) submission, page 5.
217 Shire of Broome (Kimberley) submission, page 7.
218 Shire of Collie (South West) submission, page 5.
219 Shire of Kellerberrin (Wheatbelt) submission, page 2.
220 Shire of Quairading (Wheatbelt) submission, page 4.
221 WALGA submission, page 15.

[Shire of Bridgetown-Greenbushes (South West)] One specific area that could be improved by the Department of Regional Development and Lands is when modifying the guidelines, to have these guidelines released earlier.[222]

[Shire of Donnybrook-Balingup (South West)] The provision of guidelines in a more timely fashion would also assist local government in being able to establish particular regional projects – guidelines for 2011-12 received on 20 October 2011.[223]

[GVROC (Goldfields-Esperance)] The extreme lateness in the release of the guidelines for the 2011/2012 round of funds highlights another of the frustrations experienced by country local governments across the State.[224]

[Shire of Murray (Peel)] Rather than go into significant detail, the Shire of Murray recommend that the CLGF guidelines be developed at a much earlier point in time and communicated with the local government sector. At the time of writing this submission (19 September), guidelines for the 2011/12 CLGF have still to be developed and provided to the sector. There is very regular "too-ing and fro-ing" between the Department and the Shire. This would be significantly reduced if the guidelines were developed and released at the time the funding is announced.[225]

[Shire of Williams (Wheatbelt)] Guidelines, and therefore funding, needs to be released in a more timely and reliable manner so that projects can progress as planned. Significant delays, with no advice as to "why" have had a negative impact on the program as local governments cannot plan, budget and implement projects when they have no idea when the next allocation instalment will be available. Councils have been forced to delay the implementation of projects until such time as more security in the release of the funds is known.[226]

[Mid West RDC] The lengthy delay in the CLGF 2011-12 guidelines being released has created issues detrimental to the CLGF program and its objectives. This is exacerbated by constant revisions to the guidelines including the amounts allocated to the regional collaborative component. A few years of a consistent program (funding and guidelines) would prove invaluable and assist both Commissions and local governments to move towards delivering increasingly strategic outcomes. The uncertainty that currently exists tends to encourage a parochial and less strategic view.[227]

[Shire of Kellerberrin (Wheatbelt)] This has been of significant issue to Groups where project planning is required and this cannot be undertaken until guidelines are released to ensure project eligibility. Criteria and conditions for projects need to be set at least twelve months in advance. This has proved to be an issue with the regional projects funded in years two, three and four of the CLGF.[228]

222 Shire of Bridgetown-Greenbushes (South West) submission, page 2.
223 Shire of Donnybrook-Balingup (South West) submission, page 5.
224 GVROC (Goldfields-Esperance) submission, page 2.
225 Shire of Murray (Peel) submission, pages 4-5.
226 Shire of Williams (Wheatbelt) submission, page 5.
227 Mid West RDC submission, page 3.
228 Shire of Kellerberrin (Wheatbelt) submission, page 2.

Others also expressed their concern at the late release of guidelines:

> [Wheatbelt RDC submission] … provided feedback on the draft guidelines for the program in May 2011 and final guidelines were released at the beginning of November. Without the timely release of the 2011/12 guidelines are unable to plan for the expenditure of these funds and seek opportunities to leverage additional funding ... A consistent timeframe, guidelines and assessment process for CLGF (individual and group funding) would enable Local Government to plan for short and long term projects, develop partnerships and seek opportunities to leverage additional funding.[229]

> [GVROC (Goldfields-Esperance)] For GVROC's Member Councils there does not seem to be any justifiable reason as to why the guidelines were so late in being released. Whilst it is hoped that changes to the guidelines will improve the operation of the CLGF, for all involved, planning for further projects was hindered until the 2011/2012 guidelines became available. With their release they now must be read and understood by affected local governments and any changes from the previous guidelines implemented into the approval process.[230]

> [South West RDC] The aim of leveraging this funding to secure funding from other sources (unless it is the local governments own funds) is unlikely to succeed in a timely manner because the timeliness for State and Commonwealth government funding programs rarely align, and no sphere of government wishes to be the first to contribute. In addition, funding programs are contestable and take up to six months for endorsement and decision.[231]

Applications approvals and executing projects

The delay and inconsistent messages with the guidelines affects the whole process and restricts the ability of CLGs to deliver projects within a timely fashion. That in turn impacts negatively on CLGs:

> [Shire of Ashburton and the Shire of East Pilbara (Pilbara)] A large proportion of infrastructure projects in the region cannot be planned, designed and constructed within an annual cycle. This can impact on acquittal times, which, in turn, adversely impacts on local government's ability to access future or alternative funding.[232]

> [Shire of Wagin (Wheatbelt)] Only recently the 2011 guidelines have been announced which has restricted Councils moving forward with projects identified in the 2011/12 programme.[233]

> [Gascoyne RDC] The length of the time and administration process from project inception to delivery was too long and time delays resulted in costs escalating and initial projects being down sized to accommodate funding shortfalls.[234]

---

229 Wheatbelt RDC submission, page 3.

230 GVROC (Goldfields-Esperance) submission, page 2.

231 South West RDC submission, page 1.

232 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), page 9.

233 Shire of Wagin (Wheatbelt) submission, page 2.

234 Gascoyne RDC submission, page 2.

[Shire of Lake Grace (Wheatbelt)] The Shire of Lake Grace has experienced difficulties with some of its CLGF projects. The main issue has been to do with executing and managing projects. The original program was too narrow in its focus regarding the time needed to complete projects. As a general rule of thumb, two or more years are required to complete infrastructure projects. The first year is dedicated to planning and seeking funding. The second year (and beyond if required) is dedicated to construction and acquittal of the funding. However, some flexibility would now appear to be available to allow staging of a project.[235]

[Shire of Perenjori (Mid West)] The main issue with CLGF has been the lack of certainty of the timing of agreements and gaining access to funds. The CLGF process has supported the development of a culture of medium to long range planning for assets, but has made short range and operational planning very difficult.[236]

[Shire of Williams (Wheatbelt)] This delay in the release of both guidelines and funding has impacted on projects that span more than one year of funding, as the projects cannot progress too far until the 2011/12 funding is secured.[237]

Delays in guidelines or approvals particularly affect remote or tropical areas. Wet seasons or contractor availability in these areas was not taken into account when developing timeframes:

[Shire of Kulin (Wheatbelt)] There is some problem in rural areas with the execution of the projects due to the lack of contractors available in regional areas to undertake the works for the various LG's. The change to allow funds to be spent over a two year period is a positive step to help overcome this issue which has essentially been brought about through the employment of workers into the mining industry in the north of the State.[238]

[Shire of Ashburton and the Shire of East Pilbara (Pilbara)] The Shires are of the opinion, however, that while there is an obvious need to have a well-founded and structured, administrative basis for ensuring the optimum use of public funding, there is also a need for the administrative processes applying to the funding to be sympathetic to widely varying environments in which the funds are spent. It is this context that it is noted that the extremely large distances, isolation and the scale of economic activity experienced in North West of the state mean that many solutions to infrastructure problems are large, expensive and time-consuming. Many are of such a scale that multiple funding sources are required, which adds to their complexity.[239]

[Shire of Wyndham-East Kimberley (Kimberley)] It should be noted that for the following consideration needs to be given to the special circumstances for the Shire of Wyndham-East Kimberley and the Kimberley region in relation to the needed lead-in time to bring large scale projects to fruition. The region has 6 months of the year to actually build and construct large projects because of the wet season and its impact on staffing, access to sites, ability to access materials required and other key factors.[240]

235 Shire of Lake Grace (Wheatbelt) submission, page 6.
236 Shire of Perenjori (Mid West) submission, page 6.
237 Shire of Williams (Wheatbelt) submission, page 5.
238 Shire of Kulin (Wheatbelt) submission, page 2.
239 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), page 9.
240 Shire of Wyndham – East Kimberley (Kimberley) submission, page 2.

> [Shire of Derby-West Kimberley (Kimberley)] … the initial time frames for the expenditure of funding meant that it was quite difficult to get matching funding and because of the tight time frames the highest priority projects were not necessarily undertaken. Additionally our season here in the Kimberley are the opposite to the south of the State and the "wet" season in some years can put a hold on any works for several months. Most of the construction work is undertaken during the month of April – October and therefore acquittal dates of 30th June place large amounts of pressure on staff and contractors.[241]

Generally though, the requirement for FCWPs have been widely accepted and welcomed, and there is an expectation that processes and timelines should now improve:

> [Shire of Ashburton and the Shire of East Pilbara (Pilbara)] The CLGF's emphasis on the need for local government to produce forward capital works programs consistent with strategic plans and asset management plans, during fund's initial years of operation must be viewed as a major contributor to improving the level of professionalism in local government throughout the state. The shires making this submission strongly support this approach by the State and believe that it must result in better planned and more efficient outcomes.[242]

> [Shire of Capel (South West)] It is acknowledged that with the introduction of the requirement that infrastructure projects proposed to be funded be included in Forward Capital Works Plans, that processes have become more rigorous.[243]

Now that there is both DLG's IPF and RDL's FCWP,[244] there is concern at 'doubling up':

> [Shire of Collie (South West)] The Council would submit that whilst it acknowledges the need for projects undertaken from within the CLGF to be well considered and planned it does not support the production of 'another plan'. The Council currently has an extensive range of planning documents in place (such as – vision for Collie, strategic plan, corporate plan, long term financial plan, asset management plans, disability access and inclusion plan, community crime prevention plan…) and submits that access to funds should be contingent upon the Council being able to clearly identify that the project forms part of a long term plan endorsed by the Council.[245]

The Great Southern RDC and others support the FCWPs requirement, but with some qualification by some CLGs:

> [Great Southern RDC] The completion of the business cases, associated planning (Forward Capital Works etc) and the finalisation of Financial Assistance Agreements between regional groups of LGAs and the Department of Regional Development and Lands has worked to improve the overall understanding of the program's requirements and strategic objectives. The groups are now better positioned to make applications to future rounds.[246]

241 Shire of Derby–West Kimberley (Kimberley) submission, page 1.

242 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), pages 8–9.

243 Shire of Capel (South West) submission, page 5.

244 This issue is discussed further in Chapter 10.

245 Shire of Collie (South West) submission, page 5.

246 Great Southern RDC submission, page 2.

> [Shire of Mount Magnet (Mid West)] The requirement for country local governments to prepare and adopt a Forward Capital Works Plan is seen as a positive initiative as it provides for elected members, members of the public, and Council staff to better be able to plan for future capital works.[247]

> [Shire of Wiluna (Mid West)] Every local Government has to provide a Forward Capital Works Plan for five years, for future infrastructure projects, as defined by the guidelines established. The Forward Capital Works Plan provides details of each project to be undertaken and how it is going to be funded, including the source, and where it is proposed to use the CLGF. The plan requires approval of the Department of Regional Development and Lands as a prerequisite to being legible (sic) for CLGF. It seems totally unnecessary that local government then have to make application for approval again prior to being eligible for the payment of the grant funds.[248]

However, again, the time taken to approve plans and projects is considered excessive and to be detrimental to CLG ability to use the CLGF funds efficiently:

> [Shire of Manjimup (South West)] The time taken to approve the required forward capital works plans and the anomaly of requiring regional projects to be reflected in those plans even if the project is not to be undertaken by the local government.[249]

> [Wheatbelt RDC] This assessment process and delay in role out of the CLGF rounds is having an impact on Local Government confidence for future funding, particularly their ability to deliver significant projects within the timeframes required.[250]

> [Shire of Capel (South West)] … the processes have not been timely and long delays have been experienced between the time information is submitted and approval is received and funds disbursed. For example, the Shire's Forward Capital Works Plan was submitted on 28 September 2010 and advice that this Plan had been approved was received on 23 February 2011. The impact of this delay was that as the majority of the Shire's 2010/11 CLGF grant was allocated to infrastructure road works, the Shire had to use its own funds to progress these works otherwise the works would not have been able to be completed before weather conditions became unfavourable. Payment of the CLGF grant was received on 10 May 2011 by which time the majority of the Shire's road works program had been completed.[251]

> [GVROC (Goldfields-Esperance)] The time taken by the Department to consider the applications has also had a significant impact on the ability to provide a timely outcome for the projects. Whilst accepting that in its infancy the CLGF would have "teething problems", to GVROC's Member Councils it seemed the delay was in excess of what would be considered appropriate. This is especially so given that the Department and the Minister for Regional Development and Lands were on occasions critical about the manner in which local governments themselves were working.[252]

Little comment was made regarding the processes for Groups and business case development.

---

247 Shire of Mount Magnet (Mid West) submission, page 1.
248 Shire of Wiluna (Mid West) submission, pages 1-2.
249 Shire of Manjimup (South West) submission, page 6.
250 Wheatbelt RDC submission, page 6.
251 Shire of Capel (South West) submission, pages 5-6.
252 GVROC (Goldfields-Esperance) submission, page 2.

Reporting and acquittals

The most contentious part of the process is to do with what are regarded as the excessive and onerous reporting requirements placed on CLGs; as stated by WALGA:

> One key aspect, highlighted by a number of Local Governments in their submissions to WALGA, related to the acquittal process. A number of Local Governments have stated the Country Local Government Fund acquittal process is needlessly cumbersome and a process based on that utilised by the Roads to Recovery program would be preferred.[253]

The process was criticised as being designed for the worst performing CLG:

> [Shire of Dardanup (South West)] The need for probity and governance compliances at the highest level is not disputed, the changing goal posts it seemed was created by a few non-compliant local governments, which as a result of their actions all country local governments were punished.[254]

> [Shire of Manjimup (South West)] The CLGF acquittal requires the local government to provide an audited report. The DRDL then undertakes a second audit (normally contracted out). This is a gross waste of time and money and conveys a sentiment that local government and local auditors cannot be trusted. Such mistrust is unacceptable and does little towards building constructive relationships between levels of government.[255]

> [Shire of Lake Grace (Wheatbelt)] Another frustration has been the level of reporting required. It seems that the Shire has been asked for the same information in different formats over and over again. On-line application, monitoring and reporting similar to that used by the Roads to Recovery Program, a number of Commonwealth Departments and some State Government Departments would alleviate the level of frustration.[256]

> [Peel RDC] Peel's local government authorities have advised of concerns with the audit process undertaken. While acknowledging the need for a formal audit procedure, the process is extremely labour intensive with some projects being individually inspected. One LGA commented that the process on one project went far beyond was (sic) would be considered standard practice and the cost of the audit would have been 'astronomical'.[257]

CLGs argue that the process places unnecessary strain on RDL and CLGs resources, increases the inefficiency of the program and does not result in best value for money:

> [Shire of Dowerin (Wheatbelt)] … [Recommends] That only one financial audit of the CLGF is carried out by either the Local Government or by the Department of Regional Development and Lands. For the 2008/09 grant acquittal a financial audit was carried out by the Local Government then that audit was then audited by the Department of Regional Development and Lands. This was a significant waste of resources. Council is not concerned with who carries out the auditing process as long as it is not done more than once for each financial year.[258]

253 WALGA submission, page 15.
254 Shire of Dardanup (South West) submission, page 5.
255 Shire of Manjimup (South West) submission, page 6.
256 Shire of Lake Grace (Wheatbelt) submission, page 6.
257 Peel RDC submission, page 2.
258 Shire of Dowerin (Wheatbelt) submission, page 1.

> [Shire of Cunderdin (Wheatbelt)] Council does question the need for two auditors (Council's and the DRDL's) to certify the acquittal. Surely, one independent auditors statement should be enough, auditors checking auditors seems to be an unnecessary additional cost that could otherwise be put towards [to] a project.[259]

> [Shire of Dardanup (South West)] It should be noted that changing process mid stream and demanding more paperwork adds to the administration costs of running the program and may tempt CEOs to allocate administration costs to projects that will lead to less money being spent on the ground where it needs to be.[260]

> [WE-ROC (Wheatbelt)] The requirement for such high degree and often unnecessary level of compliance is that country local governments are taken away from the very task the funding was supposed to assist – the building of capacity and improvement of a local government's asset base through proper planning, improvement and consolidation of its assets.[261]

> [Shire of Esperance (Goldfields-Esperance)] The spending/acquittal process for the CLGF does not necessarily lend itself to providing communities with a "value for money" outcome, nor does it facilitate sustainable financial practices for local governments. As an example, the fact the local governments cannot receive future year CLGF allocations until they have spent and acquitted earlier allocations, means that local governments are effectively encouraged to spend their money on projects that may not necessarily be in the best interests of the community, at the expense of larger, more strategic projects.[262]

A number of CLGs noted that the annual allocation system made it difficult to manage projects, especially those that spanned multiple years or multiple projects:

> [Shire of Ashburton and the Shire of East Pilbara (Pilbara)] Certainly, a large proportion of infrastructure projects in the region cannot be planned, designed and constructed within an annual cycle. This can impact on acquittal times, which, in turn, adversely impacts on a local government's ability to access future or alternative funding.[263]

> [Shire of Broome (Kimberley)] The main difficulties experienced include: Managing funding allocation that have been split across multiple projects which have different timings. This has been overcome by allocating entire pools of funding to single projects.[264]

> [Shire of Collie (South West)] The Council has a sense of frustration with regards to the ability to be able to access funds from year to year. While it is no doubt the intent of local government to complete projects in the financial year in which the funding is provided, unfortunately in some instances this is not possible due to circumstances which may be out of the control of the local government. This then impacts the ability of the local government to get on with the next years projects which can have an impact on operational planning. The Council submits that projects should be able to be undertaken, without the acquittal of the previous year, however supports that the funds will not be forthcoming for the current year until the previous year has been acquitted. In effect the Council would be underwriting the R4R projects until the funds become available, which allows the operations and planning to continue without disruption.[265]

259 Shire of Cunderdin (Wheatbelt) submission, page 2.
260 Shire of Dardanup (South West) submission, page 4.
261 WE-ROC (Wheatbelt) submission, page 5.
262 Shire of Esperance (Goldfields-Esperance) submission, page 1.
263 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), page 9.
264 Shire of Broome (Kimberley), page 7.
265 Shire of Collie (South West) submission, page 5.

> [Shire of Wiluna (South West)] Often the level of funding required for a large infrastructure project will extend over two or more years. It would be desirable to be able to proceed with the project knowing that the funding that has been approved in the Forward Capital Works Plan for the project over the number of years and use of the CLGF will be approved. The need for some certainty is very important.[266]

Additionally, the time and expense involved with planning, especially large strategic projects, hinders such projects progressing under CLGF, and projects may be scaled down by CLGs in order to meet the restrictive timeframes:

> [Goldfields-Esperance RDC] Whilst objectives were met, additional time and funding would greatly benefits this process in terms of capacity of Commission involvement and time to develop business cases.[267]

> [WALGA] An issue regarding the Country Local Government Fund relates to the time and expense associated with planning major infrastructure projects. One concept, worthy of consideration, is for funding to be made available to Councils to plan projects in advance of their implementation. Funding of this nature would also ensure that infrastructure projects, when delivered, have been soundly scoped and planned.[268]

> [PRC (Pilbara)] The PRC recommends that the administrative processes applying to applications and approvals, executing, acquitting, reporting or managing projects under the CLGF be modified in order [to] more accurately reflect the practical issues experienced when undertaking large infrastructure projects in remote areas. It is suggested that this may be implemented by adopting modified administrative processes for projects above a certain value and/or in remote regions.[269]

> [Shire of Moora (Wheatbelt)] Future funding should embrace the doctrine of asset preservation and enhancement. The costs associated with design, including concept plans, architectural and engineering fees should be permitted.[270]

> [Wheatbelt RDC] In the Wheatbelt region, the resource capacity to undertake the extensive planning, business case development and project implementation of a significant number and/or scope is compromised at the local level because of the large number of small local governments. Even those engaged in amalgamation activity have limited resource capacity because of the planning activity required by that process. Individual Councils are reluctant to take on the responsibility for regionally significant projects because of the considerable project management burden involved…. [and] … Because of its own resource constraints within the tight timeframes of this program, the Wheatbelt Development Commission has been unable to provide the level of support it would have liked in relation to project and business case development.[271]

---

266 Shire of Wiluna (Mid West) submission, page 2.
267 Goldfields-Esperance RDC submission, page 3.
268 WALGA supplementary submission, page 1.
269 PRC (Pilbara) submission, page 7.
270 Shire of Moora (Wheatbelt) submission, page 3.
271 Wheatbelt RDC submission, page 4.

> [Shire of Perenjori (Mid West)] The current system also is inconsistent in providing funding. Large scale projects can require commitment over a number of years and it is important that funding is provided on a reliable basis over the construction period.[272]

Some CLGs recommended that guidelines and funding should be set for at least a two year period to allow for improved management of projects:

> [Shire of Halls Creek (Kimberley)] It is sometimes difficult to manage to complete projects within a 12 month period because, in this region, we are subject to a "wet season" during which it is difficult to perform work, obtain materials, mobilise contractors, etc. This is particularly the case if we don't get approval well before the onset of the wet season, because after the wet season, there may only be two or three months left in the financial year in which to complete the work. We believe that outcomes would be improved by having at least two years in which to complete a project. This would allow for good, well-planned jobs rather than quick jobs.[273]

> [City of Kalgoorlie-Boulder (Goldfields-Esperance)] There should be at least a 3 year cycle so that planning can take place without waiting on guidelines.[274]

> [RDCo] At present, the lack of long term certainty regarding future CLGF allocations encourages an ad hoc approach by local governments and does not encourage a more orderly and purposeful approach to utilising CLGF to address core and large priorities. It is therefore recommended that CLGF shift to a 3-4 year rolling funding process to allow more and larger projects. This should provide the certainty required to develop capacity and the alignment of planning to better focus and deliver on the opportunities provided by the CLGF for investment.[275]

6.3 Trust comment

The evidence is that the answer is undoubtedly yes for both CLGs and RDL to the question of whether the CLGs or RDL have experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF.

The Trust accepts that with a new program, teething problems would naturally occur. The Trust also accepts that RDL has introduced various measures and reforms intended to improve the CLGF.

These process changes have had the benefit of making it difficult for critics of the CLGF to claim that RDL or the Minister have too much discretion over the program, or that accountability is not being demanded, but they do add time and cost to the process.

As Chapter 3 outlines, at the beginning of the CLGF program the administrative process was relatively light-handed, as the CLGF was meant to use the accounting and governance systems of CLG decision-makers.

From the start, although both DLG and RDL were aware of the varying capacity and capability of CLGs, the administration of the CLGF adopted a one-size-fits-all approach.

272 Shire of Perenjori (Mid West) submission, page 7.
273 Shire of Halls Creek (Kimberley) submission, page 2.
274 City of Kalgoorlie-Boulder (Goldfields-Esperance) submission, page 2.
275 RDCo submission, page 2.

Such an approach meant that when administrative changes to the program were required as a result of operational experience, those changes inevitably resulted in processes designed to accommodate the least capable and worst performer.

This 'worst case scenario' approach has seen the CLGF processes become more prescriptive over time, more risk-averse and administratively more burdensome for both RDL and the CLGs.

As the evidence quoted above shows, some changes such as the FCWP have been widely acclaimed, others have attracted criticism. However, constant change does cause frustration in CLGs.

The guiding principle for change should be that it results in real improvements in efficiency or outcomes.

With governance there is always a balance to be achieved. RDL strives for high standards of governance and accountability and has discussed such matters with the Trust. Following consultation, the Trust advised RDL of its governance conclusions, which RDL then discussed with the Minister, who advised his acceptance of those conclusions in June 2011.

Some of that response was:

> RDL has the necessary governance systems in place but will continue to improve its arrangements to meet the following intent:
>
> RDL Royalties for Regions governance will provide oversight and accountability of Royalties for Regions policies programs and projects. It will provide systems to monitor record and audit Royalties for Regions activity, to identify complaints and shortcomings, take steps to ensure compliance with agreed policies and processes, provide for corrective action, evaluate outcomes, and manage risk. Projects will be assessed as to whether they build capacity within a regional development context, accord with Royalties for Regions policy and budgets, are outcomes-based and, whenever feasible, include timelines and deadlines, and productivity measures. Business cases will be required for all projects and cost/benefit analyses will be required where relevant and feasible. Governance will be tailored to ensure that compliance cost and time is not excessive and is relevant to cost, risk, and the project and entity concerned.[276]

These governance conclusions obviously now apply to the administration of the CLGF.

In the commentary quoted in the evidence there is a sense of over-governance and of governance aimed at the lowest common denominator. The Trust can see three possible causes for this, one being the poor capabilities of some CLGs obliging RDL to tighten up administration, two being RDL's determination to ensure good governance, and the third being political commentary.

With respect to the first of these, the way to manage the poor CLG performers is to address their problems as a sub-category rather than inflict time and compliance costs on the rest of the CLGs. The Trust makes recommendations in this regard in Chapter 12.

With respect to the second of these, RDL needs to adjust its governance settings so that governance is tailored to ensure that the cost and time committed to compliance is not excessive and is relevant to the cost, risk, and the project and entity concerned.

---

276 Trust Annual Report 2010-2011, page 25.

In terms of the third of these, if over-governance is a result of political or media pressure and comment, the way to counter it is with improved communication of CLGF performance, rather than by adding administration and accountability processes which add to inefficiency and cost but do not contribute to better outcomes.

This Review is intended to assist in resolving such administration issues. Later, in chapters 11 and 12, the Trust has attempted to address issues of accounting, audit, risk and outcomes.

There is however, no question that proper process should be supported.

The Trust emphasises that it supports compliance measures undertaken by RDL with under-performing CLGs. It is indeed remarkable that after two years, "as at October 2011 … 21 local governments [19%] were yet to complete their 2008-09 projects".[277]

The Trust supports those CLGs not getting further access to the CLGF until they have acquitted their 2008-09 projects.

Continuing non-acquittal does indicate a real problem, and in the Trust's opinion RDL should provide reasonable administrative assistance to complete the acquittal process at the earliest opportunity.

The Trust believes that RDL should be at the point now that enough lessons have been learnt and, especially as regards the individual CLG component, guidelines should not need much further revision. Subsequently, there should be no reason for any delay in the release of guidelines.

In future the objective should be to release the guidelines 6 to 12 months prior to the funding cycle to allow time for planning, time to leverage additional sources of funding, time for tendering and procurement, and time to properly manage projects.

In particular, a strong case has been made for funding to be made on a project basis, rather than on a financial-year basis. The Trust agrees with the CLG sentiment that RDL investigate the mechanics of shifting to a more project based approach to allocations and administration.

RDL should also now hold enough information in the FCWPs so that CLGs should not be required to constantly re-apply or re-submit projects for funding.

The Trust acknowledges that RDL has relaxed its acquittal requirements in that allocations are allowed to be spent within two years of receipt of funds rather than the initial requirement to be spent within the one financial year. However funding and guidelines are still released and set annually on a financial year basis.

The evidence concerning applications and approvals, acquittals and reporting, management and administration, with significant delays in information release and project approvals, indicates to the Trust that RDL is significantly under-resourced to administer this program and that this needs attention. This is discussed further in Chapter 12.

In consultation and evidence, a number of CLGs and WALGA have highlighted the Federal Governments' R2R program process as a well-accepted and efficient program, with desirable administrative featrures that assist project outcomes.

277 RDL submission Attachment, page 13.

The Trust considers that RDL should investigate the R2R program and other grant programs within the local government sector to look for ways to help improve the administration process for the CLGF program. The R2R program keeps in mind the accountability checks and balances already in place within the sector, in WA's case under the *Local Government Act 1995* and its consequent regulations.

In that regard it is interesting to note that the DLG recently moved to reduce the compliance audit process specified in the *Local Government (Audit) Regulations 1996* by cutting the compliance audit return by 70% from 27 to 8 pages, and showing greater trust in the sector by giving greater responsibility to CLG audit committees.

It has also reduced the double-up on those areas already covered by DLG's audits. Only those areas considered high risk remain subject to compliance audit.[278]

RDL's essential and welcome improvement in planning, particularly with the FCWPs, needs further refinement if it is to avoid duplication of effort. With the introduction of the IPF by DLG there may be scope to intertwine the two activities to reduce pressure on CLG resources. This would require increased RDL engagement with DLG.

278 Hon J Castrilli MLA media release: Further cuts to local government red tape, 28 December 2011. Copy can be found at: http://www.mediastatements.wa.gov.au/Pages/WACabinetMinistersSearch.aspx?ItemId=147036&Minister=Castrilli&admin=Barnett

Chapter 7: Terms of Reference 3

The efficacy of the current formula in allocating funds to individual and groups of local governments, including whether this approach should be retained reformed or replaced.

7.1 The formula

The terms of reference require the Review to examine the efficacy of the current formula in allocating funds to individual and Groups, including whether this approach should be retained reformed or replaced.

Behind every formula that allocates funds to grantees lies these public questions: is the formula fair, is it independent, does it have integrity?

Social and economic infrastructure investment is generally large, visible and welcome in the communities in which it occurs. Because over the decades some Australian governments have indulged in funding such infrastructure investments on a discretionary partisan basis, the political and media fraternity are particularly alert to such programs. There is a history throughout Australia of programs of this type being under scrutiny for potential bias or 'pork-barrelling'.

The CLGF should have been protected from such inferences by a number of design characteristics, especially that the CLGF was not a discretionary program; the CLGF was made available to every CLG in the State; the funding per CLG was similar in quantum; the formula was based on an independent third party formula (the LGGC) that pre-dated both the Minister and RDL; spending decisions and priorities were determined by CLGs themselves under broad RDL guidelines and were not determined by the Minister; and, RDL governance was thorough and comprehensive

Nevertheless reported political and media criticism has centred on the concentration of CLGF spending in the southern half of the State with claims it benefits particular political constituencies, particularly in the Wheatbelt.

The formula does have a population component which in theory could mean a consequent bias to particular constituencies and regions. However, it should be noted that southern regions like Peel have been underfunded relative to population.

The higher CLGF allocation to the Wheatbelt is much more a consequence of its high number of CLGs (43) each receiving a CLGF allocation, so in aggregate receiving more CLGF than other regions with fewer CLGs such as Peel (5).

The approximate summary of CLGF allocations has been:

North:	Kimberley, Pilbara, Gascoyne regions (12 CLGs)	18%
Mid:	Mid West, Goldfields-Esperance regions (26 CLGs)	23%
South:	Peel, Great Southern, South West, Wheatbelt regions (71 CLGs)	59%

Presently the CLGF is allocated on the basis of a methodology employed by the LGGC, as outlined in Chapter 3 and in the Trust's Review Issues Paper in the Appendices. The CLGF formula uses LGGC factors which attend to needs components, equalisation criteria and roads components.[279]

The formula did not originally have a regional dimension, being CLG oriented. That regional dimension has been added under CLGF. From 2010-11, allocations are distributed through two mechanisms – individual CLGs and Groups.

279 The total Financial Assistance Grant pool (both general purpose and roads allocation) is the surrogate measure for need; equalisation criteria try to account for local governments that have a limited capacity to fund service provision needs; roads components take into account asset preservation needs reflecting different road lengths, standards and costs.

RDL advises that the first mechanism has two components:

1. To allocate pooled funds on the basis of population (against 2007 ABS[280] population figures) but because of the maximum ($900,000) and minimum ($400,000) constraints imposed per CLG, in particular with the maximum grant size, not all of the total pool is allocated. For 2011-12, the remaining funds amounted to around 40 per cent of the total CLGF budget.

2. To allocate the remaining funds (total pool less constrained 'population' allocation) on the basis of needs as defined by LGGC.

This formula was presented to and accepted by Cabinet when approving the CLGF originally, and allocations were set on this basis for the four years of the program. With the deferral of the 2009-10 year's allocation due to the GFC (as outlined in Chapter 3), these allocations remain until 2012-13.

The Trust understands that this formula was developed due to the existing understanding and acceptance of the LGGC methodology by CLGs and because it was deemed (at the time) the most equitable approach available to adopt.

The second mechanism is the Groups. Group allocations were based on the members within the Groups and a breakdown of their individual allocations (65/35 in 2010-11 and 50/50 in 2011-12, split between individual amounts and Group contribution respectively).

As per the guidelines, no single CLG belongs to more than one group but there are a few instances where CLGs have grouped with a CLG in another region.[281]

Irrespective of this, the Groups' distribution is very similar for both individual and Groups, and therefore for the purpose of this Review the regional distribution of individual CLGF and Group grants will be treated as being the same.

7.2 Evidence

Of the 74 submissions received, roughly 50% of the responses did not appear to have an issue with the current formula either through no comment, in light of not having an alternative solution, or being satisfied with the current situation albeit with updated population figures.

> [Shire of Brookton (Wheatbelt)] The current formula is based on sound principles and it [is] relatively easy to understand. There is no need to spend resources on trying to 'reinvent the wheel'.[282]

> [Shire of Cunderdin (Wheatbelt)] The formula used appears to provide a fair and reasonable means for allocating the funding[283].

> [Shire of Manjimup (South West)] Unaware of a better, independent alternative than using the grant commission information.[284]

280 Australian Bureau of Statistics.
281 For example, the Shire of Wiluna (Mid West) is a member of the Goldfields Voluntary ROC (Goldfields-Esperance).
282 Shire of Brookton (Wheatbelt) submission, page 5.
283 Shire of Cunderdin (Wheatbelt) submission, page 2.
284 Shire of Manjimup (South West) submission, page 6.

> [Shire of Merredin (Wheatbelt)] This seem[s] ideal in the absence of any other model that can in a transparent way model the financial disadvantage of each Council or measure individual Council infrastructure backlogs, it seems an obvious and accepted mechanism.[285]

However the other 50% of submissions do have issues with the formula for a number of reasons, such as that it does not reflect large populations, or account for growth prospects, or invest sufficiently in the CLGs producing royalty income, or account for remote factors, or sufficiently account for the vast size of some CLGs, and so on.

Table 6: 2010-11 Budget Allocation of CLGF by Region[286]

	$m	%
Gascoyne	2.32	4.1
Goldfields-Esperance	4.72	8.7
Great Southern	4.99	9.2
Kimberley	3.82	7.1
Mid West	7.47	13.8
Peel	2.98	5.5
Pilbara	3.71	6.9
South West	7.40	13.7
Wheatbelt	16.70	30.9
	54.11	100.0

Figure 13: Population Allocation vs Budget 2011-12

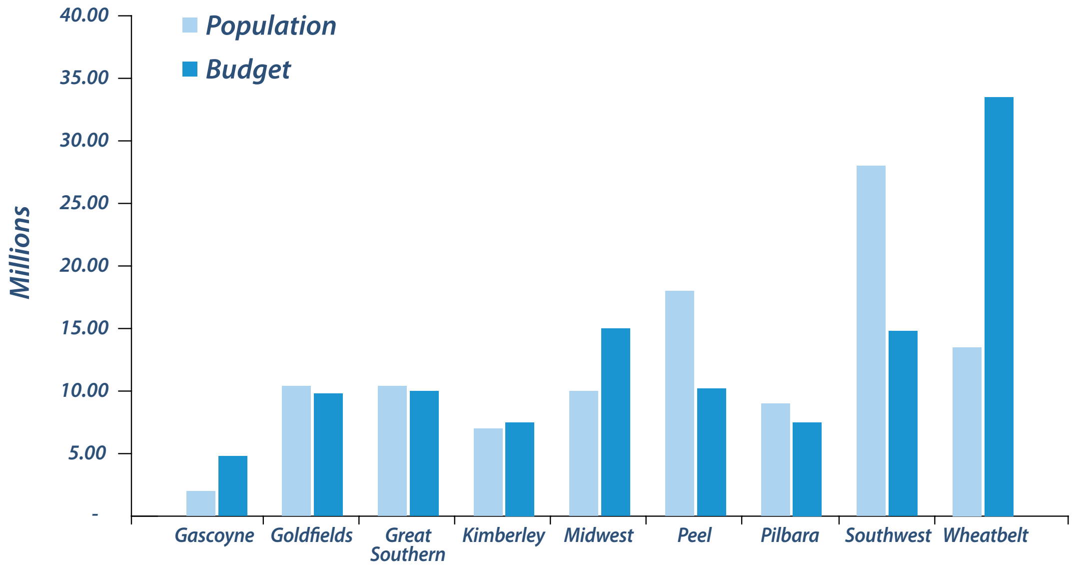


Figure 13 highlights the argument by some CLGs that the allocations do not reflect the regional population distribution, with the Wheatbelt region receiving just over 30% of the CLGF despite only housing around 13% of the regional population, while the South West and Peel regions get a far lower allocation than their population would suggest.

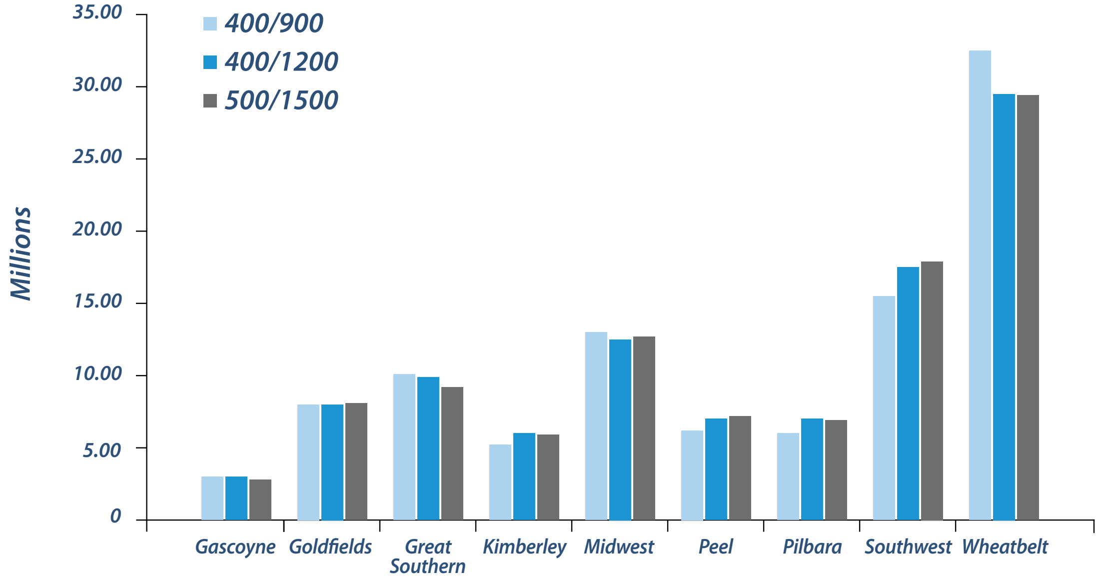
285 Shire of Merredin (Wheatbelt) submission, page 3.

286 In 2010-11, the total amount budgeted for individual CLGs and Groups is equal at 50/50.

The major reason for CLGF grants funding allocation diverging from population proportions is the maximum and minimum constraints of the population component of the grant.

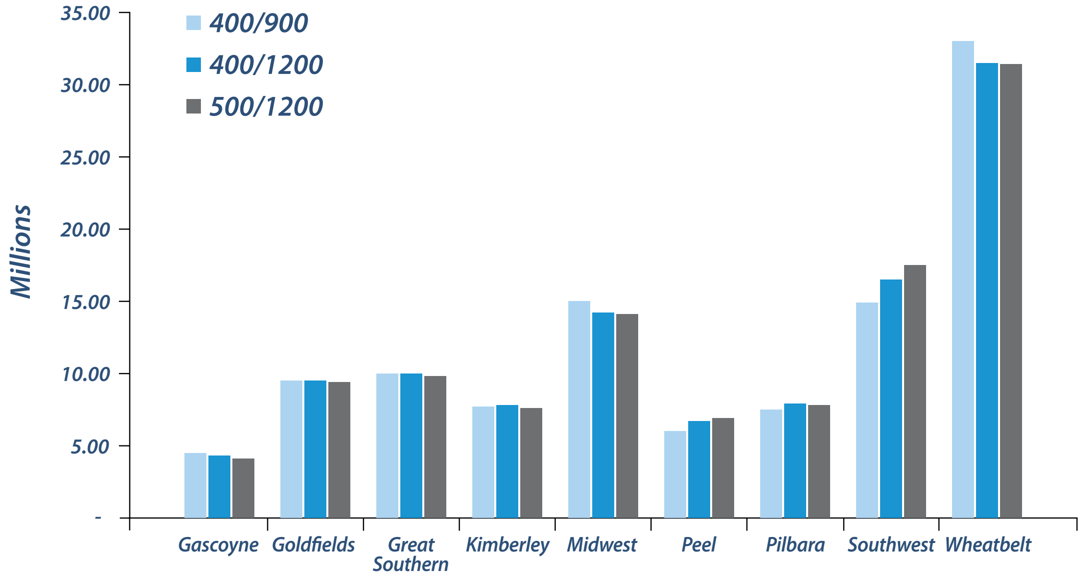
However even if these constraints were varied, it seems it would not alter the CLGF disbursements in a major way:

Figure 14: Changing the grant floors and ceiling



Even if the pool for the population mechanism was increased and the need mechanism decreased this still would not have a major impact on the final allocations:

Figure 15: Adjusted regional budget



Some CLGs make the argument that the formula should be altered because the LGGC formula does not account for population growth. The City of Mandurah (Peel) also argues that a high level of capital utilisation should be a factor:

> The LGCC formula should allow for factors such as population growth, recognising the pressures that this brings …When allocations are made using a system of constraints, the economic and social benefits derived from the investment can often be compromised … If the CLGF is to have a benefit it should be able to show that it is achieving community outcomes (social, economic and environmental) at an optimal level. In order to do this, there needs to be a high level of capital utilisation.[287]

Other stakeholders agree that the formula should be adjusted:

> [Shire of Roebourne (Pilbara)] The Shire views that the formula for calculating Community Local Government Grant funding based on current population and need should be flexible enough to accord with State Government policy for the Pilbara wherein infrastructure build is based on projected population growth.[288]

> [WALGA Kimberley Zone] The CLGF needs to be redesigned to reflect the changing development needs of Western Australia, in particular a stronger focus on those regions experiencing accelerated growth.[289]

> [Shire of Murray (Peel)] Councils experiencing hyper-growth are under significant financial pressure to deliver additional infrastructure to meet demand. Because of this, infrastructure backlogs increase.[290]

Additionally, some CLGs have transient populations which are not accounted for in the formula, yet infrastructure requirements are still required, such as with the Shire of Jerramungup (Great Southern):

> The Department's funding allocations will demonstrate that the Shire of Jerramungup received similar funding to 'like sized' local governments e.g. Shire of Kent, Gnowangerup, etc. The rationale does not reflect the infrastructure requirements within the Shire of Jerramungup as the population of Bremer Bay swells from 500 to between 6,000 and 10,000 at peak holiday periods. With this influx comes infrastructure needs e.g. recreation spaces, commercial precincts, public toilets, boating facilities, coastal infrastructure, etc.
>
> In the Shire's opinion, the formula needs to be adjusted to reflect this population influx by adding a tourist destination disability factor. By adding this factor, the funding allocations would more accurately reflect the infrastructure needs in tourism towns e.g. Bremer Bay, Esperance, Hopetoun, Albany, Denmark, Manjimup, Margaret River, Busselton, etc.[291]

The Shire of Williams (Wheatbelt) has a high 'drive-through' to consider:

> … [we] cater for approximately 2,500 vehicles per day, many of which utilise our facilities …[292]

287 City of Mandurah (Peel) submission, pages 1–3.
288 Shire of Roebourne (Pilbara) submission, page 1.
289 WALGA Kimberley Zone submission, page 1.
290 Shire of Murray (Peel) submission, page 5.
291 Shire of Jerramungup (Great Southern) submission, page 2.
292 Shire of Williams (Wheatbelt) submission, page 5.

The Shadow Minister for Regional Development questioned the allocation of CLGF funds to CLGs near Perth, and an unfair regional allocation:

> The Criteria of this scheme allows councils with low needs to receive the same or more money than councils that are a long distance from Perth with high needs. I am also concerned that council areas that produce an enormous amount of the royalties are not receiving their fair share versus some council areas that produce none.[293]

The CME[294] said that the CLGF over-appropriates funding to regions that are not producing royalty revenue. Some CLGs agreed that those areas that contribute royalty income and have issues that relate to mining activities should get more CLGF funding:

> [Shire of Collie (South West)] The Council submits that the Department give consideration to a weighting for local governments with royalty generating Industry within their communities. This has been a long held view of the Council, as a community where significant royalties are generated through coal mining and bauxite refiring, for very little financial return to the Council. This has been a source of frustration for the Council over the years and the RforR program is seen as a way to correct this local issue. Bearing in mind that in Collie's case for example, the funds received from the RforR are being applied to projects which assist Collie developing a quality community where people will choose to live, and hence discourage the drive in drive out culture we are currently facing.[295]

> [Shire of Murray (Peel)] The mining industry is a critically important economic driver for the state of Western Australia. However, the districts and regions which produce and export the minerals are also under significant pressure to maintain the road infrastructure to allow the mining sector to continue to develop. Also there are social impacts of the mining industry on the local communities such as the fly-in fly-out system that now is part of life to thousands of families. Having community infrastructure in these districts is a positive way of maintaining the social health of the communities.[296]

> [Shire of Perenjori (Mid West)] In the Midwest region pressure on infrastructure and services relates to the expansion of the mining industry. The mining activities result in a high number of fly in/fly out or drive in/drive out employees. These activities impact on roads and infrastructure, but do not contribute to any population based elements of funding formulae.[297]

Others believe remoteness and its associated issues should be a consideration:

> [Shire of Ashburton and the Shire of East Pilbara (Pilbara)] This distribution of funds fails to recognise the particularly significant issues facing local government in the north-west of the state where issues of scale, distance and isolation significantly compound the broader issues faced by regional local government, in general.[298]

---

293 Hon Mark McGowan MLA, Shadow Minister for Regional Development submission, page 1.
294 CME submission, page 1.
295 Shire of Collie (South West) submission, page 6.
296 Shire of Murray (Peel) submission, page 5.
297 Shire of Perenjori (Mid West) submission, page 7.
298 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), page 7.

> [PRC (Pilbara)] It is in this context [as stated in the above] that it is strongly argued that the distribution of only 18 percent of the CLGF to the north west regions, which are the locations driving the state and national economies, is not an equitable distribution of the available funds.[299]

Very few CLGs (or other stakeholders for that matter) appear to link the funding distribution method back to the purpose of the Act or achieving the outcomes of the CLGF. However the City of Mandurah (Peel) did highlight outcomes:

> Rather than allocate funds using the LGCC factors, the CLGF allocations should be calculated on the basis of the outcomes available from addressing the issues … This may require local governments to identify these issues in their long term capital planning by providing commentary on the social and/or economic benefit derived from the asset's creation.[300]

WALGA hold a similar view:

> The formula used to determine the allocation of funding under the Country Local Government Fund needs to be based on the rationale of the Fund.
>
> If the primary focus of the Country Local Government Fund is the infrastructure backlog, then the formula should be based on the Local Governments' infrastructure maintenance and renewal liabilities. If the focus of the Country Local Government Fund becomes regional economic development, then a formula that takes into account other factors such as predicted population growth may be more appropriate.
>
> There may be an argument that the Country Local Government Fund has competing goals: addressing the infrastructure backlog and establishing new infrastructure. In this case, it may be appropriate for the Fund to use different formulae for its component parts.
>
> The guiding principle is that the formula used to determine funding allocations for the Country Local Government Fund should match the purpose the fund is seeking to address.[301]

7.3 Trust comment

The terms of reference require the Trust to examine the efficacy of the current formula in allocating funds to individual and Groups, including whether this approach should be retained reformed or replaced.

Efficacy means 'did it produce the desired effect'. At a functional level, the answer is that the formula, combined with its floor and ceiling limits, did allocate funds to CLGs with the desired effect of those funds being then used for infrastructure and capacity-building.

However, both the evidence and the Act incline the Trust to see that as a narrow view of the desired effect.

While it would appear that most CLGs understand the principles of the current formula and accept it as a long-standing allocation mechanism, outside the sector that is not the case. The formula is complex and will not be generally understood by the larger community.

299 PRC submission, page 5.
300 City of Mandurah (Peel) submission, page 3.
301 WALGA submission, page 17.

It is unrealistic to expect even the informed public to acquire an intimate knowledge of the mechanisms utilised by the LGGC, such as the variations in application of need equalisation factors such as revenue capacity, roads and the size of the local indigenous population. As a consequence, the formula is neither transparent nor likely to be understood by even those that are well informed.

What is readily understood within and often outside the sector is what the formula does not do.

Both in submissions and consultation arguments have been made to the Review that there are factors that have not been considered in the past that could properly be considered in the future allocation of CLGF funds, such as:

- being more closely aligned to the Act and intended CLGF outcomes;
- being based on CLGs actual infrastructure needs;
- including a factor for remoteness and the vast size of some CLGs;
- taking into account DIDO and FIFO effects;
- taking into account transient population pressures such as by tourists; and
- taking into account economic and population growth prospects and patterns.

Additionally, as highlighted by those CLGs agreeing with the formula due to its 'fair and reasonable' distribution, the CLGF has an equity element in it. This means that all CLGs currently receive funding, regardless of actual need or outcome.

This seems to have resulted in an almost universal CLG expectation that the CLGF will be an annual grant, leading to an entitlement mentality.

The CLGF, under the Act, cannot become another revenue stream for CLGs. It is not a form of 'shire-welfare'.

The Trust argues therefore, the assumption that funds will be distributed amongst all the CLGs does not need to remain the case.

Factors such as instances where CLGs are resisting reforms that can be demonstrated to be beneficial to themselves and the local community; where CLGFs do not have adequate asset management planning or clearly demonstrated infrastructure backlogs; or where CLGs do not have clear outcome-based projects against agreed priorities, could all be considerations affecting funding in future.

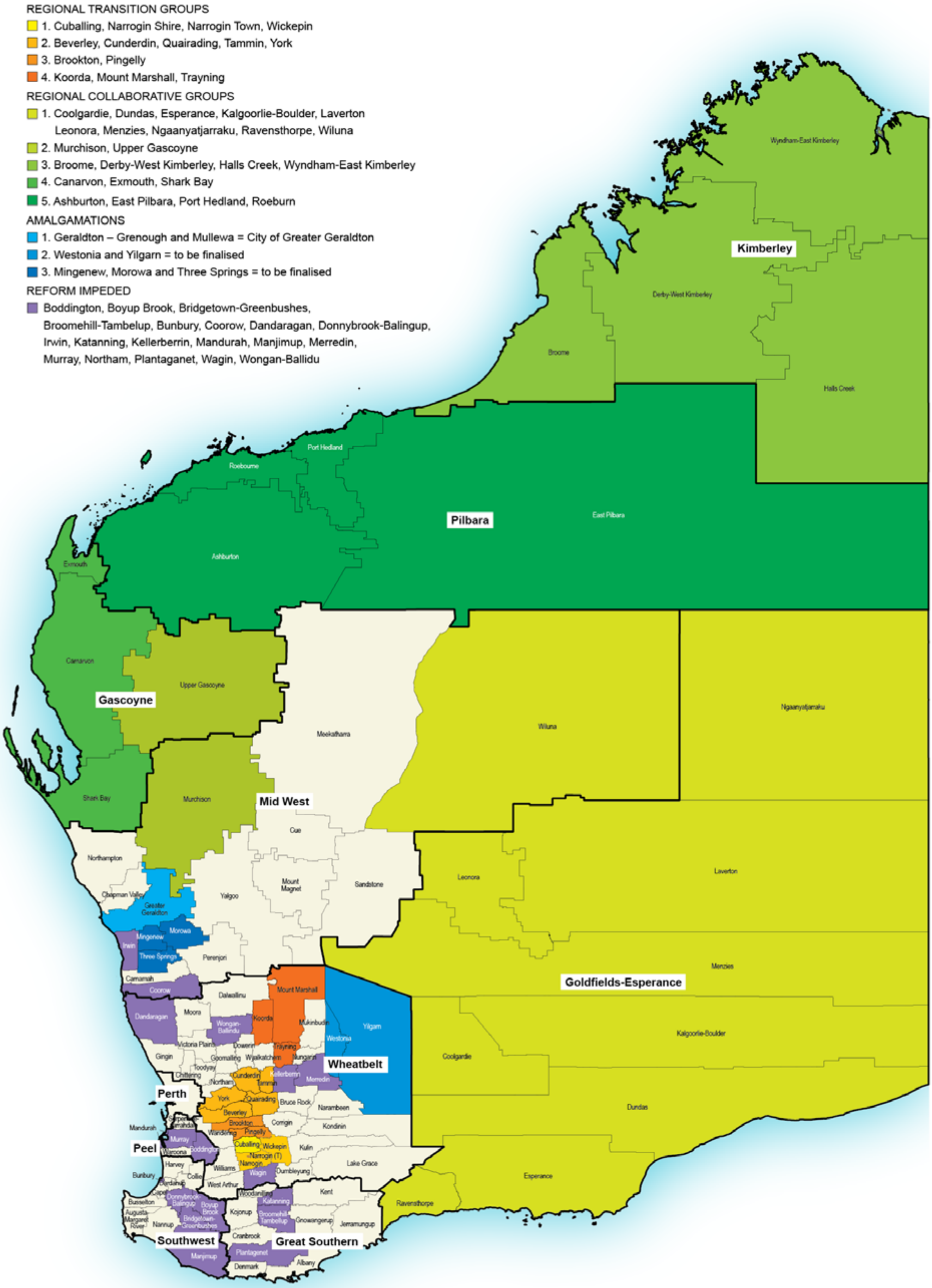
There is also an argument for the CLGF to be contestable on some level along with suggestions that there need not be just one formula to fit the entire annual CLGF budget.

Ultimately the formula, as with the principles, design and structure of the CLGF, must comply with the intent of the Act, and where that is not the case, adjustment must be made.

The Trust agrees that critical analysis of the formula is required and this discussion is outlined in Chapter 12. Whatever formula is ultimately used, it needs to be transparent, defensible on policy grounds, and able to be communicated effectively to the general public.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

MAP 5: Structural Reform Activities – Regional Transition Groups, Regional Collaborative Groups, Amalgamations



THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Chapter 8: Terms of Reference 4

The appropriate proportional allocation of funding between individual, group and regional components over time.

8.1 Evidence

The Review has been asked to examine the appropriate proportional allocation of funding between individual, group and regional components over time.

RDL have advised the Trust that for 2011-12, the split of total CLGF funding available is 50/50 between individual CLGs and Groups, having moved away from 100% for individual CLGs in 2008-09 and a 65/35 split in 2010-11 between individual CLGs and Group CLGs respectively.

The Trust is advised that it is the present intention that 2012-13 remain at a 50/50 split and from 2013-14 all funding be directed towards Groups.

Unsurprisingly, the evidence and consultation confirm the CLGs are overwhelmingly in favour of retaining a significant portion of the funding for individual CLGs. The regional allocations occasioned significant comment.

The Shire of Esperance (Goldfields-Esperance) highlights the importance of having Groups that have a common and manageable interest:

> The Regional Component of the CLGF, whilst good in theory, has presented a number of problems in its implementation, particularly in geographically large and diverse regions. As an example, the Goldfields-Esperance Region stretches from Wiluna in the north, to Esperance in the south, through to the SA border, and includes 10 local governments. It has been next to impossible to find local governments projects with any commonality that would deliver regional benefits to all 10 local governments. With the benefit of hindsight, the Goldfields-Esperance CRG should have perhaps been split into 2 or more RCG's (northern/southern etc) to provide better value for money in determining appropriate projects that would benefit the regions.[302]

For a number of CLGs, distance makes the regional concept difficult. This issue is highlighted by two submissions:

> [Shire of Cue (Mid West)] The concept of regional projects probably works well in regions where the local governments are geographically closer. Unfortunately in remote locations where local governments are substantially larger, regional projects are less easy to accommodate. For this reason this shire strongly opposes the increase in the funds directed at regional projects.[303]

> [Gascoyne RDC] Geographically the four local governments are separated by vast distances which provides real challenges in developing and delivering truly regional projects.[304]

The Shire of Ashburton and the Shire of East Pilbara (Pilbara) agree this also relates to sparsely distributed populations:

> Regional sharing of physical infrastructure and buildings occurs significantly less in the Pilbara than is the case in more densely populated areas. For example, regional sporting competitions (and therefore the need for regional sporting facilities) barely exist, due to them being unsustainable because of the distance between potentially competing teams. This reality applies to many aspects of social and community interaction in the region.

302 Shire of Esperance (Goldfields-Esperance) submission, page 1.

303 Shire of Cue (Mid West) submission, page 1.

304 Gascoyne RDC submission, page 2.

> These physical limitations on regional, social interactions in the Pilbara, and other north-west regions, mean that it is very difficult to identify local government based, regional projects, which qualify for funding, within the terms set out in the CLGF guidelines.[305]

A number of submissions indicate that the mechanisms for the Groups are not conducive to achieving its intended outcomes and ultimately result in individual CLG projects anyway:

> [RDL] The rationale for the group component is sound and group projects can potentially achieve greater outcomes and leverage more funding than the individual component of CLGF. There is some evidence to suggest that an element of gaming by some local governments in this component of CLGF. That is where members of a group agree to undertake one local government's preferred project in one year in exchange for agreement to support another local government's project in a subsequent year. This is possibly against the intent of a group funding being of significant and strategic regional benefit for all local participating local governments.[306]

> [City of Bunbury (South West)] When grouping of Councils come together, the largest regional Council, gets the same vote as the smallest, and in practice the smaller ones vote together on the essential questions of whether the project is regional, and who should build and maintain it, and how much should be allocated. In practice it can result in effectively each Council getting back what they put in from their original funding allocation.[307]

> [Goldfields-Esperance RDC] The allocation for the Regional Grouping funding is transparent to the local governments which may not always encourage voluntary cooperation of the local governments in our region.[308]

> [Shire of Koorda (Wheatbelt)] Concern is to be raised over the forced allocation to Regional Projects. It is sometimes difficult to establish an agreement for a regional project that will benefit one town more than others.[309]

The Mid West RDC wrote:

> The regional collaborative component however, needs significantly more thought as a number of Mid West local governments perceive that that component is theirs to allocate. MWDC considered a better way forward would be … funds being allocated to a sub-regional 'funding pool' which could be administered by the relevant regional development commission.

> This pool could only be used on strategic projects agreed to by that sub region in consultation with their regional development commission. This would immediately change the way many local governments would view the whole CLGF program and in particular the regional collaborative component.[310]

---

305 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), page 6.
306 RDL submission, page 9.
307 City of Bunbury (South West) submission, page 1.
308 Goldfields-Esperance RDC submission, page 2.
309 Shire of Koorda (Wheatbelt) submission, page 2.
310 Mid West RDC submission, page 1.

The Shire of Plantagenet (Great Southern) also complained of forced regional arrangements:

> … for those local governments who do not wish to enter into an amalgamation process, perhaps the creation of regionally significant infrastructure projects is not the best use of the funds. It is argued that communities that wish to retain their individual identities would be better placed investing in local infrastructure requirements, than to contribute to (possibly far removed) regional infrastructure projects.
>
> Local governments should be given more choice to make these determinations, rather than be forced to work with a 'partner' or 'partners' that it otherwise would not have any particular synergies with. This process is more likely to result in a series of large facilities which effectively become white elephants or not financially viable. Our contention is that the funding through CLGF should not create what it seeks to avoid, that is a lot of major facilities that local Shires will not be able to afford in years to come, increasing the current backlog.[311]

However generally the argument focuses on the fact that there still remains a significant infrastructure backlog at an individual CLG level that requires attention, with this argument also supported by RDL:

> [RDL] RDL supports the continuation of the individual and regional group component of CLGF and is of the view that a 50/50 split is preferable until there is demonstrable evidence that individual local governments are substantially addressing their existing infrastructure requirements. While the objective of the CLGF remains directed towards addressing infrastructure backlogs then funding should be available to all individual country local governments, so long as the intended investment is planned and consistent with the guidelines.[312]
>
> [Shire of Beverley (Wheatbelt)] In order to address the infrastructure backlog for the Shire effectively, a 50:50 split in funding between the individual and regional components needs to be retained over the long term. However consideration may also be given to allocating 100% of the CLGF to individual Shires in order to address the infrastructure backlog in a shorter timeframe.[313]
>
> [Shire of Broomehill-Tambellup (Great Southern)] To date the individual Council component has been invaluable in starting to address the infrastructure backlog and it is important to Broomehill-Tambellup that the funding is ongoing. Continued funding will give surety both to Council and the community that larger, longer term projects will be realised and will not be subject to the whims of annual budgeting constraints.[314]
>
> [Shire of Cunderdin (Wheatbelt)] For this issue [infrastructure backlog] to be addressed adequately, funding must remain ongoing and direct to local governments for a number of years to come in a similar fashion to that of Roads to Recovery ...[315]
>
> [Shire of Halls Creek (Kimberley)] At this point in time, there are still significant local infrastructure backlogs and we would not favour the proportional allocation of funding between individual, group and regional components moving too quickly away from the funding of individual local

311 Shire of Plantagenet (Great Southern) submission, page 3.
312 RDL submission, page 9.
313 Shire of Beverley (Wheatbelt) submission, page 3.
314 Shire of Broomehill-Tambellup (Great Southern) submission, page 3.
315 Shire of Cunderdin (Wheatbelt) submission, page 2.

governments. Although we also have substantial regional needs and we accept the merit of the proportional allocation moving over time from the individual component to the regional component, we would prefer this to be a slow transition rather than a quick one.[316]

[Shire of Merredin (Wheatbelt)] As the State Government intends the entire allocation to regional projects within the next two years, regardless of the final percentage at least some funding should be retained at the local level to address ongoing infrastructure backlog issues.[317]

Additionally submitters felt it is, and will continue to get, more difficult to identify truly regional projects, especially under the current guidelines:

[Shire of Brookton (Wheatbelt)] The definition/interpretation of regional projects should be flexible enough to recognise that infrastructure such as drainage and sewerage are precursors to economic development in individual towns and therefore essential to regional economic development.[318]

[Shire of Mingenew (Mid West)] The identification of regionally significant projects that will benefit the region and not individual shires will be a challenge going forward. Whilst it is acknowledged that infrastructure should not necessarily be duplicated in each shire or town it is equally important that each community has access to the facilities and infrastructure necessary to provide an acceptable quality of life. It may be necessary and perhaps even appropriate for some forms of infrastructure to be duplicated but with the groups of shires working together for mutual benefit and savings to our communities – aged housing (self catering style) is one example that comes to mind.[319]

[Shire of Williams (Wheatbelt)] Regional allocations as of 2013/14, with no local component, will result in the creation of assets that local governments are required to manage with no funding for ongoing maintenance.[320]

The Peel RDC suggests changes to help with flexibility and better outcomes:

Local governments may struggle to continually produce quality projects with regional significance, given that LGA needs are more localised than regional. There needs to be sufficient time to allow local government to work up regional projects which may require significant planning. In most cases major projects will exceed the 15% rule for allocated planning costs. If large transformational projects are sought then there needs to be the funds to support the planning phase for these projects.

Funds could also be allowed for the exploration of projects that will assist LGAs in becoming more sustainable in the future, or projects where an income stream will result, therefore reducing its reliance on external funding.

It is recommended that a range of percentages be applied, or the allowance for the percentage be flexible where the need can be clearly demonstrated.[321]

316 Shire of Halls Creek (Kimberley) submission, page 2.
317 Shire of Merredin (Wheatbelt) submission, page 3.
318 Shire of Brookton (Wheatbelt) submission, page 6.
319 Shire of Mingenew (Mid West) submission, page 2.
320 Shire of Williams (Wheatbelt) submission, page 6.
321 Peel RDC submission, page 2.

Other CLGs have issues surrounding the perception that Groups funding is for State or Federal government responsibilities, as noted by the Shire of Dardanup (South West):

> The proportion that goes to groups of local governments or the regional development commissions for distribution required further consideration.
>
> This consideration depends upon the eligibility requirements that the DRD places of the funds. It has been promoted that the CLGF regional component should be allocated to improving what is state infrastructure. This is a determination for the government and is shifting state budget line items out of the responsible agency budget to the CLGF allocation.
>
> If this is the intent of the government then it should be made more transparent and the name of the proportion changed as it is clearly not a country local government area of responsibility.[322]

This view is supported by the Shire of Ashburton and the Shire of East Pilbara (Pilbara):

> Regional projects, which would be of significant benefit to the regional communities (eg improvements to communication links) are, most frequently, the responsibility of State and Commonwealth governments and therefore outside the scope of CLGF funding.
>
> It is for these reasons that the SOA and SOEP believe that the CLGF's attempt to assist groups of country local governments, with common interests, to fund large scale infrastructure projects by directing a significant portion of the grant funds through regional councils, while based on a worthy objective, is, to a large extent, impractical in the Pilbara.[323]

The Wheatbelt RDC discusses a 'discord':

> During the Wheatbelt Planning process, there was a 'discord' between the identification of regionally significantly projects and those that the local governments were prepared to take on themselves. While Telecommunications, Aged Care, Waste Management and Land Development were identified in all fora as development priorities, few groups allocated regional funds to these priorities. There may be a couple of reasons for this. One is that local government are increasingly taking on responsibility for such issues as primary health provision (and are reticent to take on other areas). The other is, as mentioned, few local governments in the region having the capacity to take on large projects on behalf of a group of governments.[324]

The Shire of Westonia (Wheatbelt) is also reluctant to expend the CLGF on responsibilities deemed to be that of State or Federal governments, but indicate that this may be acceptable as long as it does not replace normal expenditure:

> Mention of roads, rail, ports etc indicates that projects that were previously the responsibility of State agencies and funded from consolidated expenditure will now be funded from the CLGF. Additionally local governments will be responsible for implementing these projects without the capacity to engage additional staff to carry out the tasks; the engagement of staff being a restriction on the CLGF allocations.

322 Shire of Dardanup (South West) submission, page 5.

323 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), page 6.

324 Wheatbelt RDC submission, page 6.

> Whilst these projects will still be branded as CLGF they will, in effect, be a subsidy of the consolidated expenditure and thus the bonus to regional areas will be lost.[325]

Some stakeholders do suggest flexibility within the guidelines to allow the decision to remain that of the individual CLGs and/or Groups:

> [Kimberley WALGA Zone] The Kimberley Zone supports the WALGA State Council resolution in February 2011 suggesting that 50% of the total pool of the CLGF be allocated to individual local governments, whilst at the same time allowing local governments to decide that up to 100% of the CLGF may be allocated to regional projects, where the regional projects are determined by the group to be of a higher priority and meet strategic objectives. If regional groups decided that their regional components are best spent at an individual local government level, the provision should be made to allow for that to occur. Some regional groups may not be able to spend regional allocations due to various reasons and there should still be the ability for local governments to spend it on important projects within the community.[326]

> [Shire of Collie (South West)] The Council strongly advocates that the 50% individual local government funding be retained into the future. Having the funding move 100% to regional projects will see this [community] benefits to Collie diminish and in the view of the Council perhaps focus the benefits of the R4R program more to the larger regional centres who have the capacity to sustain larger regionally significant projects. In saying this with clear guidelines the Council is supportive of the Regional Local Government funding of 50%, perhaps with the option being provided if it is deemed as the most important project for the community moving forward. Royalties for Regions was developed to build strong sustainable community (amongst other things) and the removal of the individual Council funding will be to the detriment of this aim in the view of the Council.[327]

> [Shire of Derby-West Kimberley (Kimberley)] If regional groupings decided that their regional components were best spent at an individual local government level then provision should be made to allow that to occur. Some regional groupings may not be able to spend regional allocations due to various reasons and there should still be the ability for Local Government to spend it on important projects within the community. For areas such as the Kimberley most due to distances between towns and local governments it is very difficult to share services so the regional groupings should have the opportunity to resolve to distribute the money for individual local government benefit.[328]

> [Shire of Manjimup (South West)] The desire for the State to have local governments work together is acknowledged and has some merit however consideration needs to be given to the landscape applicable to that region. Flexibility should be provided to allow for a program of smaller projects designed to address regional issues rather than "large scale regional projects". Again, the comment regarding the bias towards new infrastructure that increases local governments' sustainability challenges needs to be reinforced.[329]

325 Shire of Westonia (Wheatbelt) submission, page 2.
326 Kimberley WALGA Zone submission, page 1.
327 Shire of Collie (South West) submission, page 6.
328 Shire of Derby–West Kimberley (Kimberley) submission, page 2.
329 Shire of Manjimup (South West) submission, page 6.

[Shire of Moora (Wheatbelt)] Council generally support the 50% local 50% regional proposal, however how long the regional component will be relevant needs to be considered. Many individual local governments could still use the full allocation of funds to complete projects that have been deferred. To some degree the regional body should be able to determine the amounts that need to be allocated to the individual council and how much should be identified as regional.[330]

However some stakeholders do raise the benefits of Groups funding, whether it be a split between individual and Groups or 100% Groups:

[Shire of Wyndham-East Kimberley (Kimberley)] In areas where regional projects are determined by Local Governments who are working together on regional issues to be of a higher priority, timely and meet strategic objectives then up to 100% of CLGF may be allocated to regional projects.[331]

[Great Southern RDC] The increasing proportion of the allocation from the CLGF that is directed to strategic regional initiatives, driven by partnerships of local governments, is a positive development. The transition from 100% funding to individual LGAs in 2008-09, to 50%:50% division in 2011-12 and the projected end of individual local government allocations by 2012-13 is consistent with the key CLGF objectives of addressing immediate to strategic infrastructure needs. The LGAs capacity to plan and fund major infrastructure works has been enhanced, as had financial sustainability. The GSDC supports this evolution of the program towards investment in regionally significant projects, where additional external funding is being sourced, and where benefits are flowing to groups of LGAs through the effective addressing of infrastructure gaps. In future rounds of the CLGF regional groups of local government will probably need to work even more cooperatively to agree on significant strategic projects that have sustainable cross district benefits and that do not place too high a recurrent expenditure burden on ratepayers.[332]

[CME] It should also be considered, that funding programs that provide funding on an individual local government basis, may be providing a disincentive to the State Government's policy for reform of local governments and amalgamations to reduce the total number of local governments in WA. In this regard the initiation of the Regional Grouping allocations appears appropriate, and further development of the program is supported. CME notes a shift towards a growing component of allocations to regional groupings rather than individual local government allocations, and considers that this is an important shift, which will support the implementation of better strategic planning around capital infrastructure projects in the regions. Ultimately it is anticipated that this may lead to the development of larger regional projects, as opposed to a larger number of small local projects.[333]

[Shire of Toodyay (Wheatbelt)] It is recognised and acknowledged throughout the region that projects of significant regional importance will continue to be supported and in the event that additional funding may be required for more ambitious regional projects, the local funding of the locality in which the project is to be sited can be allocated accordingly.[334]

330 Shire of Moora (Wheatbelt) submission, page 3.
331 Shire of Wyndham–East Kimberley (Kimberley) submission, page 2.
332 Great Southern RDC submission, pages 3-4.
333 CME submission, page 2.
334 Shire of Toodyay (Wheatbelt) submission, page 2.

> [Shire of Westonia (Wheatbelt)] Communities such as Westonia do realise the importance of having a viable regional centre (in our case Merredin) close by with medical, educational and government agencies services. This actually enhances the "tree change" experience that Westonia is currently enjoying on the basis that semi-retirees build new houses and settle in Westonia in the knowledge that services are close by in Merredin. This in turn enhances our community's longer-term sustainability.[335]

Whereas the Shire of Trayning (Wheatbelt) completely disagrees with the regional concept:

> The Council considers that the pressure to have 100% of the funding directed towards regional projects significantly corrodes the original stated aims, and effectively robs small towns and local governments of the opportunity to provide services for their residents and to attract additional population.
>
> Combined with the super-towns proposal of the Minister for Regional Development, and the inevitable additional funding these towns will receive, the result is that smaller towns struggle even further to be noticed.
>
> The concept of regionalising efforts, projects, funding and focus, is fundamentally flawed as it ignores the efforts and desires of smaller communities. It is unfortunate that this whole mindset is pervasive through many funding agencies.[336]

Generally though, the sentiment is that at least 50% should be retained for individual CLGs and that, if the Groups are to continue, the program still needs refinement:

> [WE-ROC (Wheatbelt)] Whilst WE-ROC believe that an even split between the two funding component is its preferred funding model there is an acceptance that further work on this matter is required. Any final model should be based on an objective method that properly reflects the needs of country local government and not [to] simply meet a political agenda.[337]
>
> [Shire of Kulin Wheatbelt)] The allocation of 50% individual and 50% regional appears satisfactory to our Council. Our regional ROC is [a] very focused group and enjoys great cooperation between the individual shires involved. To allow each individual LG the opportunity to allocate a component of funding to localised projects enables the RoeROC to remain focused on the regional aspect of the scheme. In our view to increase the regional component to a level greater than 50% may see some regional bodies reach a stalemate on the allocation of funds. We believe there are a number of reasons for this possible scenario to occur:
>
> - The fund is not really big enough for any significant regional projects to be developed…
> - The uncertainty over how long the program will run. In many instances around this State some absolutely brilliant ideas for projects under the regional component have been developed but without guarantees that the scheme will continue who is the decision maker on what project gets funded.[338]

335 Shire of Westonia (Wheatbelt) submission, page 2.
336 Shire of Trayning (Wheatbelt) submission, page 1.
337 WE-ROC (Wheatbelt) submission, page 6.
338 Shire of Kulin (Wheatbelt) submission, pages 2-3.

8.2 Trust comment

Terms of reference 4 questions the appropriate proportional allocation of funding between individual, group and regional components over time.

If there is to be a split between individual CLGs and Groups, the evidence overall is that on balance the CLG sector prefers a 50/50 split between individual CLG and regional/Groups allocations.

Unfortunately no real reason for this preferred split is offered. The Trust could speculate that one possible reason is that 50% is the most that individual CLGs would be willing to give up. There is certainly no evidence that a 50/50 split will result in better outcomes than any other split.

The case for reform of the allocation system is better made.

Even if understandable individual CLG self-interest influences some of the evidence against the regional CLGF program, a case has undoubtedly been made in the evidence that the regional CLGF program has problems and needs to be reviewed.

The case has not been made that there should be no regional CLGF program at all.

The evidence concerning the regional CLGF allocation raises a number of points. Reported instances of 'gaming' between the CLGs within the Groups is concerning.

Despite the added funding derived from leveraging, it seems that the Group CLGF is often underfunded for the projects envisaged. Some Groups work well while others are blighted by being 'forced' on each other.

The Groups scheme needs to be more flexible and sensitive to the different circumstances of different regions. Certain individual large CLGs, sub-regions and regions may need different mechanisms for project delivery.

On the evidence before it, the Trust agrees that to eliminate the individual CLGs component would be counterproductive, especially considering the significant infrastructure backlog that remains within the sector.

While this claim of a significant infrastructure backlog is insufficiently substantiated by hard data, the Review confirms that the backlog is real. That confirmation, plus its own inquiries visits and consultation in the regions, means the Trust accepts the existence of a significant infrastructure backlog.

The greatest weapon in the hands of CLGs that will incline the argument towards more funding for the individual CLG program is the FCWP. If FCWPs show a substantial infrastructure backlog of social and economic significance by asset and asset class in individual CLGs, then the argument in favour of continuing local funding will be easier to win.

The Trust does not accept the view that the individual CLG component is an entitlement by right to support the infrastructure spending of small CLGs or the infrastructure spending of any other type of CLG.

It is essential that it be understood that the CLGF is only to be distributed and utilised for CLGs where specific outcomes can be achieved that meet the dictates of the Act.

The evidence leads the Trust to question the merit of a dedicated standard percentage split between the individual CLG and Group CLG regional components.

While it will introduce more complexity in allocations, differential funding across a limited number of categories across the State would allow the CLG sub-regional and regional quantum allocated to better suit the purpose.

The classification of regions needs to be reviewed, for instance individual CLGs the size of Victoria or Tasmania are entitled to be considered regions on their own.

On the other hand, there may be certain areas of the State where individual CLG allocations might be reviewed. This is particularly the case where CLGs are really struggling for financial viability and sustainability and are candidates for amalgamation. There may be a case to be made for only Groups money to be available in such areas.

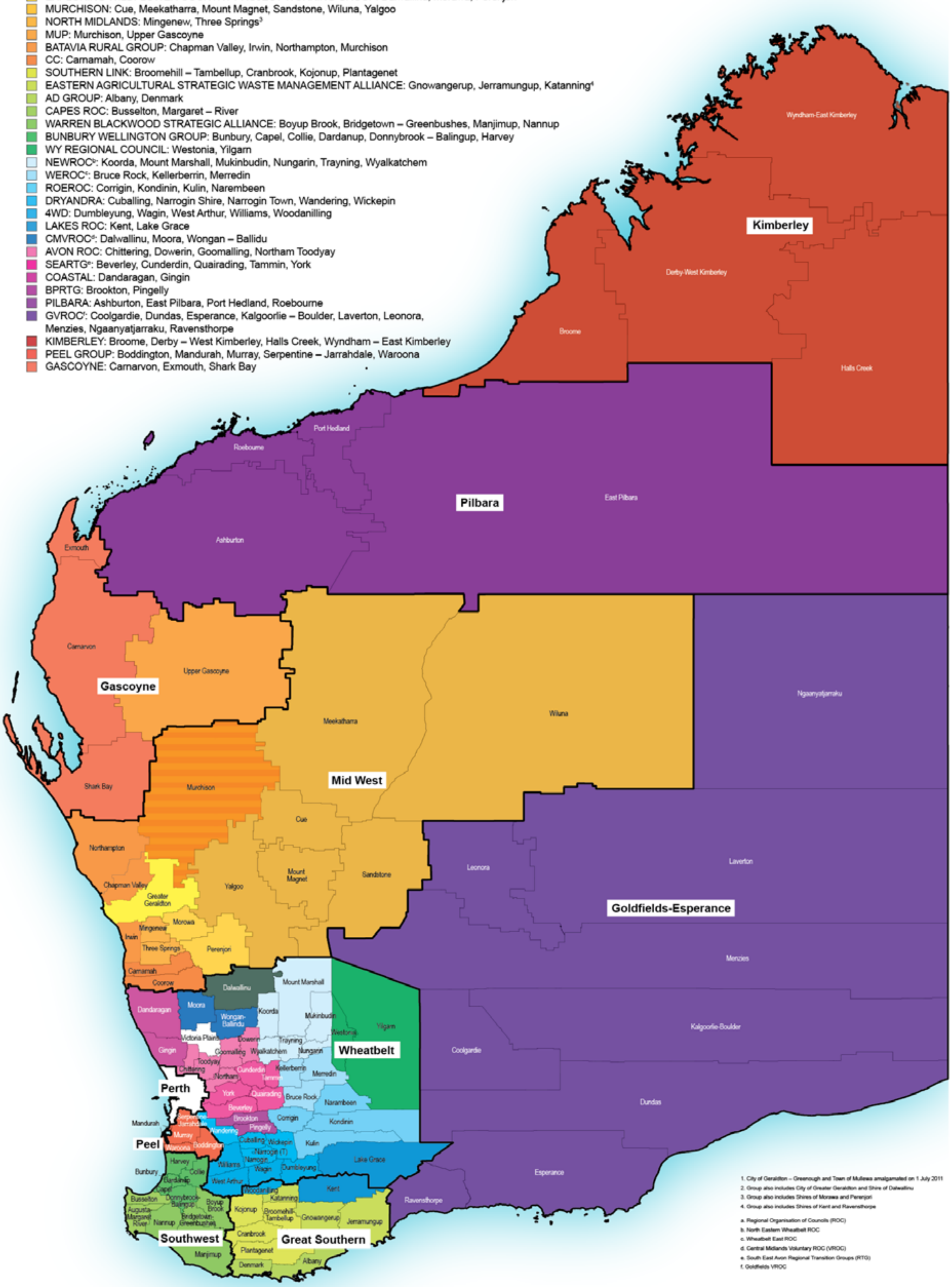
The CLGF should not be used to prop up unsustainable CLGs. On the other hand essential local and sub-regional infrastructure must be maintained, renewed or created.

The Trust has made some recommendations on the regional allocation in Chapter 12.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

MAP 6: Country Local Government Fund – Regional Groups of Country Local Government

- BATAVIA ROC[a]: Greater Geraldton[1]
- EXPLORING WILDFLOWER COUNTRY PROJECT WORKING GROUP: Dalwallinu, Morawa, Perenjori[2]
- MURCHISON: Cue, Meekatharra, Mount Magnet, Sandstone, Wiluna, Yalgoo
- NORTH MIDLANDS: Mingenew, Three Springs[3]
- MUP: Murchison, Upper Gascoyne
- BATAVIA RURAL GROUP: Chapman Valley, Irwin, Northampton, Murchison
- CC: Carnamah, Coorow
- SOUTHERN LINK: Broomehill – Tambellup, Cranbrook, Kojonup, Plantagenet
- EASTERN AGRICULTURAL STRATEGIC WASTE MANAGEMENT ALLIANCE: Gnowangerup, Jerramungup, Katanning[4]
- AD GROUP: Albany, Denmark
- CAPES ROC: Busselton, Margaret – River
- WARREN BLACKWOOD STRATEGIC ALLIANCE: Boyup Brook, Bridgetown – Greenbushes, Manjimup, Nannup
- BUNBURY WELLINGTON GROUP: Bunbury, Capel, Collie, Dardanup, Donnybrook – Balingup, Harvey
- WY REGIONAL COUNCIL: Westonia, Yilgarn
- NEWROC[b]: Koorda, Mount Marshall, Mukinbudin, Nungarin, Trayning, Wyalkatchem
- WEROC[c]: Bruce Rock, Kellerberrin, Merredin
- ROEROC: Corrigin, Kondinin, Kulin, Narembeen
- DRYANDRA: Cuballing, Narrogin Shire, Narrogin Town, Wandering, Wickepin
- 4WD: Dumbleyung, Wagin, West Arthur, Williams, Woodanilling
- LAKES ROC: Kent, Lake Grace
- CMVROC[d]: Dalwallinu, Moora, Wongan – Ballidu
- AVON ROC: Chittering, Dowerin, Goomalling, Northam Toodyay
- SEARTG[e]: Beverley, Cunderdin, Quairading, Tammin, York
- COASTAL: Dandaragan, Gingin
- BPRTG: Brookton, Pingelly
- PILBARA: Ashburton, East Pilbara, Port Hedland, Roebourne
- GVROC[f]: Coolgardie, Dundas, Esperance, Kalgoorlie – Boulder, Laverton, Leonora, Menzies, Ngaanyatjarraku, Ravensthorpe
- KIMBERLEY: Broome, Derby – West Kimberley, Halls Creek, Wyndham – East Kimberley
- PEEL GROUP: Boddington, Mandurah, Murray, Serpentine – Jarrahdale, Waroona
- GASCOYNE: Carnarvon, Exmouth, Shark Bay



1. City of Geraldton – Greenough and Town of Mullewa amalgamated on 1 July 2011
2. Group also includes City of Greater Geraldton and Shire of Dalwallinu
3. Group also includes Shires of Morawa and Perenjori
4. Group also includes Shires of Kent and Ravensthorpe

a. Regional Organisation of Councils (ROC)
b. North Eastern Wheatbelt ROC
c. Wheatbelt East ROC
d. Central Midlands Voluntary ROC (VROC)
e. South East Avon Regional Transition Groups (RTG)
f. Goldfields VROC

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Chapter 9: Terms of Reference 5

The scope of initiatives that should be funded and in particular, whether the existing focus on infrastructure and capacity building should be retained, narrowed, broadened or otherwise changed.

9.1 Evidence

The Review is to examine the scope of initiatives that should be funded and in particular, whether the existing focus on infrastructure and capacity building should be retained, narrowed, broadened or otherwise changed.

The Shire of Bridgetown-Greenbushes (South West) expressed the views of CLGs as a whole:

> The existing focus of the CLGF on funding infrastructure improvements and capacity building of local government should be continued. The CLGF is now an essential tool for local governments to address infrastructure improvements and provision of new infrastructure.[339]

One confidential submission saw the overall benefits of the program this way:

> … assesses that strengthening the connection between regional funding proposals and core local government business, infrastructure and capacity will facilitate longer term regional benefit.[340]

The Mid West RDC argued for sharper focus:

> If the existing focus of the CLGF is indeed on infrastructure and capacity building then the guidelines need to be amended to ensure this is the expected outcome. The current guidelines are not prescriptive enough to ensure that the projects that are chosen will facilitate capacity building.[341]

While all CLGs support the present focus on infrastructure, and more secondarily, capacity-building, most propose changes. The Shire of Williams (Wheatbelt) was typical:

> The focus on infrastructure and capacity building should be retained … [and] … funds [should] be used, where appropriate, to engage local or regional based consultants (or in house local government staff, where appropriate), who can deliver project planning …[342]

On capacity, the Shire of Brookton (Wheatbelt) had this to say:

> Capacity for what? Long term planning? Project management? Asset management? Our capacity constraint is lack of skilled staff to undertake these things not any lack of awareness about the need to do so.[343]

The Shire of Ashburton and the Shire of East Pilbara (Pilbara) argue against the existing definition of infrastructure, and for an expanded set of criteria:

> The two shires contend that the purposes for which the grant funding may be used are unnecessarily restrictive due to the restrictive definition of "infrastructure" contained in the Local Government Accounting Manual. … potentially worthy projects including … playground equipment and solar energy production for existing buildings cannot be funded by the programme as these assets are classified as "plant".[344]

---

339 Shire of Bridgetown-Greenbushes (South West) submission, page 2.
340 Confidential submission, page 3.
341 Mid West RDC submission, page 2.
342 Shire of Williams (Wheatbelt) submission, pages 6-7.
343 Shire of Brookton (Wheatbelt) supplementary submission, page 2.
344 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), page 8.

The Shire of Perenjori (Mid West) also argues against the existing definition of infrastructure and for expanding the program:

> The current program relies on definitions in the Local Government Accounting Manual which was designed as an accounting tool, not a funding instrument. The current definition excludes things like playground equipment or plant and equipment upgrades for swimming pools, back-up power for public buildings etc. [and] There would be a case for allowing CLGF to be used to pay down loans obtained for projects that would otherwise have been eligible. [and] There would be an argument for a planning component in CLGF that would allow funds to be applied to project development. … [and] … greater importance would be placed on environment and technology initiatives.[345]

A number of CLGs argued for broadening the CLGF program:

> [Shire of Brookton (Wheatbelt)] The whole life of an infrastructure project should be funded including feasibility, planning and project management.[346]

> [Shire of Narembeen (Wheatbelt)] Existing focus on Infrastructure should be broadened to include Land Development opportunities particularly when consideration is given to the "exorbitant" fees and charges currently provided by the States Utility providers without due concern and responsibility for their asset.[347]

> [Shire of Koorda (Wheatbelt)] … consideration should be given towards maintenance costs being able to be allocated, rather than new infrastructure.[348]

> [Shire of Manjimup (South West)] … there is merit in allowing a minor portion (say 30%) of each years funding allocation to be applied towards addressing or maintaining programs that address non-infrastructure regional issues. There is also merit in allowing a small portion (say 5%) of any years funding to be applied towards forward project planning that would better help the scope of projects proposed for CLGF funding.[349]

> [Shire of Moora (Wheatbelt)] Future funding should embrace the doctrine of asset preservation and enhancement. The costs associated with design, including concept plans, architectural and engineering fees should be permitted.[350]

> [Shire of Toodyay (Wheatbelt)] The full cost of design work including concept plans should be permitted expenditure from the CLGF where the project is adopted and progressed. [and] The focus of the program should be extended to include major maintenance expenditure. The Shire of Toodyay is a major heritage precinct … [and] The scope of initiatives should be broadened further by allowing the expenditure of funds for major works on road construction and reconstruction.[351]

345 Shire of Perenjori (Mid West) submission, pages 7-8.
346 Shire of Brookton (Wheatbelt) submission, page 4.
347 Shire of Narembeen (Wheatbelt) submission, page 2.
348 Shire of Koorda (Wheatbelt) submission, page 2.
349 Shire of Manjimup (South West) submission, page 7.
350 Shire of Moora (Wheatbelt) submission, page 3.
351 Shire of Toodyay (Wheatbelt) submission, page 3.

The Shire of Broome (Kimberley) wants the focus on infrastructure and capacity to continue but made three suggestions:

> It would be of great benefit if the scope of the funding could be broadened to include general maintenance of such infrastructure of perhaps up to 10% of the CLGF local component. …it is appropriate that funding is made available to assist with the costs of such [required] planning … some of the CLGF funding should be for assisting with the purchase of key items regarding plant and equipment …[352]

The Shire of Lake Grace (Wheatbelt) made the same suggestions as the Shire of Broome, giving examples of equipment like street sweepers, road patching trucks and possibly graders, and added a further suggestion:

> It would be appropriate to open up the funding that will assist a local government deliver healthy lifestyles to its communities through key programs.[353]

The Shire of Capel (South West) believes CLGF funding of CLGs that choose to voluntarily amalgamate discriminates against CLGs that are in favour of structural reform, but not necessarily amalgamation. The Shire also suggests funding should be provided to all CLGs:

> … to assist them with the process and activities involved with progressing the [DLG] Integrated Planning and Reporting Framework.[354]

The CME is concerned that many CLGs do not have sufficient recurrent funding to ensure the upkeep of new capital infrastructure. CME supports CLG funding for:

> … ongoing maintenance and asset management, along with funding allocations for the provision of new capital infrastructure, to ensure these assets do not fall into disrepair and are able to be sustained for the long term benefit of the community.[355]

Mirroring the views of many CLG submissions, the Shire of Donnybrook-Balingup (South West) support the continuation of CLGF investment in infrastructure, and also wants:

> Capacity for more local government staff hours to be allocated to projects may reduce requirement to utilise consultants.[356]

The Shire of Halls Creek (Kimberley):

> … is responsible for more than 1500 kms of unsealed roads that it does not have the resources to maintain in any reasonable condition, including an important interstate trade route (the Tanami Road) which is in such poor condition that it is an impediment to the economic development of the entire Kimberley region. There may come a time when the focus of the CLGF needs to be broadened to include road infrastructure.[357]

352 Shire of Broome (Kimberley) submission, page 8.
353 Shire of Lake Grace (Wheatbelt) submission, page 7.
354 Shire of Capel (South West) submission, pages 6-7.
355 CME submission, page 2.
356 Shire of Donnybrook-Balingup (South West) submission, page 5.
357 Shire of Halls Creek (Kimberley) submission, page 3.

The City of Kalgoorlie-Boulder (Goldfields-Esperance) says that once the infrastructure backlog has been addressed opportunities for investment should be pursued that:

> … provide the Local Government with a return on investment, providing an ongoing revenue stream.[358]

The DLG had just two priorities in mind:

> There are two major priorities where we believe that ongoing support from the CLGF will be essential: They are:
>
> 1. Continuing to support country local governments undertaking structural reform that will enhance their long-term sustainability; and
> 2. Delivering local government services to Indigenous communities following the transfer of this responsibility from the Federal Government to local governments.[359]

The Peel RDC argued for more planning support:

> In most cases major projects will exceed the 15% rule for allocated planning costs. The 15% planning rule has proven to be a challenge for larger regional groups … [and] While there are significant benefits to the provision of 50% towards regional projects, in both the short and long term this could prove difficult. [and] Some local governments may require support to progress planning …[360]

The Shire of Mount Magnet (Mid West) spoke for many CLGs in supporting the existing focus, but did emphasise the importance of CLGs accepting consequent ongoing costs:

> Council believes that the existing focus on the provision of infrastructure is appropriate. … Councils should be aware that when they provide new or upgraded existing infrastructure, there will nearly always be ongoing operational and maintenance costs involved.[361]

There were submissions that argued for the funding of operational costs:

> [PRC (Pilbara)] The PRC is of the opinion that the present scope of projects which can be funded through the scheme is unduly restrictive and should be expanded to include operational aspects of projects. [and] The PRC also believes that identifying meaningful, regional projects is often very difficult …[362]
>
> [RDCo] It is recommended that consideration be given to providing sufficient flexibility within the CLGF to fund operating costs of implementing CLGF capital projects and improved local planning capacity.[363]

358 Shire of Kalgoorlie-Boulder (Goldfields-Esperance) submission, page 2.
359 DLG supplementary submission, page 1.
360 Peel RDC submission, pages 2-3.
361 Shire of Mount Magnet (Mid West) submission, page 2.
362 PRC (Pilbara) submission, page 6.
363 RDCo submission, page 1.

The Shire of Quairading (Wheatbelt) wants the program both narrowed and broadened:

> … road infrastructure, excluding drainage, should not be funded through the CLGF … [and] CLGF should not be used for the provision of infrastructure and services for Police, Education and Health … [and] CLGF should not be used for the provision or improvement to Rail Infrastructure … [but] Planning and Design costs for large scale projects … should be legitimate expenditure under CLGF … [and] project management costs outside of normal salary allocations should be allowable expenditure.[364]

9.2 Trust comment

Terms of reference 5 ask the Trust to examine the scope of initiatives that should be funded and in particular, whether the existing focus on infrastructure and capacity building should be retained reformed or replaced. The question this term of reference boils down to is 'what should be funded'?

To a large degree, the Trust considers that the CLGF has got it right. The evidence is that the answer to 'what should be funded' is 'what is funded now', in this order of priority: infrastructure, and secondarily, capacity building; and in this order of priority: CLG infrastructure, secondly, sub-regional infrastructure; and thirdly, sub-regional capacity building.

However, reform is desired. In one sense at the strategic level a narrowing of the CLGF is proposed, as a sharper focus on priorities and outcomes is sought. The Trust agrees with this.

As discussed elsewhere in this Review the CLGF is moving in that direction, aided by such tools as the FWCPs and asset management, and the Trust has made further proposals on this front in this Review.

RDL has a clear view of the effect of the CLGF:

> [The] CLGF has provided local governments with the conduit to focus strategically and build their communities to be more liveable.[365]

With respect to principles, as discussed elsewhere in this Review there is a split between those CLGs who believe that CLGs should not concern themselves with infrastructure that is the responsibility of State and Commonwealth agencies (such as power, aged care and even roads), and those that believe they should, where appropriate.

The Trust agrees with the latter, and it also agrees with RDCo that the CLGF should contain sufficient flexibility. WA is a vast state and CLGs, sub-regions and regions vary greatly in their needs.

The Act requires regional development, and that covers investment in any program or project that meets the requirements of the Act. The Act does not prohibit expenditure on programs or projects that are the primary responsibility of other State and Commonwealth agencies.

CLGs are only limited by what CLGF funds are available and by the program's guidelines on what they can spend it on.

As is necessary with any program, the Minister has specified the principles and specific aims of the CLGF.

364 Shire of Quairading (Wheatbelt) submission, page 6. The Shire of York (Wheatbelt) repeated the same propositions.

365 RDL submission, page 10.

The CLGF guidelines flesh out the requirements for this program, and do not exclude investment in infrastructure or capacity building that may be the prime responsibility of another agency.

CLGs are governed by the *Local Government Act 1995* and under the governance provisions of that Act and its consequent regulations RDL is entitled to rely on CLGs themselves to properly determine the infrastructure they are responsible for and to detail it in their asset management plans and in the FCWPs.

CLGs, Groups and others have argued for changes to the scope of initiatives that should be funded. As a starting point the Shire of Perenjori (Mid West) makes the point:

> The current program relies on definitions in the Local Government Accounting Manual which was designed as an accounting tool, not a funding instrument.[366]

The Trust agrees with the Shire, although RDL has added capital items to its original list. The LGAM provides a very useful and comprehensive list of asset classes that should indeed determine what the CLGF can properly be spent on, but it should not be a barrier to making sensible additions to that list.

RDL needs to revisit the area of 'plant and equipment'.

If, to use RDL's words quoted above, the CLGF is intended to make country communities 'more liveable' and under the asset renewal intention of the CLGF a CLG decides that its local park playground infrastructure needs a make-over, the guidelines allow for "installing facilities and fixtures that form an integral part of those works".[367]

It seems odd that in the evidence quoted above CLGs appear to believe that playground equipment which is an integral part of those works is not allowable under the guidelines.

Further, roads are reported to account for approximately 60% of local government non-financial assets. If the CLGF's overall aim is to "address infrastructure needs" and CLGF grant expenditure must be "individual local government infrastructure asset creation, preservation or renewal"[368] roads should indeed fall under the CLGF if they are identified in the FCWP.

It seems odd then to exclude the purchase of capital equipment such as road patching trucks and graders that are essential to achieving 'asset creation, preservation or renewal'.

That point is particularly relevant to large and remote shires (see the evidence of the Shire of Halls Creek quoted above), and to remote towns like Gascoyne Junction whose main asset is roads and which has responsibility for over 1,000 floodways in its road network.

The Trust also supports the view that RDL should re-examine the question of what planning and project costs should be allowable under the CLGF. The evidence quoted above indicates that this is not just a major concern, but a legitimate one.

It is not only an issue for asset investment but for capacity building. Investment in sound professional planning and project preparation significantly benefits project cost management and performance, and is essential to good practice in tendering and procurement.

366 Shire of Perenjori (Mid West) submission, page 7.
367 RforR CLGF Individual CLGs 2011-12 Guidelines, page 3.
368 Both quotes are from the RforR CLGF Individual CLGs 2011-12 Guidelines, page 2.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Chapter 10: Terms of Reference 6

Matters that would improve the efficiency and effectiveness of the Fund's implementation including the existing processes for forward capital works development, and business plan development.

10.1 CLG and other evidence

The Review is to examine matters that would improve the efficiency and effectiveness of the Fund's implementation including the existing processes for forward capital works development, and business plan development.

The evidence indicates considerable support for FCWPs and business case development:

> [PRC (Pilbara)] The CLGF's emphasis on the need for local government to produce forward capital works programs consistent with strategic plans and asset management plans … must be viewed as a major contributor to improving the level of professionalism in local government throughout the state.[369]

> [Shire of Quairading (Wheatbelt)] Forward capital and business plans should remain mandatory under the CLGF as it forces local governments to plan for the future …[370]

In its evidence WALGA supports the FCWP, noting that now FWCPs are done they should be relatively easy to update. WALGA also supports the business planning process, although WALGA does report concern that it is overly complex and that some CLGs have spent too much money on consultants to help do the business plans.

While making the point that the CLGF is a new program that will take time to settle, WALGA said that efficiency and effectiveness would be served by greater certainty of funding and more time to consider funding. In that regard it proposes:

> … an offset fund to be created which could supplement a shortfall in the Country Local Government Fund if there are any future reductions in Royalties. A reserve fund from which to top up funds in lean years would reduce the impact of external economic factors that could impact the State's Royalty receipts and flow on to the CLGF …[371]

While consultation and the evidence confirm that CLGs accept the need for CLGF forward capital works development and business plan development, a number of CLGs are critical of the way in which these requirements have been managed:

> [Shire of Jerramungup (South West)] … the Department became obsessed about the format of the capital works plan and the best outcome was not achieved. From Jerramungup's perspective, the approval process took well over 6 months. As long as a Shire has identified an infrastructure project within a community strategic plan and prepared a detailed business case outlining the whole of life costing, then this should be sufficient.[372]

> [GVROC (Goldfield-Esperance)] … the level of compliance is overly onerous and puts unwarranted strain on a local government's resources. … [and] Government should ensure certainty of funding to the CLGF program.[373]

> [Shire of Manjimup (South West)] … the Roads to Recovery funding … is more efficient than the cumbersome up front application process under the CLGF …[374]

---

369 PRC (Pilbara) submission, page 6.
370 Shire of Quairading (Wheatbelt) submission, page 7.
371 WALGA submission, pages 20-21.
372 Shire of Jerramungup (South West) submission, page 3.
373 GVROC (Goldfield-Esperance) submission, page 3.
374 Shire of Manjimup (South West) submission, page 7.

> [Shire of Dardanup (South West)] … local governments should have capital works programs that cover a period of 5 to 10 years. The CLGF guidelines should simply require the local government to present a copy of the adopted plan or ask for a summary of the plan to satisfy the forward capital works component. To request a separate plan creates an administrative burden on local governments that have already invested their budget in developing a plan.[375]

> [Shire of Merredin (Wheatbelt)] It would be helpful if a consistent level of accountability and reporting could be adopted so they can be integrated into routine practices: interim reporting and audit in particular.[376]

> [WE-ROC (Wheatbelt)] … the level of compliance is overly onerous and puts unwarranted strain on a local government's resources. Every effort should be given … to ensure that unnecessary compliance requirements are removed.[377]

A number of CLGs comment on the need for flexibility:

> [Shire of Ashburton and the Shire of East Pilbara (Pilbara)] … while there is an obvious need to have a well-founded and structured, administrative basis for ensuring the optimum use of public funding, there is also a need for the administrative processes applying to the funding to be sympathetic to widely varying environments in which the funds are spent.[378]

> [Shire of Toodyay (Wheatbelt)] The processes for forward capital works development should be flexible in nature to provide for changing circumstances …[379]

> [Shire of Donnybrook-Balingup (South West)] … ensure that all relevant guidelines for regional projects should be available when the program opens. Some leeway ensuring that the requirement for all projects to be included on the Forward Capital Works Program or a Business Plan does not restrict the local government in having approval for other projects and commencing those projects before receiving approval for projects that are not on the Forward Capital Works Program at that time of budgeting.[380]

The Shire of Mount Magnet (Mid West)[381] made a number of points, including:

- Negative publicity by the Parliamentary Opposition and the print media has not been productive;
- The CLGF Review should have occurred in another one to two years time; it is too early to assess the effectiveness and efficiency of the CLGF;
- What is needed, particularly for poorly resourced shires, is stability and certainty in funding, and the accompanying administrative and financial arrangements; and
- FCWPs and business cases are helpful.

---

375 Shire of Dardanup (South West) submission, page 6.
376 Shire of Merredin (Wheatbelt) submission, page 3.
377 WE-ROC (Wheatbelt) submission, page 7.
378 Joint submission by the Shire of Ashburton and the Shire of East Pilbara (Pilbara), page 9.
379 Shire of Toodyay (Wheatbelt) submission, page 4.
380 Shire of Donnybrook-Balingup (South West) submission, page 6.
381 Shire of Mount Magnet (Mid West) submission, page 2.

A significant issue is the development of DLG's planning requirements, and how that will affect the FCWP:

> [Shire of Halls Creek (Kimberley)] We believe the implementation of the CLGF will be made more efficient and effective through the development of more sophisticated forward capital works plans and business plan development. This is underway as a consequence of the recent changes to the *Local Government (Administration) Regulations 1996,* which require local governments to implement an integrated planning and reporting framework over the next two years.[382]

> [Shire of Kellerberrin (Wheatbelt)] Recent legislation changes will see Local Governments adopt a number of integrated plans for up to ten years. … these plans will meet the requirements of the CLGF in showing that Councils have undertaken due diligence in the planning and costing of projects as required by the funding conditions.[383]

> [Shire of Plantagenet (Great Southern)] … the requirement for the ongoing review and maintenance of Forward Capital Works plans should be dispensed with, if a council has an adequate Asset Management Planning Framework in place.[384]

The Shire of Broome (Kimberley) made the following suggestions to improve the efficiency and effectiveness of the CLGF:

- Streamlining the number of documents and reports that country local government is required to compile.
- On-line application, monitoring and reporting similar to that used by the Federal Government Roads to Recovery program …
- Eradicating the duplication of audit requirements …
- It is debateable whether the continued preparation of Forward Capital Works Plans is necessary given the new [DLG] requirement for local governments to prepare long term financial plans in accordance with the new Integrated Planning process which also takes into account asset management plans.
- The requirement for a Business Plan for the allocation of funds to a suitable CLGF Regional project seems to work quite well, however the provision of funding through the Development Commissions possibly needs to be reviewed as to its overall effectiveness.[385]

The Shire of Lake Grace (Wheatbelt) made two suggestions:

- Streamlining the number of documents and reports that country local government is required to compile …
- On-line application, monitoring and reporting similar to that used by the Roads to Recovery Program …[386]

---

382 Shire of Halls Creek (Kimberley) submission, page 3.
383 Shire of Kellerberrin (Wheatbelt) submission, page 3.
384 Shire of Plantagenet (Great Southern) submission, page 5.
385 Shire of Broome (Kimberley) submission, page 8.
386 Shire of Lake Grace (Wheatbelt) submission, page 7.

Funding issues were raised:

> [Shire of Capel (South West)] The inclusion of an appropriate form of indexation would be useful to ensure that the CLGF amount allocated each year keeps pace with increases in costs …[387]
>
> [Shire of Kulin (Wheatbelt)] It is suggested that a small percentage of the fund (say 1%) be set aside specifically for LG's to develop the above plans.[388]
>
> [South West RDC] It is important that providing funds to assist local government with business case development be perpetuated into the future.[389]

The Shire of Cunderdin (Wheatbelt) made two suggestions:

> Council request consideration be given to providing the ability to receive and carry forward funding for up to a maximum period of 2 years. … [and] … it is essential that the backlog of infrastructure assets needs to be addressed before the funding becomes available to regional projects only.[390]

Present policy is claimed to affect the prioritisation of projects:

> [Confidential submission] … [We note] that the Local Governments of the Kimberley are highly dependent on irregular external funding especially for capital works. … In reality each of the Local Governments has capital works plans and business plans but the uncertainty of funding leads to a very low prioritisation of all but the most immediate needs.[391]
>
> [Shire of Koorda (Wheatbelt)] Concern is raised over the requirement for business studies. … it is something the Council must fund with no guarantee of funding. This can lead Councils to 'shelve' projects in the fear it may not receive funding, but still cost.[392]

The Shire of Lake Grace (Wheatbelt) is among those CLGs that suggest the FCWPs should become redundant. Like Lake Grace the Shire of Williams (Wheatbelt) outlines in some detail how the valuable and useful business case development was detrimentally affected by poor process and administration.[393]

The Shire of Lake Grace commends the business plan requirement, but says the outcome was spoilt by poor process:

> … it is debateable whether forward capital works plans are required given that the Shire is developing a new corporate plan and is in the process of implementing a long term financial plan as an informing strategy under the Integrated Planning process that takes into account asset management plans. The forward capital works plan was imposed on local government before many had the opportunity to develop their asset management plans. In other words, the requirement was back to front. …[and] …The requirement for a business plan for the allocation of funds to a suitable CLGF has worked extremely well. … However, once again the subsequent pedantic nature of repackaging part of the business case for Lakes and 4WD Well-aged Persons Housing Strategy did waste valuable time and money.[394]

387 Shire of Capel (South West) submission, page 7.
388 Shire of Kulin (Wheatbelt) submission, page 3.
389 South West RDC submission, page 2.
390 Shire of Cunderdin (Wheatbelt) submission, pages 2-3.
391 Confidential submission, page 3.
392 Shire of Koorda (Wheatbelt) submission, page 2.
393 Shire of Williams (Wheatbelt), submission pages 6-7.
394 Shire of Lake Grace (Wheatbelt) submission, page 7.

The Peel RDC wants clear and concise approval processes and significant improvements in communication and in response protocols. It gave this example:

> … one project required 3 different business cases to be undertaken because each time it was submitted the approving agency requested that a different area [be] addressed.[395]

The Shire of Perenjori (Mid West) made a number of points:

> … the business case is developed after the funding decision is taken, so it does not really inform the decision making process. Perhaps a project plan would be more appropriate than the business case? [and] … The Forward Capital Works Plan has been a valuable tool … [but] durability may wane as Local Governments become compliant with the new regulations around planning … [and it is] … worthwhile examining the internet portal used for the Roads to Recovery Program. [and] … efficiencies and effectiveness of the funds implementation could include:
>
> 1. CLGF application and acquittal process that is predictable and reliable from year to year;
> 2. Expansion of the scope of what may be funded;
> 3. Increased emphasis placed on local as opposed to regional projects; and
> 4. Further funding for specialist to provide support in development of the business plans.[396]

10.2 RDL evidence

RDL advised that for 2011-12 it had adopted a number of processes, including:

- FCWP do not need to be re-submitted with applications unless they have been significantly varied;
- Local governments need only inform RDL of project variations through a letter of Variation;
- Local governments will have up to two years from signing FAAs to acquit projects;
- Time lines for submission of projects have been changed to ensure applications are not submitted at one time; and
- Guidelines, allocations (previous and current), FAA and acquittal forms are all available on the web so that local governments have access to documents.[397]

RDL has also suggested that:

> … sunset clauses on funds provided to local governments through the CLGF … would put in place some urgency to expend these funds in an appropriate and timely manner … [and] RDL would appreciate recommendations [from the Trust] concerning opportunities to improve RDL's localised communication with the 109 country local governments.[398]

395 Peel RDC submission, page 3.
396 Shire of Perenjori (Mid West) submission, pages 8-9.
397 RDL submission, page 11.
398 RDL submission, page 11.

10.3 Trust comment

Under the term of reference 6, the Trust has been asked to consider matters that would improve the efficiency and effectiveness of the Fund's implementation including the existing processes for forward capital works development, and business plan development.

Under this term of reference a number of CLG submissions referred the Review to evidence under the other terms of reference. Those submissions that specifically covered this term of reference indicated that there was broad support for FCWPs development and business plan development.

However, on matters that would improve the efficiency and effectiveness of the CLGF's implementation, including the existing processes for FCWPs development and business plan development, there were a number of criticisms and proposals, as set out in the evidence quoted above.

RDL's evidence indicates that for 2011-12 a number of process improvements have already been made. Those improvements address some of the concerns expressed in CLG evidence.

The Trust recognises the benefit to CLG professionalism and the contribution to better CLGF outcomes resulting from RDL's introduction of planning and business case requirements.

The evidence indicates a concern at an emerging duplication of planning requirements. As discussed elsewhere in the Review, DLG has entered the planning and asset management space in a concerted effort to improve CLG capacity and ability, with a deadline for completion of 1 July 2013.

From an efficiency point of view, it is important that either (and preferably) the CLGF FCWP and DLG's IPF are integrated into one system, or as a second option if that cannot be done, that they are harmonised as far as possible.

With the introduction of the IPF by DLG there should be scope to intertwine the two activities to reduce pressure on CLG resources. This would require increased RDL engagement with DLG and vice versa.

Funding certainty is an issue raised in evidence.

Funding certainty can never be guaranteed. For instance, it is not appropriate for the State Government to be restricted in its ability to cut funding programs in the extraordinary circumstances of events such as the GFC.

In the normal course of state budgets however, the Trust agrees with submissions that seek as much funding certainty as possible. Funding certainty is not just a question of money but time.

The Trust accepts that funding should preferably be allocated based on the project time-frame rather than by financial year, and in Chapter 12 recommends the issue of funding in the budget out-years be addressed.

The Trust agrees that process and administration should be streamlined and simplified wherever practical and sensible to minimise compliance and process time and to maximise the time available for project action, and time to secure additional leveraged funding.

The Trust agrees that the CLGF should be flexible enough to sensibly accommodate varying circumstances and environments in this diverse and vast state.

The Trust agrees it would be worthwhile if RDL could review the ‘pros and cons’ of making funding available for planning, business case and project development, to facilitate the development and scoping of projects.

Once such improvements are made and not before, RDL’s suggestion that sunset clauses be introduced to ensure timely CLGF performance would be a desirable innovation.

Chapter 11: Terms of Reference 7

Any other relevant matters.

11.1 Engaging with the regions

11.1.1 Evidence

Review consultation indicated that CLG dealings with RDL on the CLGF had been largely electronic or by telephone and that personal face-to-face interaction was rare.

The Trust was impressed with RDC and WALGA's attendance at the regular CLG zone meetings and attended a number of them for this Review. Similarly, the LGGC is committed to a regional presence:

> The Grants Commission is required to keep up with the changing face of local government to ensure that its methods reflect the operations of the industry. As part of this process, the Commission visits approximately 30 CLGFs each year to hold Public Hearings. This visiting programme provides a valuable opportunity for local governments to inform the Commission of the issues they are facing. The Commission also received submissions from local governments each year seeking modifications to the grant determination process so that it will reflect their needs more effectively.[399]

The EAC emphasise the benefits of an interactive relationship:

> Developing a true partnership with sub-national governments implies participation in decision-making and also in implementing rural development policies that the regional or local government helps to design. These arrangements require a high level of commitment, effective knowledge sharing and competence on the part of local representatives.[400]

This approach is also supported by the RDC Review Committee:

> On a practical front, no level or entity of Government can operate in isolation and local regional governance and autonomy must not be the sacrifice paid for efficiently and effectively delivering on a regional development agenda. Essentially, it is the ability to represent the regions, based on local knowledge, understanding and networks that serves the interests of Government, industry and the not-for-profit sector, allowing them to do business or deliver services locally.[401]

RDL's desk-top approach to the CLGF does not mean that RDL has not actively engaged with peak bodies in the sector. WALGA had this to say:

> The Association has a strong relationship with RDL at an administrative level and the Department should be commended for its willingness to listen to feedback regarding the administration of the Fund. Following discussions with the Association, there have been numerous minor amendments to guidelines which assist CLGs to plan and implement projects and assist the Department to administer the Fund.[402]

399 WA Grants Commission website: http://www.dlg.wa.gov.au/Contect/LG/GrantsCommission/Default.aspx

400 Economic Audit Committee report December 2009, *Putting the Public First: Partnering with the Community and Business to Deliver Outcomes*, page 6.

401 Review Committee, *Structuring Regional Development for the Future: A Review of the Functions and Responsibilities of Regional Development Commissions*, November 2010, page 58.

402 WALGA submission, page 15.

RDL senior executives do visit the regions for various reasons, and therefore interact with CLGs periodically. However the Trust is advised that other RDL officers seldom engage on the ground with CLGs and to a lesser extent, the RDCs. This can contribute to confusion among CLGF stakeholders according to the Wheatbelt RDC:

> In discussions with Wheatbelt Local Government, some indicated that there was a misunderstanding with the expectations of RDL.[403]

Communication is an issue picked up by the Peel RDC:

> It is recommended that a simple communication process be developed that clearly defines the requirements for timely responses in relation to CLGF queries.[404]

Being desk-bound lessens the ability to evaluate projects and circumstances first hand. RDL decision-makers can elicit strong criticism. The WE-ROC (Wheabelt) had this to say:

> Member Councils believe that many of the obstacles placed in the way of this project have been unnecessary and demonstrate RDL lack of capacity to understand some of the projects proposed, placing conditions upon their approval that were unjustified as they were onerous.[405]

On the same theme, the Peel RDC stated:

> ... one project in the region required 3 different business cases to be undertaken because each time it was submitted the approving agency requested that a different area [be] addressed. This is obviously neither cost- nor time-efficient ...[406]

The Wheatbelt RDC believes that RDL will get more productive outcomes by engaging on the ground. It recommends:

> Enable RDL to meet with Local Government (individually and at a regional/group level) to build relationship with Local Government, a better understanding of the project concept and the expectations of what the CLGF program aims to achieve. Improved liaison with Regional Development Commissions (RDCs) in relation to project proposals would also assist in this regard, as RDCs have a sound knowledge of local context.[407]

RDL advised that the CLGF commenced in December 2008, but was administered by DLG until 27 March 2010, when RDL took over. When originally established, the CLGF was only afforded one FTE which placed significant limitations on the ability to manage the program let alone time to visit CLGs. Much responsibility was transferred to contract or casual staff and consultants:

- Casual staff were contracted in 2010-11 to help process the quantity of work;
- In the 2011-12 year, contracts for tenders are being let to provide support for the processing of applications and business cases to help to address timeliness and workload issues;
- RDL has appointed a contractor to ensure audits received meet FAA specification and are acceptable for signoff.[408]

403 Wheatbelt RDC submission, page 7.
404 Peel RDC submission, page 3.
405 WE-ROC (Wheatbelt) submission, page 5.
406 Peel RDC submission, page 3.
407 Wheatbelt RDC submission, page 3.
408 RDL submission, pages 6-7.

This approach has been commented on by the Wheatbelt RDC:

> RDL are competing for staff resources to assess the various Royalties for Regions programs. This constant change of staff has had a negative impact on the relationship between RDL and the project clients (inconsistent messages, miscommunications, loss of knowledge regarding project) adding pressure to staff resources and decreasing staff morale. [They also suggested] … Local Government may require assistance from RDL with the development of CLGF applications and business cases, financial assistance agreement and acquittal. While RDL are clear what the requirements are in relation to elements of the applications and business cases, little guidance has been given to either local governments or Development Commissions, and language consistency across documents is at times confusing… [RDL should] proactively engage with Project clients (i.e. Local Government) to work through documentation so there is a clear understanding of the expectations of the grantor (RDL), will help to improve application and business case submissions.[409]

The Shire of Wyndham–East Kimberley (Kimberley) recommended:

> It is recommended that the administration agency for CLGF be resourced to ensure that each region be accorded a staff member who is in close contact with the relevant regional organisation … Funding outcomes can then be made clear within this improved context.[410]

RDL is open to suggested improvements regarding the delivery of CLGF:

> RDL would appreciate recommendations concerning opportunities to improve RDL's localised communication with the 109 country local governments … [and how] RDL can better support the local delivery of the CLGF.[411]

11.1.2 Trust comment

The Trust has a view that it is essential for both stakeholder relations and the delivery of regional development policy that decision-makers do not remain centralised and that they experience the regions for which they are decision-makers or administrators. As the Trust stated in the Trust's 2010-11 Annual Report:

> The Trust determined that it would avoid a desk-top approach to its duties and ensure that it visited the regions and consulted widely with individuals, agencies and entities concerned with regional development and Royalties for Regions projects.[412]

The evidence indicates that RDL engagement with CLGs in the regions on the CLGF has been inadequate, affected as it is by understaffing and resourcing, a desk-bound system (unlike, among others, RforR programs like Pilbara Cities and the Ord project), and a change in administration mid-stream from DLG to RDL.

From consultation and the evidence, the Trust understands that RDL officers rarely if ever, visit CLGs to discuss, view or support the development of CLGF projects; instead relying heavily on telephone and email, and on RDCs and/or WALGA to disseminate new information, guidelines or processes.

409 Wheatbelt RDC submission, pages 6-8.
410 Shire of Wyndham–East Kimberley (Kimberley) submission, page 3.
411 RDL submission, page 11.
412 Trust 2010-11 Annual Report, page 3.

RDL senior executives do visit the regions during the year on RforR and departmental business, and in the process therefore at times engage at a professional level with CLGs. However interaction with CLGs on CLGF matters by other RDL officers is largely by telephone and by email.

It is true that the regionally-based RDC staff do interact regularly and closely with CLGs, RforR and the CLGF, and will and do advise RDL as a consequence, but interaction with the RDCs by RDL officers is also largely by telephone and by email.

If such a desk-bound approach is driven by thoughts of cost it is a false economy. The Trust believes that RDL project officers who visit the regions and acquaint themselves with the people and circumstances relating to CLGF projects are far more likely to make efficient informed and timely decisions than those that do not.

Further, for a department dedicated to regional development, practical experience by its officers of regional conditions is essential to their professional development, and adds value to the organisation.

11.2 Accounting standards and systems

11.2.1 Accounting standards and systems in local government

The Review has taken a particular interest in the accounting standards and systems in CLGs because the expenditure performance and governance of the CLGF is materially affected by CLG accounting standards and systems.

Among other things, assessing performance and outcomes for the CLGF would be greatly assisted by common systems for sector comparability. Common systems do not exist.

As an illustration, the Mid West region's City of Greater Geraldton was established on 1 July 2011, following the amalgamation of the Shire of Mullewa and the City of Geraldton-Greenough, itself a product of the 2007 amalgamation between the City of Geraldton and the Shire of Greenough. The City reported a protracted, costly and complex effort was required to synthesise the different accounting and IT systems of these Mid West CLGs.

There are basic building blocks to any effective accounting system for a significant organisation:

- The applicable accounting standards that determine the content of the financial statements, and the applicable audit standards that validate them;
- A chart of accounts that support the information lying behind a) the financial statements, and b) the management reporting system;
- A consequent set of manual or computerised accounting ledgers;
- An effective audit process, both internal and external, preferably covering both financial and performance audits;
- A data system linked to the financial system that facilitates planning, budgeting, performance reporting, risk management, asset management, and procurement; and
- Suitably skilled and knowledgeable permanent staff.

The LGAM is quite recent.[413] To what extent CLGs and their external auditors are familiar with the LGAM was not apparent from the Review consultation, but there is no requirement or necessity for them to 'get up to speed'. CLG in WA does not have to comply with the LGAM, as it is considered just a reference tool and there is no requirement for local governments to adhere to it.

The LGAM includes reference to the relevant Australian Accounting Standards set by the Australian Accounting Standards Board,[414] as periodically adjusted by the AASB's Urgent Issues Group (UIG) and compliant with the AASB *Framework for the Presentation and Preparation of Financial Statements*.

Local government in WA also has to comply with the *Local Government Act 1995* (Part 6 – Financial management).[415]

It should be noted that neither the accounting standards nor any of the above prescribe standardised systems or a standardised chart of accounts.

When the LGAM is completely rolled out by 2012, the manual will set consistent guidelines for financial management including the definition of a budget process, model financial statements, accounting for assets and an internal control framework:

> Sustainability of the Local Government sector is expected to be an ongoing process that will require continuous review and analysis of factors in the internal and external operating environments. Central to that will be having a consistent and recognised basis from which to make financial decisions.
>
> The Finance Working Group believed that the starting point for addressing this issue was through the compilation of an Industry Accounting Manual. From this recommendation, the Association in partnership with the Department of Local Government co-funded the compilation of this Industry Accounting Manual.
>
> Each local government is a reporting entity and is therefore required to prepare general purpose financial reports in accordance with the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.
>
> Local governments are required to prepare monthly Statements of Financial Activity and Annual Financial Statements. These financial statements must comply with legislation and Australian Accounting Standards set by the Australian Accounting Standards Board (AASB).[416]

As a form of performance reporting, regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* does require the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four financial years), and report to the local government the results of those reviews.

---

413 In January 2009 the DLG issued Edition 1 of the Accounting Manual. Subsequently it issued Edition 2. The final Edition 3 was issued at the end of 2011.

414 Accounting in Australia is governed by the AASB, which in turn incorporates International Accounting Standards, governed by the International Accounting Standards Board. Recent amendments by the AASB of the Standards withdrew the specific local government Accounting Standard (AASB 27) as it was determined that other Standards adequately covered the specifics outlined in AASB 27.

415 The *Local Government Act 1995* has ten sets of regulations consequent to it, including the *Local Government (Audit) Regulations 1996* and the *Local Government (Financial Management) Regulations 1996*.

416 The Department of Local Government January 2009: Edition 1 of the Local Government Accounting Manual, page 5.

The efficacy of such a review would depend on the financial systems skills and experience of the CEO concerned, unless supplemented by an external resource.

All local governments have a chart of accounts that supports the information lying behind their financial statements and their management reporting system, but these are not standardised in the sector.

Reporting requirements are laid out in the *Local Government Act 1995*.[417]

All local governments have computerised their accounting, but the hardware and software is not standardised or common.

DLG does have an *IT Working Group*[418] that is looking into common IT requirements and systems within the sector. It is not tasked to achieve standardisation but to produce a common interface that all the different systems can feed into to enable local government data to be available in the same format.

The *Local Government Act 1995* (Part 7 – Audit) does mean that all local governments have a certified independent external auditor, and have to have an Audit Committee, but absent further evidence it cannot be assumed that this committee necessarily translates into a strong internal audit and risk management process.

The external auditor is obliged to do financial audits, but external performance audits are not mandated, although in individual CLGs some performance audits are occasionally voluntarily commissioned.

An important corollary to a quality accounting system is good data.

The DLG has been attempting to address widespread weakness in local government data affecting their primary responsibilities, a process supported by the CLGF's capacity-building objective. The DLG has this to say on data and systems:

> 7.2.5 Data and systems
>
> Systems should be put in place for the collection and analysis of asset management data to ensure the development of efficient maintenance and capital works programs, asset management performance is adequately managed over time, infrastructure gaps are identified, and minimum reporting requirements prescribed under the legislation are achieved.
>
> When data systems are used, adequate links must be made between asset management and financial systems, particularly in the recording and management of capital expenditure and allocations for depreciation, maintenance, renewal and upgrade.[419]

The final building block to an effective accounting system is suitably skilled and knowledgeable permanent staff. It is obvious that insufficient staff, high turnover and/or a low skill base would not be helpful.

---

417 For instance: Part 5 – Administration – Division 5 – Annual reports and planning; and Part 6 – Financial management – Division 3 – Reporting on activities and finance.

418 The Information Management and Technology Working Group falls under the oversight of the Western Australian Government's steering committee dealing with structural reform, of which the Department of Treasury is a member.

419 DLG publication: *Asset Management Framework and Guidelines*, Perth May 2011; page 15.

It is also evident that resourcing attracting and keeping skilled staff will be more difficult in some CLGs, by virtue of a low rate-base, weak resources, remoteness and inadequate amenity.

11.2.2 Evidence

Accounting systems

One of the key goals of DLG's Local Government Reform Agenda is to embed a framework for effective governance across the local government sector, supported by adequate systems and processes.

The Minister for Local Government did not address the issue of accounting systems in his submission to the Review, but is engaged with significant aspects of financial management. His submission emphasised these aspects of capacity-building:

> ... ensuring the decision makers and officers have the essential skills, knowledge and experience to manage financial and other resources to sustainably provide services for the benefit of their communities.
>
> ... the provision of templates to assist with strategic planning, asset management and financial management and master classes for local government senior officers and elected members.[420]

In its assessment of CLGs accounting practices in relation to the CLGF the OAG raised the concern that:

> Half the local governments that funded their projects using a combination of CLGF and non-CLGF funds did not establish subsidiary ledgers for their CLGF funding and expenditure. … [and recommended] … RDL should liaise with the DLG to ensure local governments have appropriate accounting systems and governance capacity to meet CLGF funding accountability requirements.[421]

Given CLG reliance on funding outside its own source revenue, especially where it has to implement major projects, it might be expected that CLGs would already have *"appropriate accounting systems and governance capacity".* However the WALGA SSS report, consultation with local governments and RDL, and the varying level of acquittals provided, all suggest otherwise. They highlight the lack of and deficiencies in standardised accounting practices, policies, applications and systems within the local government sector.

Some of the Trust's consultation confirmed these accountability concerns:

- differing standards and quality of accounting systems across the local government sector; and
- a lack of standard practices across the sector to ensure compliance with accounting standards.

Consultation indicated that local government accounting systems range from established products (such as Roman II) through to Microsoft Excel spreadsheets.

One body consulted indicated that the main observation was there was no consistency across the sector as each local government runs on different systems. This means that if the State or Commonwealth have certain expectations of local government which require consistency, then local government will need to be provided with the systems and capacity to do this.

420 Minister for Local Government submission, pages 1-2.

421 *Second Public Sector Performance Review 2010*, pages 24-25; available at http://www.audit.wa.gov.au/report2010.php

Those consulted commented that there is undoubtedly scope for local government governance training and/or accounting packages to be provided. This should not be over-prescriptive, and would best be developed with the sector's support and input.

The Review was advised that there have been several investigations into sourcing a finance system to service the whole local government sector; however, on a user-pays basis the costs involved for the smaller local governments were too great.

WALGA advised that:

> ... one missing element in the capacity building component of the CLGF may be funding for standard software for the Local Government sector. A standard software package would provide all Local Governments with a common operating platform. This would facilitate comparisons between Local Governments and would make transfer of staff and corporate knowledge easier. This is particularly relevant for accounting software and was a key priority of the Finance Working Group established under the SSS.[422]

The DLG advised that:

> It has not been the Department's intention to mandate specific software products or single vendor solutions for the local government sector, but rather to work towards broad agreement on standard data sets that will allow comparative information to be collected at both the State and national level.[423]

The DLG is developing an IT Strategic Framework and advises that:

> The Information Management and Technology Working Group, which reports to the Local Government Reform Implementation Committee, has undertaken research into common local government systems in other jurisdictions, and has identified a number of benefits and risks in these various shared service arrangements.[424]

The DLG makes an important point:

> Future investment in IT solutions, however, must take into account not only new software and hardware, but also network connectivity and workforce upskilling.[425]

Accounting for assets

CLGF investment has primarily been in infrastructure, i.e. CLG assets, so accounting for assets is important to the effective targeting of CLGF funds.

A common refrain in consultation was concern that such CLGF investment left CLGs with maintenance and eventual replacement, and recurrent operating costs. Better asset management should address this issue.

422 WALGA supplementary submission, page 1.
423 DLG supplementary submission, page 2.
424 DLG supplementary submission, page 3.
425 DLG supplementary submission, page 3.

Consultation confirmed that there are key aspects of accounting, such as how depreciation is treated, that differ between local governments. On the face of it, differences of this sort would best be minimised if the intent of significantly improving asset management is to be realised.

Improved asset management is vital[426] and the DLG and WALGA have put considerable effort into improving matters.

WALGA reports that:

> The financial sustainability of Local Governments is being improved through enhanced asset management practices to the extent that Councils are better placed to make long term strategic decisions, grounded in quality data, regarding the whole-of-life financial implications of the assets under their stewardship.[427]

In the relevant DLG publications sighted by the Trust[428] the way in which asset data are to be treated for planning budgeting and financial reporting purposes, including the way in which assets are to be reflected in the accounts, is not resolved.

This is reflected in the LGAM which expresses the different valuation methods for assets with no one method recommended or mandated. This inconsistent approach is highlighted in the SSS report.

However, there has been progress, and most CLGs consulted have been appreciative of the emphasis on and support for improved asset management:

> [Shire of York (Wheatbelt)] Asset management planning has also required local government to analyse current and future needs across all assets from a whole of life perspective rather than an annual balanced budget approach.[429]

> [Shire of Murray (Peel)] Improved asset management is critical to the long term financial sustainability of CLGs ... In the case of the Shire of Murray, asset management plans for buildings, roads, paths, parks, waterways and drainage have been completed due to the funding made available under the CLGF.[430]

Consultation indicated that many CLGs do not even have an asset register, which would mean a large discrepancy within the sector regarding the knowledge and understanding of their asset requirements. Those asset registers that are kept are not standard. Asset data varies and is of a variable standard.

One body consulted stated that CLGs are averse to including the total asset cost in their budget as it would have a significant negative impact on their bottom line. They indicated that CLGs hold a lot of heritage infrastructure and the cost to replace or renew these assets would be fairly high.

---

426 A 2006 Access Economics Report quoted in the WALGA submission, page 8: "states that Western Australian Local Governments are the custodians of over $12 billion of non-financial assets".

427 WALGA submission, page 12.

428 DLG: *Integrated Planning Framework A short guide to strategic planning by local governments; Strategic Plan 2010-2015 better services better communities; Asset Management Framework and Guideline May 2011; Long term Financial Planning Framework and Guidelines May 2011; Integrated Planning and Reporting framework and Guidelines October 2010.*

429 Shire of York (Wheatbelt) submission, page 3.

430 Shire of Murray (Peel) submission, page 4.

The LGAM clearly states that local governments should have asset registers (and provides advice on information to be included); should separate new and renewed assets to assist with asset management; and should classify their assets.[431]

It is these asset classes that the CLGF 2008-09 guidelines were based on. The LGAM states that *"standardisation of asset classes is encouraged* [not mandated note] *in local government as it adds to industry comparability"*[432]; however it then provides a somewhat contradictory statement that *"not every local government will require the full range of these suggested asset class descriptions".*[433]

The CLGF guidelines do include the full range of asset classes. This is another area of discrepancy between local government accounting practices and CLGF parameters.

The way in which assets are valued has material effects on the balance sheet. In one consultation, the question of asset measurement was raised, in particular the issue of 'fair value'.[434] 'Fair value' is one of a number of ways of valuing assets. It is not unusual for 'fair value' to be used for valuing government assets. For instance, the Commonwealth Department of Regional Australia, Regional Development and Local Government values its heritage and cultural assets on this basis.[435]

'Fair value' should attempt to provide a fair or unbiased estimate of the price of an asset. As 'fair value' determinations often involve subjective judgements by management they can be controversial, and the role of the external auditor is therefore critical to ensuring integrity in the 'fair value' view taken and to avoid *"material misstatement".*

The importance of the external auditor to the integrity of this process is recognised in the *Auditing Standard ASA 545: Auditing Fair Value Measurements and Disclosures*, of which this quote is a sample:

> 8 Under *ASA 315 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, the auditor needs to obtain an understanding of the entity's applicable financial reporting framework. …
>
> 16 Management is responsible for establishing an accounting and financial reporting process for determining fair value measurements. In some cases, the measurement of fair value and therefore the process set up by management to determine fair value may be simple and reliable. For example, management may be able to refer to published price quotations to determine fair value for marketable securities held by the entity. Some fair value measurements, however, are inherently more complex than others and involve uncertainty about the occurrence of future events or their outcome, and therefore assumptions that may involve the use of judgement need to be made as part of the measurement process. *The auditor's understanding of the measurement process, including its complexity, helps identify and assess the risks of material misstatement* [emphasis added] in order to determine the nature, timing and extent of the further audit procedures.[436]

431 These asset classes are as stated on S9 – Page 18:
Standardisation of asset classes is encouraged in local government as it adds to industry comparability. A suggested range of classifications are presented as follows: Land; Investment Property; Buildings; Furniture and Equipment; Plant and Equipment; Plant and Equipment – Under Lease; Intangibles; Infrastructure – Roads; Infrastructure – Bridges; Infrastructure – Drainage; Infrastructure – Parks, Gardens and Reserves; Infrastructure – Footpaths and Cycleways; Infrastructure – Airports; Infrastructure – Sewerage; Infrastructure – Other; Work in Progress (by Asset Class).

432 LGAM, S9 – Page 18.

433 LGAM, S9 – Page 19.

434 Consultation GVROC 25 November 2011.

435 The Australian Government – Department of Regional Australia, Regional Development and Local Government – 2010/11 Annual Report.

436 Auditing Standard ASA 545: Auditing Fair Value Measurements and Disclosures: ASA 315 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement.

11.2.3 Trust comment

It is clear that individual CLGs, even if they had the interest, cannot lead the development of standardised accounting systems. That would have to be the function of WALGA, the DLG, or some other appropriate body.

Significant medium-term external funding and support will be necessary to achieve change on this front.

Simple accounting systems are appropriate for a low volume and variety of transactions or entries, but many CLGs are complex organisations. Any standard system would have to allow for both simplicity and complexity.

The single most important item on any CLG balance sheet is the state of its assets and its financial ability to service them.

The LGAM expresses different valuation methods for assets with no one method recommended or mandated. This will contribute to a continuation of the present state of varying data amongst local governments as to their financial situation.

In real terms there are dangers in local governments using different valuation systems, over or under-valuing their assets, using different depreciations systems, and assessing their infrastructure requirements differently.

It is nigh impossible to accurately determine the financial sustainability of CLGs without these matters being resolved and reliable cross-sector asset comparability being achieved. No such assurance is presently possible.

Asset management is right at the heart of considerations of CLG financial sustainability.

Perhaps the most important of all matters with respect to asset management is the treatment of depreciation, and a resolution of depreciation is an essential consideration in any review of CLG accounting systems.

Depreciation includes calculations of an asset's 'useful life'. The useful life of an asset may be measured either by duration[437] or usage.[438] The AASB Standards do not provide advice on the method to use; just that it is to be calculated annually. There are then residual and carrying value factors to include in calculations. Additionally, there is the impairment to be considered (covered in AASB 136 *Impairment of Assets*).

As there is no one method for depreciation[439] the LGAM advises that local governments assess the appropriate method to suit its assets. The AASB Standards advise against a one-size-fits-all approach,

437 The duration method is the period over which an asset or component will be used.

438 The usage method is the expected capacity or outputs it will produce.

439 The four main methods of calculating depreciation, as stated in the LGAM on S9 – pages 33-36, are:
The straight line method; this method uses a uniform annual depreciation charge which is calculated by simply dividing the useful life into the total cost of the asset, minus the estimated residual value, if any. The diminishing balance method.; this method requires the application of a constant rate of depreciation each year to the carrying value of the asset at the close of the previous period. The units of production method; this method requires the application of units such as machine hours, kilometres or physical consumption which reflects the utilisation of the asset. The condition based method; this method directly assesses and measures the allocation of service potential of an asset.

with the LGAM highlighting that *"one of the major issues with using incorrect depreciation rates and/or methods is that a financial report becomes less reliable or misleading"*.[440]

Given this situation, a standardised approach to depreciation may prove an inappropriate or difficult approach to improving capacity in the sector. That is not to say that the sector, once consulted, may not be prepared to agree on a standard approach to certain classes of asset valuation and depreciation.

With respect to RforR and the CLGF the main requirement is asset data integrity and sector comparability. The matter of the asset treatment method is one for the local government sector and the state government (that is, DLG), to agree on.

The question for the local government sector is: what is the appropriate measurement basis for common classes of assets across the sector: historical cost, replacement cost, deprival value, fair value, or market value? Because of the need for a common reporting system, it should not be left in the air. It is important that a decision is made.

Lastly, if it is determined that a CLG cannot afford the life time costs of an asset created under CLGF, this would suggest this was not a suitable project to have implemented. This then brings into question the asset management and strategic planning practices of CLGs.

The staffing issue remains paramount. Some CLGs have just one officer responsible for accounting and data. Losing that officer and retraining a new officer can cause significant problems. That situation is unlikely to change in the medium term.

It would be helpful for such staff to be given the hardware and software tools and support systems that would leave them and their CLG less vulnerable.

With respect to suitably skilled permanent staff for the accounting and data systems, it is obvious that high turnover and/or a low skill base would not be helpful, and that resourcing attracting and keeping skilled staff will be more difficult in some CLGs than others.

Failing to attract and retain skilled knowledgeable staff in CLGs with a low population or rate base or with poor amenity may impact on the standard of financial management. RforR social investment, particularly in housing, is relevant here to the retention of staff.

Standardisation and common systems and software would be of assistance for CLGs with a low population or rate base, since professional able and responsive external remote support is easier to provide in that situation.

In addition, there must be further scope to examine collaboration between groups of CLGs to share in a single corporate services centre for their area, including accounting and data services.

440 LGAM, S9 – Page 32.

11.3 Audit matters

11.3.1 Evidence

Evidence from CLGs

'Process' was discussed earlier in Chapter 6 under terms of reference 2. Audit is an intrinsic part of RDL's CLGF acquittal process, but the CLGF audit process is an issue that rankles with a number of CLGs.

In Chapter 3 the Review identified the high profile the CLGF has in parliamentary scrutiny. In their submission the Opposition reiterated one of the concerns they have raised in Parliament:

> With a large number of regional councils and a large number of projects I am concerned that public money is being used for purposes for which it was not provided and I do not believe there is sufficient oversight of this.[441]

With respect to that point, as summarised in Chapter 3, as part of its *Second Public Sector Performance Review 2010*, the OAG undertook an audit of the CLGF component of the Fund. One finding was that potentially 3% of the CLGF had been spent on ineligible items.

The Shire of Brookton (Wheatbelt) had this to say on the consequences of the political attention the CLGF attracts, and RDL's response to it:

> It is a highly politicised programme that generates high scrutiny. This leads to the programme being over governed.[442] [and] … The overwhelming compliance and reporting burden is way out of proportion to the level of funding and the risk of non-compliant projects. We get driven mad by the army of people reminding us that a reporting deadline is looming. Then there is the additional frustration of having to state the bleeding obvious in the reports. (Tennis courts and housing examples).[443]

A common theme expressed in consultation was that over-governance and over-audit indicated a lack of trust. In their submission this view was again articulated by the Shire of Dardanup (South West):

> ...the ongoing changes and the significant scrutiny (proof of compliance) showed a lack of understanding of existing checks and balances that local governments have and created an atmosphere of a lack of trust in local governments.[444]

Consultation in the Peel Region indicated that the acquittal process was seen as excessive; one CLG said it had been audited three times.[445]

CLGs were critical of double audits:

> [Shire of Cunderdin (Wheatbelt)] Council has not experienced any difficulties with the application or acquittal process by the department of Regional Development & Lands. However, Council does question the need for two auditors (Council's & the DRDL's) to certify the acquittal. Surely, one independent auditors statement should be enough, auditors checking auditors seems to be an unnecessary additional cost that could otherwise be put towards a project.[446]

441 Hon Mark McGowan MLA, Shadow Minister for Regional Development submission, page 1.
442 Shire of Brookton (Wheatbelt) submission, page 1.
443 Shire of Brookton (Wheatbelt) supplementary submission, page 2.
444 Shire of Dardanup (South West) submission, page 4.
445 Consultation 21 October 2011 WALGA Peel Zone.
446 Shire of Cunderdin (Wheatbelt) submission, page 2.

> [Shire of Cranbrook (Great Southern)] We were disappointed to learn that our annual reports for CLGF which had been audited by our external auditors were then subject to a further external audit – no doubt at considerable cost.[447]

> [Shire of Dowerin (Wheatbelt)] For the 2008/09 grant acquittal a financial audit was carried out by the Local Government then that audit was then audited by the Department of Regional Development and Lands. This was a significant waste of resources. Council is not concerned with who carries out the auditing process as long as it is not done more than once for each funding year.[448]

In consultation in the Kimberley Region, the Trust noted these points:

> It would appear that the CLGF is audited more (RDL, OAG) than any other local government funding, which seems excessive. Timing for audits was also an issue as sourcing auditors is difficult. Often CLGs can only get auditors out to them once or twice a year.[449]

The Shire of Broomehill-Tambellup (Wheatbelt) made these points on the audit process:

> The guidelines that relate to the different components of the CLGF provide guidance to the objectives, what can and cannot be funded, conditions and obligations, payment details etc. The process for obtaining the funding is clear and can be achieved with a minimum of fuss however we have found the acquittal and audit process far more difficult. The guidelines and the Financial Assistance Agreements note that audit requirements exist however there are specific details that need to be included that you only find out about when you don't include them. For example the audit process for the 2008-2009 funds required "before and after" photographs of projects. This became evident only after Bird Cameron reviewed the submitted audited statements and the acquittal could not be endorsed without them. The guidelines need to provide information on things that are essential for compliance and be clear about what is required.[450]

In consultation, one CLG raised the example of the Commonwealth's R2R program where they state there is a clear reporting template provided to local governments. It includes a full audit capacity and full performance measurements are already integrated into the worksheet.

This CLG said this template is used by all local governments and no matter what accounting system local governments have, they need to report to Roads To Recovery in the same way.[451]

Reacting to the WA Government's 2010 Red Tape Reduction Group and the 2010 Local Government Reform Steering Committee Report, the DLG recently moved to reduce the compliance audit process specified in the *Local Government (Audit) Regulations 1996* by cutting the compliance audit return from 27 to 8 pages:

447 Shire of Cranbrook (Great Southern) submission, page 1.
448 Shire of Dowerin (Wheatbelt) submission, page 1.
449 Consultation 3 October 2011 WALGA Kimberley Zone.
450 Shire of Broomehill-Tambellup (Wheatbelt) submission, page 3.
451 Consultation 23 September 2011 WALGA Avon-Midland Zone.

> The change decreases the size of the return by removing questions on areas of compliance that are already audited by the Department of Local Government. Greater responsibility is given to each council's audit committee to ensure the council complies with its statutory obligations. The remaining questions relate to areas of compliance considered high risk, such as:
>
> - financial interest disclosures
> - procurement and tendering
> - delegation and use of delegated power
> - the recruitment and appointment of the chief executive officer[452]

After consultation with the LGMA, the Trust noted these points made at the meeting:

> Over-governance makes it hard to be innovative. Each time a CLG spoke to an auditor this was $500. Reporting should be annual and tied in with the external audit. Another suggestion was RDL do spot audits rather than have everyone audited. CLGs must use auditors certified by DLG and they must be specialists in local government accounting. If they changed the approvals to being about the project rather than the expense-line item, this would solve the level of detail required.[453]

The LGMA's contention that there is a concentrated pool of auditors specialising in local government audit is borne out by a newspaper report:

> Currently 15 auditors from 12 private firms conduct audits for WA's 138 local governments and 12 regional councils.[454]

The Shire of Broome (Kimberley) proposed a solution:

> There are a number of matters for consideration that would improve the efficiency and effectiveness of the CLGF, including: ... Eradicating the duplication of audit requirements. Currently it is a requirement for local government's to have their auditors independently sign off the expenditure of the funds at a cost to the Council, this seems ridiculous when on receipt of the audit report it is then submitted to the State Auditors Office for a similar process. It would seem to make more sense for the local government to simply complete a reporting process, include the expenditure and project in its annual report and send relevant information (with associated supported documentation) through to the RDL for submission to the State Auditors Office. Local Government's have a very strict auditing regime and this should be recognised by the State.[455]

According to the newspaper report quoted above, unlike Victoria, Queensland and Tasmania where those States pay for their Auditors General to do performance audits on local government on a fee-for-service basis, WA does not.

---

452 Hon John Castrilli, Minister for Local Government, media statement 28 December 2011.

453 Consultation 5 November 2011 LGMA WA Branch.

454 Amanda Saunders *Local governments audit push* The West Australian WestBusiness Wednesday 7 September 2011, page 7.

455 Shire of Broome (Kimberley) submission, page 3.

The report said this was despite the Western Australian Parliament's Public Accounts Committee recommending in 2006 that financial auditing of 15 per cent of local government occur on a rotating basis.[456]

Those CLGs consulted by the Review on external audit matters universally indicated satisfaction with their auditors' performance.

In contrast, non-CLG comment indicated that the audit requirements under the *Local Government Act 1995* were very modest and allowed for considerable discretion; and that in addition, some local governments were not prepared to budget to do more than the minimum audit necessary.

If that is really the case, then in some cases such a low-fee approach could affect the quality of the auditor and the quality of the audit.

The Review has not assessed audit performance.

The Auditor General

Chapter 3 details the *Second Public Sector Performance Review 2010*, where the OAG undertook an audit of the CLGF component of the Fund.

As outlined in Chapter 3, the key findings of the OAG report were:

- There was a significant delay in expenditure due to reasons such as shortage of contractors, time taken to obtain sufficient quotes, time required for planning approvals and attempts to secure additional funding for larger projects.
- Guidelines were deficient in some areas, particularly:
  - What funds were not to be spent on – which lead to potentially 3 percent of CLGF audited being spent on ineligible items; and
  - No requirement for timely or frequent reporting.
- Half the local governments made no differentiation in local government accounting ledgers between CLGF and non-CLGF funds used on projects.
- A majority of the local governments did not obtain sufficient written quotes for 30 percent of procurements that required them.

The report made the following recommendations:

- RDL should liaise with DLG to ensure local governments have appropriate accounting systems and governance capacity to meet CLGF funding accountability requirements; and
- RDL should conduct risk based reviews to ensure local governments are meeting CLGF funding requirements.

In consultation the OAG indicated that their main observation was that that there was no consistency across the CLG sector when accounting for the CLGF funds. Each local government runs on different systems which allows for different things.

456 Amanda Saunders; *Local governments audit push* The West Australian WestBusiness Wednesday 7 September 2011, page 7.

A major audit issue was the separation in accounts of the CLGF funding from other sources. There is a lack of segregation between CLGF and partnering funds where projects have multiple funding sources.

While the CLGs may properly account for expenditure, they do not have the systems to allow the significant level of detail required for grantee audits. Again, it relates to the variance in the sector, with some being able to undertake full accountability and some unable to.

In consultation some CLGs stated they had never encountered this level of grantee audit before and therefore were not used to the detail and the explanations required. The CLGs were concentrating on project acquittals rather than detailing expense items. There were concerns at what is and is not allowable expenditure.

In addition to this capacity issue was another problem. There had been a lack of clear guidance from RDL as to exactly what was expected. The first year of CLGF did not require great reporting detail but with the CLGF guidelines later becoming more prescriptive greater detail was thereafter required in audits and accounting.

The OAG audit did not look at the decision-making process. However having good planning and procurement systems is essential to good outcomes.

The 2020 Global audit[457]

In 2011 the firm 2020 Global was engaged by the RDL to audit eight RforR projects. The eight projects included the CLGF program.

The objective of the audits was to improve transparency by ensuring that delivery agencies have established a subsidiary register (or equivalent) for the RforR funds and that they reconciled expenditure and receipts on a regular basis.

In particular, the audits examined:

- the roles and responsibilities of the delivery agency involved in the project, and reviewed the controls and governance arrangements that have been put in place;
- the extent of compliance by the delivery agency in relation to agreements on RforR funding initiatives;
- whether funding allocations are spent in accordance with the approved funding objective;
- whether the funding flow through delivery agencies to the point of expenditure and funds are clearly monitored, reported and accounted for and acquitted; and
- whether obligations, accountabilities and reporting requirements are clearly understood and documented.

The purpose of the audit was to identify gaps, advise on additional requirements and improve mechanisms where necessary. 2020 Global provided its findings in separate reports on each of the RforR projects.

457 This information was provided in correspondence 22 December 2011 from the Director General RDL.

2020 Global reported that overall the RforR funds used for all eight projects were well managed, controlled and monitored by each of the delivery agencies involved.

2020 Global's specific recommendations for improvements to the administration of the CLGF are summarised in the table below.

Table 7: 2020 Global Audit Report – The CLGF Section

RfR project	Delivery Agency	Rating	Recommendations	Delivery Agency Response
Country Local Government Fund (CLGF)	Department of Local Government (DLG)	B	• Consideration should be given to stipulating the minimum project detail that Country Local Governments need to supply when completing future Application forms to enable greater consistency of scrutiny of projects before approving the funding. • Progress the audit of a sample individual CLGF projects at the Country Local Government level. • Including more regular and frequent reporting by Country Local Governments about the progress of their Royalties for Regions spending. • Electronic lodgment of progress reports by Country Local Governments to DLG (RDL) • When developing the guidelines for CLGF in future years, there needs to be greater clarity in the guidelines in relation to audit requirements for CLGF funds. • Consideration be given to seeking greater detail of project status on a periodic basis to include monies spend and estimate of monies required to complete the projects.	• The Department of Local Government will be pleased to work with the Department of Regional Development and Lands (RDL) on these matters if required.

11.3.2 Trust comment

The CLGF audit process has undoubtedly irritated many CLGs, who have variously criticised double or multiple audits as an unfortunate and costly consequence of high political interest, as a waste of money resources and time, as exhibiting a lack of trust in CLGs, or as showing ignorance as to the existing integrity of CLG processes.

By requiring extra audit RDL is represented as appearing to believe that the existing and well-established CLG external audit practices do not provide enough surety.

The question of course, is whether some CLG external audit practices are actually weak and do not provide enough surety. The Review has not examined that question.

Audit of different types appear to be a response to a variance in the capability and capacity of CLGs. Some CLGs are perceived as less able to operate and respond to the CLGF program requirements than others.

It would appear that RDL has three possible ways to go – either to rely on CLGs under the principle of subsidiarity to carry out project work under broad guidelines with fairly minimal auditing and reporting requirements; or, to have prescriptive and detailed expectations and guidelines which require detailed audit and reporting and which then places additional costs on both RDL and CLGs; or, to have a less prescriptive but more sophisticated outcomes and risk based system tailored to the varying types and capabilities of CLGs.

The Trust makes the point that CLGs are long-established independent political and executive bodies with governance determined by statute. This warrants respect and trust in CLG judgement and capability, but importantly, that respect and trust must be tempered by a realistic consideration of the history and capabilities of different CLGs.

Such an approach would inevitably require a system for rating risk and capability, so that capable CLGs are not burdened by the higher levels of governance less capable CLGs will require.

The Trust addresses this issue in Chapter 12.

If external audit practice is regarded as less than adequate then this will need to be separately addressed. The Trust makes a recommendation in this regard in Chapter 12.

11.4 The role of RDCs

11.4.1 Evidence

The Review of the RDCs stated that there were a number of roles and responsibilities the RDCs should focus on in future, including:

- using their central and unique position to *drive* and *coordinate* State Government initiatives
- using local knowledge, information systems and networks to *identify* potential opportunities for growth and market failures
- partnering with … local governments …
- to provide high-level and strategic *advice* … with … local governments[458]

Under this term of reference a confidential submission raised the issue of the future role of the RDCs with respect to the CLGF.

The gist of the confidential submission is that while CLGs are independent bodies that are among the better resourced organisations in the remote regions, they have not sufficiently utilised the considerable experience and ability of the RDC to provide constructive input, and if the RDC is brought in it is often at too late a stage.

Additionally, some CLGs can view external input as adversarial. CLG projects that have regional relevance or CLGF regional projects are of particular interest to RDCs:

> [Confidential submission] Given that the Commissions cover more than one Local Government area, they are well positioned to provide constructive input on issues such as regional

458 *Structuring Regional Development for the Future A Review of the Functions and Responsibilities of* Regional Development Commissions, November 2010, page 76, accessible at www.rdl.wa.gov.au

coordination and strategic synergies in Local Government projects, provided that input occurs early in the conceptualisation phase of a project.[459]

RDCo says that:

> … the CLGF could be seen as an effective measure to leverage local governments into larger regional priorities in concert with the Action-Agenda rounds.[460]

The Shire of Lake Grace (Wheatbelt) does see the opportunity to use the CLGF for strategic long-term thinking and outside input, and cites a number of authorities in enabling:

- sustainable regional development
- redressing the loss of population in some regions
- maximising public private partnerships
- mobilising the imagination to come up with solutions[461]

The Shire of Manjimup (South West) identifies:

> … some confusion in the community about the source of funding for R4R funded projects with the Development Commissions also providing R4R funding opportunities for local communities (with greater flexibility than has been provided to local governments). This seems to be driven by the Development Commissions desire to have a greater local profile than towards addressing infrastructure gaps. It would seem more logical for local projects to be funded through the local governments (which would require greater flexibility in the types of projects that can be funded) and for larger scale regional projects to be funded through the Development Commissions.[462]

The debate about roles and responsibilities is also raised by the Shire of Moora (Wheatbelt):

> Consideration needs to be given to determining how local government has greater control over the allocation of regional funding and not direct that responsibility to a state government agency.[463]

11.4.2 Trust comment

The resources, capacity, capabilities, knowledge and understanding of CLGs and RDCs in a local and regional context are invaluable. The combination of the two in the appropriate circumstances should always produce better outcomes.

The Trust believes that the role and responsibilities of CLGs with respect to the CLGF is clearer than for RDCs. Now that the RDC Review has concluded and RDCo and the RDCs are re-appraising their operation, it is timely for the role of RDCs with the CLGF to be revisited.

The Review returns to the role of RDCo and the RDCs in Chapter 12.

459 Confidential submission, pages 4-5.
460 RDCo submission, page 1.
461 Shire of Lake Grace (Wheatbelt) submission, page 8.
462 Shire of Manjimup (South West) submission, page 7.
463 Shire of Moora (Wheatbelt) submission, page 4.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Chapter 12: Trust Views and Conclusions

12.1 Introduction

In essence, the terms of reference question whether there is a continuing need for the CLGF, ask for an assessment of CLGF progress and achievements, ask for an assessment of the formula for allocation, and ask for an assessment of the process for delivering and accounting for CLG projects.

Earlier chapters have addressed the history of the CLGF program and each of the terms of reference. This chapter captures the Trust's views and conclusions on the CLGF following this Review. It is a set of views and conclusions that draws heavily on the experience of the past four years, but whose entire focus is the future.

In this chapter the Trust has boiled the terms of reference down to a set of questions to be answered. As they should, the terms of reference affect more than one of these questions:

- What is the purpose of the CLGF? (Terms of reference 1, 5)
- What should be funded? (Terms of reference 1, 5)
- How much money is needed? (Terms of reference 1, 5)
- Who should be funded? (Terms of reference 1, 3, 4)
- How should they be funded? (Terms of reference 1, 3, 4)
- Who makes decisions on what basis? (Terms of reference 1, 2, 6)
- What will deliver the best outcomes? (Terms of reference 1, 2, 6, 7)

Lastly, but of particular importance, at the conclusion of this chapter the Trust has dealt with key matters of CLG capacity-building concerning accounting and audit.

Before examining those questions it is desirable for the Trust to first summarise its views on the CLGF achievements to date.

The Trust's own observations in the regions, the consultation it has had and the written evidence it has received, all confirm that the CLGF is highly regarded and valued as a WA Government program, and that there is almost universal support in regional WA for its continuation.

Unfortunately, it is difficult for any but a fortunate few to visit and appraise the circumstances of all the settlements and regions of WA. Many people will have some experience of the visible effect of CLGF funding in parts of regional WA, but most people in WA, including those in the policy political and media worlds, will have had little first hand experience of the noticeable effect of CLGF funding throughout regional WA.

The CLGF has been and is an innovative and practical program addressing essential upgrades in the social and economic infrastructure needed used and appreciated by country WA.

As great an achievement as that is to date, the CLGF is not just valued for delivering over 1,000 projects, but for its real contribution to noticeably improving the social and economic fabric of regional WA.

RDL advises the Trust that CLGF investment has supported the undertaking of $445 million worth of projects from 2008-09 through to 2010-11. Most CLGF expenditure is particular to a space or place, but in a few CLGs, when combined with other RforR expenditure such as in the Pilbara Cities program, the CLGF is transformational in effect.

None of this implies perfection. The evidence to this Review includes sharp criticism as well as many constructive proposals on ways to improve the program.

The nature of the Trust's remit under the Act requires constant engagement with RDL. Once the Minister has determined his response to the findings and recommendations of the Review, which will guide RDL thereafter, the Trust will expect to be consulted by RDL as it develops the CLGF policy and practice that will apply in the future.

However, the Trust also expects formal progress reports, and to that end makes the following recommendation.

Recommendation 1

> The Trust recommends that RDL provide both the Minister and the Trust with a detailed report of progress made with respect to the recommendations of the CLGF Review by 31 December 2012, and with a further update by 1 July 2013.

12.2 What is the purpose of the CLGF?

12.2.1 Purpose is determined by the Act

The Act RforR and the CLGF

WA's Government and Parliament have determined that there is a need for a CLGF.

The *Royalties for Regions Act 2009* establishes the CLGF in perpetuity; there is no sunset clause.

The Act sets up the Royalties for Regions Fund. Section 5(1) of the Act describes the subsidiary accounts of the Fund and s5(1)(a) constitutes the CLGF:

> 5(1) The Fund is to consist of the following subsidiary accounts-
>
> (a) the Country Local Government Fund;
>
> (b) the Regional Community Services Fund;
>
> (c) the Regional Infrastructure and Headworks Fund;
>
> (d) any other account determined by the Treasurer, on the recommendation of the Minister, to be a subsidiary account.

The purpose of the Fund and its subsidiary fund the CLGF is dictated and determined firstly by the object of the Act, and secondly by a prescribed application.

Section 4 of the Act states that:

> The object of this Act is to promote and facilitate economic, business and social development in regional Western Australia through the operation of the Fund.

Section 9(1) of the Act states that the application of the Fund will be:

> ... for the following purposes -
>
> (a) to provide infrastructure and services in regional Western Australia;
>
> (b) to develop and broaden the economic base of regional Western Australia;
>
> (c) to maximise job creation and improve career opportunities in regional Western Australia.

These are broad prescriptions. Nevertheless, they are prescriptions.

Overall, the purpose of the Act is that the Fund must promote and facilitate economic, business and social development in regional WA.

The Act does not define what each of the words economic business social or development mean. A reasonable reading of the Act and its parliamentary and policy context would lead to an expectation that these words are to be broadly interpreted.

Since 'business' is not defined in the Act, the broadest definition of 'business' would firstly be of a non-metropolitan organisation (or a metropolitan organisation doing business in the regions), engaged in the production or trade of goods and services, in settlements, specially designated areas, or in the country, whether privately owned or not, whether for-profit or not-for-profit.

The aggregate of business would be a market or industry sector, and the broadest aggregate is the activity of all suppliers of goods and services to the regions.

Since 'development' is not defined in the Act, the broadest definition of 'development' would be that development is intended to broaden deepen promote and facilitate the economic and social well-being of regional WA in aggregate.

Practically, this can only be done by providing the services and amenities necessary for a productive and fulfilled society; by maintaining sustainable jobs and economic activity in the regions; and by providing additional sustainable jobs and economic activity in specific local and regional areas; in so doing raising the prospects, standard of living and wealth of individuals communities and the regions overall.

'Regional' in the context of the Act has a specific geographic meaning, and refers to the nine defined regions of country WA.[464] In s3 of the Act the term 'regional Western Australia'"means a body established under the *Regional Development Commissions Act 1993* Schedule 1".

In public discourse and common usage the word 'regional' is used colloquially, often meaning non-metropolitan WA. The RDCs tend to be more exact in their terminology; for instance the Mid West RDC has formally identified three sub-regions – the Batavia Coast, North Midlands and the Murchison.

In CLG and RDL usage 'regional' is often used in the sense of 'non-local', an expanse of land comprised of a number of localities.

When CLGs and RDL refer to a regional centre, it does not mean the centre of a defined region under the *Regional Development Commissions Act 1993*, but a regional hub servicing a catchment of farms, pastoral stations, mines and small settlements; or alternatively, as in the case of the Shire of Katanning (Great Southern), the town of Katanning servicing not just the shire but adjoining shires.

CLGF decision-making will be affected by whether development is regional, sub-regional or local. This is a more important point than might be realised. Objectively appraised, a development decision which is seen as strategic and vital by a CLG at the local level may matter less at a sub-regional level, and may not matter much at all at a regional level.

If CLG plans are to be integrated into the overall State regional planning strategy, which ideally they should be, putting it colloquially it is important that what rightly matters to the locals is not lost in the big picture.

A grants system to individual CLGs allows for local decisions to be made and priorities determined, which might not be approved if taken at the sub-regional or regional level.

464 The nine regions of Western Australia established by the *Regional Development Commissions Act 1993* are the Gascoyne, Goldfields-Esperance, Great Southern, Kimberley, Mid West, Peel, Pilbara, South West and Wheatbelt regions. That Act establishes nine regional development commissions in those regions to coordinate and promote the development of regions and to establish a regional development council.

Non-contestable grants to individual CLGs operating under the principle of subsidiarity have the merit and priority of projects decided within individual CLGs, but as soon as grants move from the individual CLG to a group of CLGs and become contestable, outside criteria are needed to determine merit and priority.

The Australian Local Government Association (ALGA) says that regional development is difficult to define:

> Due to its cross-disciplinary nature, regional development is difficult to define. Regional development is perhaps best viewed as a holistic process whereby the environmental, economic, social and cultural resources of a region are harnessed for sustainable progress in ways that reflect the comparative advantages offered by a particular geographic area.[465]

In the context of development, in this quote ALGA uses a key phrase: *'sustainable progress'*. In the view of the Trust, harnessing the resources of a region for 'sustainable progress' in regional development requires aid or assistance to areas within regions that are short of resources or capital, or that are economically under-developed, or where aid or assistance will open up undeveloped areas, or enable new development.

While in the context of the Act 'development' should be read broadly, in the opinion of the Trust in the context of the Act it still does intend a specific meaning – either to promote the economic and social well-being of areas within regions and regions as a whole, or to promote sustainable growth, or both.

Growth is a narrower concept than development[466] but it is an important expectation and component of development. The word 'growth' is not used in the Act, but the Act does specifically intend in s9(1)(b) and s9(1)(c)[467] to promote and facilitate regional growth in under-developed or undeveloped areas.

Consequently expenditure by the RforR Fund should help create growth opportunities, address market failure so that growth opportunities are enhanced, build regional capacity to encourage growth, and help remove barriers to growth. Always accepting of course, those restraints on growth established in the public interest by public policy.

The large object of the Act and its necessarily broad interpretation does not imply that 'anything goes'. To assess whether development has been achieved requires performance standards to be set and the ability to measure outcomes.

There is also an inbuilt public-sector obligation on RforR to be accountable and transparent, to get value for money, and to achieve the significant outcomes intended by the Act and its originating policy:

> Given the importance of directing new resources to those regions and areas of investment where the potential is greatest, showing the extent to which resources are properly targeted and in fact reach their intended beneficiaries is an important activity for evaluators.[468]

465 ALGA website, accessed 10 November 2011.

466 In the 2008 European Commission paper *Theoretical underpinnings of socio-economic development* (accessed by internet 9 December 2011), the paper notes the movement since the 1970's from a dependency (subsidy/subvention) system to an emphasis on supply or capacity "such as mobilising underused resources, increasing the capacity and value of existing resources and transferring new resources into a region or sector".

467 *Royalties for Regions Act 2009*: section 9(1)(b) to develop and broaden the economic base of regional Western Australia; section 9(1)(c) to maximise job creation and improve career opportunities in regional Western Australia.

468 2008 European Commission paper *Theoretical underpinnings of socio-economic development,* page 2; (accessed by internet 9 December 2011).

A plain reading of the Act indicates an RforR bias towards new development. In effect this is a state-building Act, not a state-maintenance Act.

Section 9(1)(a) says "to provide" not to 'maintain and provide' "infrastructure and services in Western Australia".

Section 9(1)(b) is unequivocal in its imperative to "develop and broaden", and so emphasises new investment, a prescribed enlarging of the economic base of regional WA.

Section 9(1)(c) is equally unequivocal in its imperative to "maximise job creation" and "improve career opportunities"; in so doing it emphasises growth and increased opportunities in employment and careers.

Practically, the Act's bias towards new development does not preclude investment in the maintenance of existing infrastructure and services that support the regional economic base. If it did not the regional economic base would decline, which is not what the Act intends; or else the regional economic base will not be sufficient to provide the necessary economic and social platform from which further or new growth can occur.

The CLGF purpose is determined by the Act

As a constituent part of the RforR Fund therefore, CLGF investment must promote facilitate or support the existing economic and social base and significant and sustainable development and growth in WA country towns and cities and in WA's rural areas, through the medium of CLGs.

Although that CLG task is not spelt out in s5(1) of the Act, each subsidiary fund is intended to have a different task under the Act. If that were not the case, there would just be one Fund and no subsidiary funds.

By creating subsidiary accounts the Act intends that each subsidiary fund should have a specific purpose, and need not attempt to realise the whole purpose of the Act.

As for any subsidiary fund established by the Act, the Minister is able to use his discretion and to determine any purpose, providing it conforms to s4 and s9(1) of the Act. However, the very name of the CLGF subsidiary fund obliges the Minister to concentrate on the purpose most suited to CLGs.

All the evidence indicates that is undoubtedly CLG investment and interest in non-financial infrastructure assets.

The creation of the CLGF pre-dated the Act. From the start, the Cabinet determined the primary purpose of the CLGF to be local government infrastructure asset renewal and/or infrastructure asset creation.

This was done not just because of the 'infrastructure backlog' identified in the 2006 report that was sponsored by WALGA,[469] but because CLG infrastructure assets are so important to their communities and to the State.

Road infrastructure accounts for approximately 60% of local government's non-financial assets and buildings and other infrastructure account for a further 30%.[470]

469 See the December 2006 report: *In Your Hands – Shaping the Future of Local Government in Western Australia;* sponsored by the WALGA.

470 WALGA submission page 8: Access Economics (2006) *Local Government Finances in Western Australia*, page 24.

An infrastructure backlog can arise from a failure by the CLG to act, approval or authorisation not being received, insufficient resources or inadequate funds.

Section 9(1)(a) of the Act does not mention 'addressing a backlog' in infrastructure provision, but neither does it prohibit such a purpose; in any case, addressing an infrastructure backlog does comply with s9(1)(a).

A backlog can be twofold in nature. It can either be a backlog in investment on maintaining or upgrading existing infrastructure, resulting in a deterioration of existing assets; or it can represent a backlog of investment in needed new infrastructure, so restraining growth and development.

Although the CLGF pre-dated the Act, the CLGF's consistent and continuing concentration on infrastructure since 2008 is supported by the Act.[471]

In the opinion of the Trust, the main purpose of the CLGF has been and should continue to be s9(1)(a) of the Act. However, where investment not only satisfies section s9(1)(a) but also satisfies s9(1)(b) and s9(1)(c) concerning the economic base and job creation, it should rank highest in priority terms.

What type of infrastructure should be CLGF funded? As he is entitled to, the Minister has determined these through his Cabinet-approved guidelines.

The Trust will make further comment on the guidelines later in this chapter.

Funds available to achieve CLGF purpose

Income into the Fund cannot be withheld, the consequence being that the Fund has a significant steady secure and ongoing income. Section 6(2) of the Act requires the Fund to be credited 25% of WA's forecast royalty income in each financial year.

The Fund is not an accumulative fund. Regular and significant expenditure from the Fund is mandated, not just by the legal obligations imposed by s4 and s9(1) quoted above, but also because s8 of the Act ensures that the credit of the Fund at any time does not exceed $1 billion.

Although s6(2) of the Act ensures that the flow of income into the Fund is not discretionary, s5(2) of the Act means that the allocation of that income between the subsidiary accounts is; s5(2) of the Act states that the Treasurer on the advice of the Minister will determine the allocation of Fund income between the subsidiary accounts.

This means that the funds available to the CLGF could range from small to large, and could legally be varied from one financial year to another. It also means the funding certainty desired by CLGs of CLGF funding cannot be delivered by the Act, but can only be delivered as a result of the policy of the government of the day.

The Act is silent on where, geographically speaking, the Fund and by extension the CLGF should be spent. The Act does not require RforR monies only to be spent in regions generating royalties, nor does it require proportional expenditure in each region, nor does it require investment only in settlements or populated areas.

471 CLGF allocations in 2008-09 were directed to individual local government infrastructure asset renewal and/or infrastructure asset creation.

The combination of a requirement to invest RforR monies in CLGs and the obligations imposed by s9(1) does appear to indicate that a large proportion of the CLGF spending is intended for regional settlements.

Because s4 and s9(1) indicate the Fund is to benefit all of regional WA, the Act does intend non-metropolitan state-wide expenditure in all the nine defined regions of regional WA, whether in settlements or in the country, and whether coastal or inland, semi-rural, rural or remote.

This is because its object is to promote and facilitate economic, business and social development in regional Western Australia as a whole.

12.2.2 Other policies can be part of purpose

Any government policy can be a secondary part of the purpose of the CLGF, provided that policy is in accord with the Act, and provided the Minister and then the Cabinet agree to RforR expenditure on that policy.

With respect to the current CLGF program, a broader government objective encouraged by the EAC report, namely the promotion of subsidiarity (the principle encouraging local decision-making), is presently supported in the CLGF.

The promotion of the subsidiarity principle does not conflict with s4 and s9(1) of the Act, and indeed is intended to enhance regional development outcomes and to enhance the development of human capacity in the regions.

In advice elsewhere to RDL and the Minister, the Trust has recommended the adoption of other Economic Audit objectives in RforR, and therefore in the CLGF, such as an outcomes-based approach, the advancement of productivity,[472] and more regional decision-making as well as regional service delivery. These clearly comply with the purpose of the Act.

With respect to the current CLGF program, policy objectives promoted or supported by the DLG are in play. These include the DLG policy seeking the amalgamation of certain CLGs, which has been supported by CLGF expenditure to facilitate the voluntary amalgamation of targeted groups of shires.

Other DLG policies include capacity-building for CLGs, under which banner fall matters such as systems development, strategic plans and asset management plans. These are positive for local sub-regional and regional development and are used as inputs to CLGF decision-making.

Although FCWPs are a requirement of the CLGF program, they are of the same genre as DLG's asset management plans.

In the opinion of the Trust, these DLG objectives clearly support s4 and s9(1) of the Act.

12.2.3 Conclusion

As a result of this Review the Trust could have found that the CLGF is no longer needed, and recommended consequent amendments to the Act and to RforR policy, but in Chapter 4 the Trust has concluded there is a continuing need for the CLGF.

472 Note the lifting of productivity is also one of six Commonwealth Priority Areas used by Regional Development Australia as criteria for regional grant applications.

The Trust will recommend that the CLGF continue.

Once that threshold question has been answered, the next overall question is whether the CLGF program as it has operated to date has fulfilled the purpose and met the prescriptions and intent of the Act.

The Trust's answer to that question is yes, but further improvements to the CLGF program can and should be made.

At present the CLGF's overall aims are to:

- address infrastructure needs and support capacity building;
- improve the financial sustainability of country local governments in Western Australia through improved asset management;
- provide financial assistance to country local governments which choose to amalgamate voluntarily; and
- assist groups of country local governments to fund regionally significant infrastructure projects.

This is confusing. All these cannot rank equally as aims. A clearer restatement could be as follows:

> *The purpose of the CLGF* is to satisfy the intent of sections 4 and 9(1)(a) of the Act, principally by addressing the infrastructure requirements of CLG either through individual CLGs or contiguous Groups;
>
> That being said, CLGF spending on infrastructure that addresses other s9(1) requirements by providing services, or that develops and broadens the economic base, or that creates jobs or improves career opportunities is to be preferred over infrastructure spending that does not; and
>
> *To enable the purpose of the CLGF to be realised* it is necessary to also invest in CLG capacity-building, both physical capacity and human capacity, and CLG capability, provided that investment will assist in producing optimal future CLG infrastructure investment decisions, and help improve the overall financial viability of CLGs, particularly through improved asset management.

The discussion above draws the Trust to these conclusions on the purpose of the CLGF.

Because the Fund and therefore the CLGF is governed by the Object of the Act (s4) the CLGF must contribute to regional economic business and social development.

The consequence of this conclusion is that to be funded in future, CLGs have to have development prospects and projects with any or all of economic business and social development outcomes.

At the commencement of the CLGF, it would have been difficult to conceive of CLGs that had no infrastructure needs, and since 2008 there has been CLGF infrastructure expenditure in every CLG.

For the future, it is possible to conceive of individual CLGs whose infrastructure proposals may not promote and facilitate economic, business or social development sufficiently, or that may not develop and broaden the economic base of their area meaningfully. These CLGs would need to show why they should get CLGF funding.

The CLGF does not have to meet the full scope of regional investment envisaged by s4 and s9(1) of the Act. Provided the Minister makes a legitimate case for his emphasis, the Minister is lawfully able to concentrate on any aspect of s9(1) for the CLGF.

The Trust concludes that the importance of infrastructure both to regional and local development and to CLGs justifies the Minister determining the principal or primary purpose of the CLGF to be local government infrastructure asset renewal and/or infrastructure asset creation, which is what he has done.

This satisfies s4 and the 'infrastructure' purpose of s9(1)(a) of the Act whose purpose is "to provide infrastructure and services in regional Western Australia".

The Review has led the Trust to conclude that the principal purpose of the CLGF should be to address the infrastructure needs of CLGs, either through individual CLGs or contiguous groups of CLGs, always provided that investment satisfies the intent of s4 and s9(1) of the Act.

Whether the CLGF is to be used to maintain or upgrade existing infrastructure, or to be spent on new infrastructure, is immaterial. What is material is the outcome, measured against the purpose of the Act.

The Minister is not obliged to require the CLGF to meet the obligations of the 'services' part of s9(1)(a) nor to require the CLGF to satisfy s9(1)(b) "to develop and broaden the economic base of regional Western Australia" or s9(1)(c) "to maximise job creation and improve career opportunities in regional Western Australia".

That being said, CLGF spending on infrastructure that also provides services or that develops and broadens the economic base, or that creates jobs or improves career opportunities, is to be preferred over infrastructure spending that does not.

In practice, investment in infrastructure would invariably support the provision of services, have an economic and social effect, and create jobs.

The Trust concludes that clearing the infrastructure backlog is a valid objective under the Act when it meets the Act's overriding obligation of development; it is not otherwise. To be clear, future CLGF guidelines should drop the 'backlog' terminology.

It is open to the Minister to determine the sort of infrastructure that the CLGF should invest in, provided it meets the intent of s4 and s9(1) of the Act and provided it is guided by significant outcomes.

For instance the decision whether to invest in roads or other infrastructure or both should be dictated by which will contribute most to growth and development.

The Review has drawn the Trust to the conclusion that the infrastructure needed by CLGs is very substantial, and that continued CLGF investment is required.

Having determined its views on the purpose of the CLGF, and having decided that not only is there a continuing need for the CLGF but a very significant infrastructure task still to be tackled, certain consequences automatically follow.

The size of the infrastructure task still facing CLGs means that the CLGF should continue at least at the current level of budget allocation. The data available to the Trust does not enable it to calculate how much funding is still needed, but at current levels of CLGF spending, the indications at present are that the CLGF is required in the longer term.

Taking into account the evidence to the Review and the Trust's findings, there is a case for increasing the CLGF budget allocation.

Because there is a need for both levels of investment, CLGF funds should continue to be allocated both to individual CLGs and groups of CLGs selected and appropriated against defined criteria.

While it is vital to focus more on strategic outcomes than has been the case, there is still a need to continue to address relevant smaller local infrastructure requirements that are valued by CLG communities.

While the findings and recommendations of the Review are being addressed, the work of the CLGF will go on. It is important that the sector is disrupted as little as possible until all the necessary changes are in place and their implementation can be well-managed.

The Trust will recommend that no material change in CLGF allocation systems (unless generally welcomed by the sector) should occur earlier than 1 July 2013, to allow present CLG budgets plans and projects to be realised.

The Trust realises that to deliver regional and local development CLGs must have capability. The Trust has concluded that they all do have capability, but they do not each have it to the same extent. CLGs do vary widely in capacity.

The consequence of this variance is that to deliver improved outcomes, capacity-building is needed for many CLGs. It is also needed to assist Groups working collaboratively.

The Minister is therefore justified in supporting CLG capability and capacity-building in order to help fulfil the principal purpose of the CLGF, provided it will have that outcome. Capacity-building should be funded where it will contribute to optimal CLGF investment decisions being made in future.

The Trust has concluded that encouraging amalgamations of weakly resourced and structured local governments is a legitimate goal for CLGF capability and capacity-building funding. Those CLG amalgamations or programs to be funded should be prioritised and targeted at CLGs assessed as most at risk in financial sustainability terms. A second consideration is where amalgamation is likely to have significant and positive regional development consequences.

Aspects of the Trust's conclusions are picked up in later recommendations in this chapter, including recommendations on capacity-building and amalgamations.

Recommendation 2

The Trust recommends that the Minister accept that:

1. *The purpose of the CLGF* is to satisfy the intent of sections 4 and 9(1)(a) of the Act, principally by addressing the infrastructure requirements of country local government either through individual CLGs or contiguous groups of CLGs;

2. That being said, CLGF spending on infrastructure that addresses other section 9(1) requirements by providing services, or that develops and broadens the economic base, or that creates jobs or improves career opportunities, is to be preferred over infrastructure spending that does not; and

3. *To enable the purpose of the CLGF to be realised* it is necessary to also invest in CLG capacity-building, both physical capacity and human capacity, and CLG capability, provided that investment will assist in producing optimal future CLG infrastructure investment decisions, and help improve the overall financial viability of CLGs, particularly through improved asset management.

Recommendation 3

The Trust recommends that the Minister:

1. Continue the CLGF at least at the current level of budget allocation;

2. Build into his considerations that while it is vital to focus on strategic outcomes, there is still a need to continue to address relevant smaller local infrastructure requirements that are valued by CLG communities;

3. Taking into account the evidence to the Review and the Trust's findings, consider increasing the CLGF budget allocation, and

4. Appropriate CLGF funds for allocation to categories of individual CLGs and groups of CLGs selected and appropriated against defined criteria.

Recommendation 4

The Trust recommends that no material change in CLGF allocation systems (unless generally welcomed by the sector) occur earlier than 1 July 2013, to allow present CLG budgets plans and projects to be realised.

12.3 What should be funded?

Overall

Terms of reference 5 boils down to 'what should be funded'?

The Trust comment in Chapter 9 on terms of reference 5 is that to a large degree, the Trust considers that the CLGF has got it right and 'what should be funded' is what is funded now.

The sector believes 'what should be funded' for individual CLGs is in this order of priority: infrastructure, and secondarily, capacity building; and for Groups in this order of priority: CLG infrastructure, secondly, sub-regional infrastructure; and thirdly, sub-regional capacity building.

The Trust does not disagree with the sector, but priority does depend on the particular CLG, sub-regional or regional needs and circumstances. The CLGF investment also depends on the CLG ability to sustain it.

What has been funded to date has been local government infrastructure asset creation, asset preservation or asset renewal.

The Trust has recommended that the CLGF should continue to address the infrastructure needs of country local government in that way, either through individual CLGs or contiguous groups of CLGs.

The Trust has also recommended that CLGF spending on infrastructure that also provides services, or that develops and broadens the economic base, or that creates jobs or improves career opportunities is to be preferred over infrastructure spending that does not.

What has also been funded to date has been investment in CLG capacity-building. The Trust has recommended that this continue. It is necessary to invest in CLG capability and capacity-building, both physical capacity and human capacity, provided that investment will assist in producing optimal future CLG infrastructure investment decisions.

It is important to avoid CLGF funding unsustainably increasing the burden on rate payers of a particular CLG. In this respect FCWPs and Asset Management Plans provide (in many cases apparently the first) planning tools for CLGs that help them gain a much better understanding of cash flows, revenue and expense over the medium term.

Any future CLGF funding provided should be on the basis that projects are accepted by the CLG community, meaning that the CLG assure themselves and their community that they have the internal financial capacity to meet the consequent ongoing costs of CLGF asset investment.

Revenues tend to be relatively fixed for CLGs. Any new project that impacts on baseline expense should be assessed by the CLG to ensure it can be financially sustained over the longer term.

Further, the Trust has noted the modest CLGF expenditure to date on encouraging voluntary amalgamations of weakly resourced and structured local governments.

The Trust has recommended funding should continue to encourage amalgamations of weakly resourced and structured local governments, and CLG capability and capacity-building.

Those CLG amalgamations or capacity-building programs to be funded should be prioritised and targeted at CLGs where it will have significant and positive regional development consequences, including a consequent improvement in the financial sustainability and operating capacity of amalgamated CLGs.

Changes sought

The question is what changes should be made to 'what should be funded' in terms of present CLGF practice.

As a matter of good process RDL should review its overall CLGF program, taking into account the evidence to this Review and the Trust's findings, particularly with respect to earlier chapters on terms of reference 1 and 5.

In an overall policy sense, particularly in circumstances where the principle of subsidiarity is in play, the Trust supports a principles-based approach, providing governance systems appropriately protect the integrity of the program.

In the context of the CLGF, a principles-based approach would be less prescriptive and less centrally process-driven. It would allow for more flexibility and judgement to be vested in the agent or grantee.

A principles-based approach does not mean that guidance is dispensed with. Guidelines are necessary on where CLGF expenditure should be made, supported by a rapid and authoritative RDL response system for any queries.

The CLG guidelines should make clear the broad purpose of the program, what will be funded, the outcomes that are sought, and the conditions that apply.

The Trust has commented that the individual CLG guidelines are now quite settled, although at the strategic level a narrowing of the CLGF is proposed as a sharper focus on priorities and outcomes is sought.

In evidence to this Review there is a split between those CLGs who believe that CLGs should not concern themselves with infrastructure that is the responsibility of State and Commonwealth agencies (such as power, aged care and even roads), and those that believe they should, where appropriate. The Trust agrees with the latter.

The Act requires regional development, and that covers investment in any program or project that meets the requirements of the Act. The Trust agrees with RDL that resource constraints within other government portfolios means that it is reasonable for local governments to invest in necessary and strategic regional initiatives so that these are delivered sooner or more efficiently than they would otherwise be if undertaken by the State or Commonwealth departments.[473]

The Trust comment in Chapter 9 on terms of reference 5 is that the sector desires a broader range of investment options as part of its infrastructure plans. In that section the Trust agreed that RDL needed to revisit the area of 'plant and equipment'.

473 RDL submission, page 4.

To take one example, if the CLGF's overall aim is to "address infrastructure needs" and CLGF grant expenditure must be "individual local government infrastructure asset creation, preservation or renewal"[474] roads should fall under the CLGF if they are identified in the FCWP.

It seems odd then to exclude the purchase of capital moveable equipment such as road patching trucks and graders that are essential to achieving road asset creation, preservation or renewal. That point is particularly relevant to large and remote CLGs.

The guidelines do provide for related costs, which is helpful to better project management, but the Trust believes that RDL should re-examine the question of what planning and project costs should be allowable under the CLGF.

The evidence indicates that this is not just a major concern, but often a legitimate one. It is not only an issue for asset investment but for capacity building, including the development of human capacity.

Investment in sound professional planning and project preparation significantly benefits project cost management and performance, and is essential to good practice in tendering and procurement.

Increased resources will be needed for planning project and business case development and ongoing project management. CLGF funding was provided to RDCs to facilitate regional planning activities with Groups. It should continue.

As outlined later in this chapter, the Trust has placed considerable emphasis in this Review on the importance of being outcomes-based; the importance of being as precise as is reasonably possible about the intended result; and, able to measure the actual result. Benchmarks for both infrastructure and capacity-building need to be generated.

The broad question of how the CLGF has been addressing the CLG infrastructure backlog is answered in Chapter 3, but to measure the inroads the CLGF has made into the infrastructure backlog so far and how many more years of investment might be required needs hard data.

In the absence of a quantified and comprehensive summary of the nature of the infrastructure backlog by CLG and by asset, aggregated by region, the question is impossible to answer. The data is just not available.

The evidence shows that the CLGF is undoubtedly regarded as having a significant effect or impact but that impact has not been measured. The Trust agrees with the WAPC that the impact of the CLGF should be measured against the aims of the stakeholders, that is, both the grantors and the grantees.

With the availability of FCWPs and significant improvements expected in CLG asset management there is the potential to gain a more accurate picture of the backlog within the sector. DLG are in the progress of mandating asset management planning across the sector, which must be complete by 30 June 2013.

For the purposes of this Review, the question of how the financial sustainability of CLGs is being improved through improved asset management can be considered from two perspectives: asset management systems and the investment in assets.

474 Both quotes are from the RforR CLGF Individual Country Local Governments 2011-12 Guidelines, page 2.

Asset management systems improve the financial sustainability of CLGs if they result in a properly prioritised, managed, and manageable asset maintenance renewal and replacement program, that is affordable and productive.

The Trust believes financial sustainability exists for CLGs where a conservative realistic assessment of future own source and transfer income mean that asset operation, maintenance, replacement, renewal and creation can occur on a structured and planned basis over the longer term.

The evidence provided to the Review does not equip the Trust to make a judgement as to how well the CLGF is helping achieve improved financial sustainability from improved asset management for individual CLGs or for the sector as a whole, although the evidence clearly indicates that things are going in the right direction.

Despite the resistance to it to date, the proposed amalgamation of a number of CLGs is seen by DLG and others as an essential move towards financial sustainability. The Trust does not disagree.

The Trust recognises that it is important to regional development to have well resourced able and experienced CLGs in place, and where and if amalgamation can help deliver that, it is a plus to development.

Those CLGs willing to voluntarily amalgamate do make a case for needing funding to be able to professionally explore the issue.

From the evidence to this Review, it is not clear to the Trust what effect CLGF funding is having on voluntary amalgamations so far. This aspect of the CLGF program needs reviewing to make it more effective.

The Minister for Local Government's recommendation that a significant number of CLGs that have not "embraced reform" should not receive CLGF funding is not supported by the Trust.

The Trust's proposal for an RDL review of the amalgamation issue may result in new incentives or disincentives to amalgamate, but to cut off CLGF funding on that basis now seems premature.

This Trust view that CLGs should not be penalised in this particular way does not mean that it considers all CLGs will always be entitled to funding. The CLGF is not shire welfare.

The acceptance of some of the Trust's recommendations might result in some circumstances where particular CLGs would not be funded.

What should be funded is predicated on the ability to spend the funds. There are real constraints on many CLGs expanding their capital works programs.

The majority of CLGs may have accepted this challenge and worked through some of the internal capacity issues in planning and project management. However there are a significant number that have struggled.

For those that do have the internal capacity often there were and are constraints of undertaking projects to a time-specified budget in an overheated economy or where contractors simply were not available.

Building internal capacity is a responsibility accepted by DLG which has been funded through RforR to do this.

The proposed RDL review could benefit from a clear enunciation of what is being achieved in this area and what issues DLG are facing in building capacity.

It should be noted that RDL took over management of the funding component of CLGF so that DLG could concentrate on the capacity-building elements.

Recommendation 5

The Trust recommends that by no later than 31 December 2012 in order to be operational by 1 July 2013, in consultation with the CLG sector and taking into account evidence to this Review and the findings of the Trust, RDL settle revised guidelines for both individual CLGs and groups of CLGs, making clear the purpose and priorities of the CLGF, what will be funded, the outcomes that are sought and the conditions that apply.

Recommendation 6

The Trust recommends that, by no later than 31 December 2012 in order to be operational by 1 July 2013, and taking into account evidence to this Review and the findings of the Trust, RDL after consultation with DLG and WALGA, review the basis on which CLGF funding will be provided for the amalgamation of selected CLGs, to improve the likelihood of amalgamation occurring.

12.4 How much money is needed?

The question of quantum, of how much money is needed for the CLGF, was addressed to some extent in chapters 3 and 4, and in the chapters 5 and 9 on the terms of reference 1 and 5.

In 2007-08 when the RforR policy was being developed, for those living in or visiting the regions, no doubt WA's country infrastructure backlog was self-evident in many respects, with the evidence before their eyes, supported by the reports and commentary of CLGs.

As reported in Chapter 3, a quantification of this infrastructure backlog was provided in WALGA's 2006 SSS report, a key component of which was its estimated $1.75 billion infrastructure backlog for metropolitan and regional local government, and the lack of financial and resource capacity to address that backlog.

This $1.75 billion backlog was an estimate. This figure was not built up from each local government by individual asset, aggregated by asset class, and in turn aggregated by country region, greater Perth, and the State.

Whether the $1.75 billion figure is an upper or lower estimate is not known. WALGA is of the view that improved asset management practices may reveal a greater backlog than the $1.75 billion.[475]

As outlined in Chapter 3, it was evident to the Review that there was limited data available to either support the SSS report's claim of a $1.75 billion infrastructure backlog or to enable a critical analysis of the impact of the CLGF against this backlog.

The Review's indicative analysis is that the SSS $1.75 billion infrastructure backlog estimate for the whole State is potentially very conservative.

Such a conclusion is supported by the 2009 OAG examination into the maintenance[476] required for the State's road network. That report estimated that the cost to eliminate overdue road maintenance alone may exceed $800 million.[477]

It is always helpful if apples are compared with apples. Asset systems vary greatly by CLG.

The LGAM was not developed until 2009, three years after the SSS report. The LGAM is a voluntary accounting aid, and its introduction has not resulted in standard comparable asset data across the CLG sector. The LGAM does encourage better accounting and data collection but there is no sector-wide agreement on a common method of valuing types of asset by asset class, or on depreciation, or on whole-of-life costing.

Consequently, in two CLGs the same type of asset of the same age and wear-and-tear may be valued differently and have a different life given to it, because different accounting and valuation methodologies are used.

FCWPs do not get over those problems, but FCWPs have forced each CLG to be much more exact about the state of their assets, and what is entailed in preserving or renewing them or in creating new assets.

475 WALGA submission, page 11.

476 The outline for what is considered maintenance is outlined on page 10 in the OAG report. Maintenance does not include works such as sealing roads, widening, or the creation of new roads.

477 Western Australian Auditor General's Report, *Maintaining the State Road Network*, Report 6 – June 2009, page 6.

DLG are in the process of mandating asset management planning across the sector, which must be complete by 30 June 2013. Asset registers and asset management systems are still being developed, and are planned to be in place by then.

RDL does not yet have the data to answer the question of how much more money is needed for the CLGF, but analysis of the FCWPs in combination with the data that will emerge from DLG and sector planning and asset management efforts, should enable them to get a far better handle on it by 2013-14.

Individual CLG data will not usually reflect those asset investments being considered by groups of CLGs. Planning systems for sub-regions and regions are improving. RDL accumulates Groups' requests for the budget, but an overall infrastructure investment need established by Groups is not available.

It is not clear to the Trust whether a system is needed to collect such data by collaborative groups of CLGs, by asset and asset class. It may not be useful, and the budget system may suffice.

What is apparent from the evidence is that the money available by CLG and by CLG collaborative group is often not enough for larger-scale projects.

Leveraging is an important mechanism for increasing the value of CLGF expenditure, particularly on larger-scale projects. It obviously has a valuable multiplier effect.

Leveraging is occurring, occasionally in an impressive manner, but generally on a haphazard basis. It appears to be greater as a proportion of funding with Groups' projects.

Such evidence as is available indicates that leveraging is inadequately developed and promoted overall.

The Trust considers that methods for improving leveraging need to be developed.

Recommendation 7

The Trust recommends that:

1. RDL analyse all FCWPs by 31 December 2012 in order to be operational by 1 July 2013, to ascertain the actual infrastructure status, needs and priorities of each CLG on an asset class basis to help determine CLGF desired outcomes by categories of CLGs; and,

2. That RDL develop and publish improved data on the infrastructure backlog in the CLG sector.

Recommendation 8

The Trust recommends that RDL in conjunction with RDCo the RDCs and the CLG sector, develop methods for improving CLG leveraging ability.

12.5 Who should be funded?

'Who should spend the money' addresses terms of reference 1, 3 and 4 in chapters 5, 7 and 8.

At present the CLGF is spent by CLGs and collaborative groups of CLGs. There have been relatively small payments made to agencies like the DLG, but once CLGF funds have been granted, executive control over the allocated funds has rested with the sector.

The answer the Trust gives to this question of who should spend the money is that there should be little change. The Trust made these comments in Chapter 5:

> No case has been made for taking the decision-making and execution function from the CLGs either individually or in Groups …
>
> CLGs are long-established experienced contributors and participants in regional decision-making and development. Their local knowledge and judgement are invaluable, and not to fully exploit this local and regional political and organisational talent in the cause of regional development would be foolish.
>
> CLGs are essential to the mix of methods, leaders, and organisations necessary to the optimal and further advancement of regional development, and the CLGF enables them to be actively engaged not just as facilitators but as proponents.

Such an approach might lead some readers of this Review to assume all CLGs should therefore continue to get CLGF funds. The Trust has come to a view that this should not necessarily be the case. In Chapter 7 the Trust commented that:

> Factors such as instances where CLGs are resisting reforms that can be demonstrated to be beneficial to themselves and the local community; where CLGFs do not have adequate asset management planning or clearly demonstrated infrastructure backlogs; or where CLGs do not have clear outcome-based projects against agreed priorities, could all be considerations affecting funding in future.
>
> There is also an argument for the CLGF to be contestable on some level along with suggestions that there need not be just one formula to fit the entire annual CLGF budget.
>
> Ultimately the formula, as with the principles, design and structure of the CLGF, must comply with the intent of the Act, and where that is not the case, adjustment must be made.

Terms of reference 4 in Chapter 8 questions the appropriate proportional allocation of funding between individual, group and regional components over time.

The evidence overall is that on balance the CLG sector prefers an arbitrary 50/50 split between individual CLG and regional/Group allocations. No real reason for this preferred split is offered. One possible reason is that 50% is the most that individual CLGs would be willing to give up

There is certainly no evidence that a 50/50 split will result in better outcomes than any other split.

The case has not been made that there should be no Group, sub-regional or regional CLGF program at all.

In Chapter 5 a reference was made to Tables 3 and 4 in Chapter 3. The Trust commented that it had not had the opportunity to test the RDL figures in those tables, but they do indicate much stronger leveraging results for Groups projects.

If collaborative grouping produces more 'bang for your buck' through leveraging, it is another argument for CLGF grants to Groups.

There are concerns with the present CLG Group and regional CLGF system. In Chapter 8 the Trust commented that:

> The evidence concerning the regional CLGF allocation raises a number of points. Reported instances of 'gaming' between the CLGs within the Groups is concerning. Despite the added funding derived from leveraging, it seems that the Groups CLGF is often underfunded for the projects envisaged. Some Groups work well while others are blighted by being 'forced' on each other. The Groups scheme needs to be more flexible and sensitive to the different circumstances of different regions. Certain CLGs, sub-regions and regions may need different mechanisms for project delivery.
>
> On the evidence before it, the Trust agrees that to eliminate the individual CLGs component would be counterproductive … The greatest weapon in the hands of CLGs that will incline the argument towards more funding for the individual CLG program is the FCWP. If FCWPs show a substantial infrastructure backlog of social and economic significance by asset and asset class in individual CLGs, then the argument in favour of continuing local funding will be easier to win.

The Trust recommends that while it will introduce more complexity in allocations, differential funding across a limited number of regional categories would allow the regional quantum to be allocated to better suit the purpose.

There is the question of whether the regional groupings should continue to be self-chosen. The Goldfields-Esperance regional grouping is an example of one that needs review.

Every effort should be made by the RDCs to ensure that there is some order of strategic communality involved, ideally to match CLG groups to the sub-regions the RDCs have developed.

Then there are individual CLGs the size of Victoria or Tasmania which are entitled to be considered regions on their own, and should not be forced into Groups allocations in order to access regional funding.

On the other hand, there are certain areas of the State where individual CLG allocations should be reviewed by RDL. This is particularly the case where CLGs are really struggling for financial viability and sustainability and are candidates for amalgamation.

There may be a case to be made for only Groups money to be available in such areas.

The CLGF should not be used to prop up unsustainable CLGs. On the other hand essential local and sub-regional infrastructure must be maintained, renewed or created.

As discussed in earlier chapters the DLG submission argued for 100% of the CLGF to be invested in CLGs, that in their words had "embraced reform". These number 63 of the 109 CLGs.

The Trust has made it clear that it does not support this approach. The remaining 46 of the 109 CLGs cover a vast area of the State and their infrastructure needs have to be addressed.

The Trust is advised that the Minister has announced a more radical intent. The Trust is advised that it is the intention that 2012-13 remain at a 50/50 split and that from 2013-14 no funding will be to individual CLGs and all funding will be directed to Groups.

The Trust does not support this approach either.

The Trust recommends there should continue to be an individual CLG CLGF component and a Groups CLGF component.

In any case the 'regional' concept is a blurred one. Many individual CLGs are 'regional'.

The Trust is of the view that many individual CLGs qualify as 'sub-regions' or 'regions' on their own. These include individual CLGs with very large square kilometre areas, country cities like Albany, super-charged economies like the Shire of Roebourne, those country towns designated by RDL as SuperTowns, major regional centres or catchments such as the Shire of Katanning, and those CLGs rated as high growth prospects.

If the Minister on the advice of RDL were to conclude that certain individual CLGs should no longer receive CLGF grants, it would need to be done on a select and judicious basis.

In the section 12.6 following this section titled 'how should they be funded' a series of recommendations also address the issue of 'who should be funded'.

Aboriginal communities

The Trust has taken an interest in encouraging targeted RforR efforts to assist in the social and economic development of under-developed or disadvantaged regional communities, including those that are Aboriginal.[478]

As a natural consequence of the CLGF, expenditure has occurred in Aboriginal communities within CLGs. A new issue of funding has emerged.

CLGs like the Shire of Wyndham-East Kimberley (Kimberley) have raised concern over the planned transfer of responsibilities for Aboriginal municipal services:

> It is recommended that a full assessment of the role CLGF could play in the planned changes for municipal services by LG to remote and town based aboriginal communities proposed to occur 1/7/2012 be undertaken before any final decisions are made.[479]

This quote from the Shire's submission refers to the ongoing Commonwealth – State negotiations over the transfer of responsibility for the provision of municipal services to remote Aboriginal communities.

Like everyone else, the Trust has to wait and see what the result of these negotiations will be.

The Trust has outlined the purpose of the CLGF earlier in this chapter. The purpose is not to deliver services or provide for operating recurrent costs, however pressing the claim.

478 Western Australian Regional Development Trust 2010-11 Annual Report, pages 34-35.
479 Shire of Wyndham-East Kimberley (Kimberley) submission, page 2.

However, it would certainly be within the purpose of the CLGF for a CLG to use grant funds for infrastructure that helps normalise service delivery to Aboriginal communities.

The Trust notes that State and Commonwealth Governments have previously agreed to work towards the increased involvement of local governments in providing normalised municipal services to Aboriginal communities in Western Australia from 1 July 2012 (existing Council of Australian Governments' National Partnership Agreements).

The National Principles for Investment in Remote Locations state:

> Remote Indigenous communities and remote communities with significant Indigenous populations are entitled to standards of services and infrastructure broadly comparable with that in non-Indigenous communities of similar size, location and need, elsewhere in Australia.

RDL has advised the Trust that there are 248 Aboriginal communities in 22 local government areas across 5 regions of WA and that under current Commonwealth, State and local government funding arrangements most of these Aboriginal communities receive relatively few, if any, local government services.

The Trust further understands that following a comprehensive region by region analysis, undertaken by the DLG in close liaison with the DIA, WALGA and the 22 affected CLGs attempted to cost the provision of 11 primary services and 4 secondary services to these communitie's.

They estimated that significant funding (calculated at many hundreds of million dollars) would be needed to upgrade existing capital infrastructure, and that significant recurrent funding would also be needed to properly implement the intent contained within the National Principles for Investment in Remote Locations.[480]

480 (WA) Minister for Local Government; Heritage; Citizenship and Multicultural Interests, 1 December 2011.

Recommendation 9

The Trust recommends:

1. That the CLGF continue to have an individual CLG component and a Group CLG sub-regional and regional component; and,

2. Recommends against the current intention of moving the CLGF to 100% Group CLG funding in 2013-14.

Recommendation 10

The Trust recommends:

1. That in the interests of regional development the CLGF support targeted capability and capacity-building funding for the CLG sector, with the intention of improving the financial sustainability and operating capacity of those targeted;

2. That such assistance should include supporting the amalgamation of weakly resourced and structured local governments, particularly those rated after assessment as financially unsustainable; and,

3. That RDL in consultation with DLG should report annually on progress and outcomes.

Recommendation 11

The Trust recommends that the Minister, noting the ongoing Commonwealth–State negotiations on the matter of adequate funding for the provision of local government services in remote Aboriginal communities and CLG concerns thereto, request advice from the State's Aboriginal Affairs Coordination Committee on consequential infrastructure capability and capacity matters affecting CLGs, that might need to be taken into account in future CLGF policy.

12.6 How should they be funded?

Problems

'How should they be funded' addresses the terms of reference 1, 3 and 4 in chapters 5, 7 and 8. On what basis the available budget is allocated exercises every mind; getting a fair share is an uppermost consideration.

The problem for 'fair share' proponents is that the CLGF allocation should be neither an entitlement nor an equity-based program; the Trust believes the CLGF has to be outcome-based, determined by the intent of the Act.

It is true that every CLG did (and most probably still do) have an infrastructure backlog, and they legitimately felt entitled to an equitable share of the CLGF, but by 2013 all CLGs will have had a chance to address that backlog through the existing allocation system.

The Trust argues that by 2013-14 further infrastructure investment in CLGs should move onto a more strategic outcomes-based approach.

It is perfectly understandable that there is support for the present CLGF formula. It is well-established, its inputs are professionally and independently constructed by the LGGC, it is not subject to ministerial or departmental instruction (although it has been adjusted by them with a floor and a ceiling), it was made available to every CLG in the State, and it is accepted as having integrity by the CLG sector.

On top of that, spending decisions and priorities are determined by CLGs themselves under broad RDL guidelines and are not determined by the Minister, and RDL governance has been thorough.

Although it has not protected the program from political and media criticism, these features of the CLGF formula do provide a valid and legitimate defence against claims of partisan bias or 'pork-barrelling'.

Despite this defence, reported political and media criticism has still centred on the concentration of CLGF spending in the southern half of the State, with claims it benefits particular political constituencies, particularly in the Wheatbelt.

It is also understandable that the beneficiaries support the formula, and that those who are relative losers complain.

The 43 Wheatbelt CLGs (39% of all CLGs) get 31% of CLGF funding but only house 13% of the regional population. The South West and Peel regions get far less CLGF funding than their population would suggest, while the Kimberley Pilbara and Gascoyne regions have 11% of the CLGs and 18% of the funding.

Many CLGs have issues with the formula because it does not reflect large populations or large transient populations, or account for economic growth prospects, or account for population growth, or invest sufficiently in the CLGs producing royalty income, or account for remote factors, or sufficiently account for the vast size of some CLGs and so on.

Presently the CLGF is allocated on the basis of a methodology employed by the LGGC, as outlined in Chapter 3 and in the Trust's Review Issues Paper in the Appendices. The CLGF formula uses LGGC factors which attend to needs components, equalisation criteria and roads components.

The formula did not originally have a regional dimension, being CLG oriented. That regional dimension has been added under CLGF. Since 2010-11, allocations have been distributed through two mechanisms – individual CLGs and Groups.

In evidence, not very many CLGs or other stakeholders linked the funding distribution method back to the purpose of the Act or to achieving the outcomes of the CLGF.

What is readily understood within and often outside the sector is what the formula does not do. Both in submissions and consultation, arguments have been made to the Review that there are factors that have not been considered in the past that could properly be considered in the future allocation of CLGF funds, such as:

- being more closely aligned to the Act and intended CLGF outcomes
- being based on CLGs actual infrastructure needs
- including a factor for remoteness and the vast size of some CLGs
- taking into account DIDO and FIFO effects
- taking into account transient population pressures such as by tourists
- taking into account economic and population growth prospects and patterns

As stated earlier in this chapter, the assumption that funds will be distributed amongst all the CLGs does not need to remain the case.

Ultimately the allocation formula or methodology, as with the principles, design and structure of the CLGF, must comply with the intent of the Act, and where that is not the case, adjustment must be made. Whatever formula is used, it needs to be transparent, defensible on policy grounds, and able to be communicated effectively to the general public.

Many CLGs and WALGA argue persuasively for a project-time approach rather than a financial-year approach. It is interesting that one of the funding programs the sector responds well to, R2R, is a rolling fund with amounts set for three to four years and distributed accordingly.

This certainty of R2R funding allows CLGs to undertake more strategic projects and plan and schedule works to greater effect and efficiency. The only 'expended by' date is at the end of the program. CLGs must still adhere to conditions for receipt of allocations and there are consequences if they do not.

Many CLGs expressed a desire to make larger commitments beyond the single year funding available through CLGF at present. The Trust is of the opinion that this desire is legitimate and should be considered to allow out-years funding to be guaranteed, particularly so that wet-season sufferers and larger or more difficult projects can be accommodated.

Guaranteeing funding certainty is difficult when the RforR Fund is dependent on both a fluctuating royalty income and the exchange rate of the Australian dollar, but the CLGF is only 11.1% of the Fund.

The administrative burden and pressures of a grants program based on annual submissions assessments and approvals will almost always be more significant than one spread over a longer time-frame. It increases the amount of funding consumed in administering the scheme.

The Trust is not in a position to make a judgement on whether greater CLGF funding certainty for CLGs is feasible, but RDL should review the practicality of the proposition.

In addition, consideration must be given to improving the speed with which decisions are made, and to streamlining the process. The evidence is strong enough to indicate there is a need to do so.

Overly complex decision making, while often very defendable, can be frustrating and actually deter organisations which would normally be able to manage their own responsibilities quite well.

The Review highlights that generally, projects developed using regional groupings achieve greater leveraging than those used in individual CLGs; there may indeed be greater net benefit in many regional groupings projects.

A new approach

Differential funding is already a feature of the CLGF. At present funding varies to CLGs according to:

- the formula, but with a floor and ceiling;
- whether the funding is for individual CLGs or collaborative groups of CLGs (local or regional);
- for specific capacity purposes; and
- for voluntary amalgamation purposes.

The Trust is persuaded by its consultations and the evidence that differential CLGF funding should be retained, but should be better targeted. This requires a more refined approach than the present formula.

To arrive at that outcome, a set of matters need to be first resolved.

Firstly, the Trust has recommended that no material change in CLGF systems (unless generally welcomed by the sector) occur earlier than 1 July 2013, to allow present CLGF budgets plans and projects to be realised under existing administrative arrangements.

Secondly, the Trust has recommended that RDL analyse all FCWPs by 1 July 2013 to determine the actual infrastructure status, needs, and priorities of each CLG on an asset class basis, to determine CLGF desired outcomes by categories of CLGs.

Thirdly, the Trust will recommend that, subject to feasibility, all CLGF funding from 1 July 2013 will not be on a budget-year basis but on a project time basis, established by the FCWP or the equivalent regional mechanism, so that such issues as the northern wet season affecting performance, or trying to force projects into a financial year framework, fall away.

Fourthly, the Trust will recommend that to encourage strategic investment and to fulfil the purposes of the Act, that from not later than 1 July 2013 all CLGF spending will be outcomes-based; and, that CLGs will be rated for risk, prospects and capacity needs.

The Trust will recommend that there be two main forms of grants, contestable and non-contestable. The Trust does not intend to specify the quantum that should be in each pool, or indicate which CLGs should qualify for each pool under what conditions, as that would preempt the process that needs to follow the findings of this Review.

As outlined earlier, the Trust believes a variety of circumstances need to be taken into account, including the nature and prospects of small poorly resourced CLGs, sub-regional and regional groups, shared services propositions, country cities[481], very large CLGs (by square kilometres), those country towns designated as major regional centres or catchments, and those CLGs with high growth prospects.

While the contestable pool will be finite in total, there should be the opportunity for worthy projects that overspill to be considered for the RIHF.

The Trust considers that splitting the CLGF funding into two pools will allow for further refinement and improved targeting of areas deemed as priorities by the Minister on the advice of RDL, having consulted the Trust, RDCo and the CLG sector.

Contestable CLG grants have a number of advantages. They contribute to:

- Enabling larger-scale projects with higher outcomes to be advanced;
- Genuine Groups alliances motivated by mutual self-interest;
- A likely reduction in the 'gaming' of Group allocations on the 'my turn' basis;
- Increasing the motivation to pursue leveraging;
- Filling a funding gap between strategic (major-centre, region-wide or state-wide) projects and projects of small to medium sub-regional or local scale;
- Increasing transparency (purpose, expenditure pattern and outcomes known at the outset);
- Increasing aggregate sub-regional and regional benefits as successful projects provide superior outcomes to unsuccessful submissions;
- Aligning community and governmental priorities and expectations (including Minister, Trust, RDCo and RforR budget focus areas); and
- Improving governance due to project-based approach.

However the off-setting factors for contestable grants could include:

- Higher compliance costs for proponents;
- Longer lead times for funding disbursements;
- Increased administrative burden;
- It may result in fewer larger projects with some sub-regions and some CLGs losing out; and
- Reduced subsidiarity.

481 The term city is a size determined status signified by the title of the CLG: Albany, Bunbury, Geraldton, Kalgoorlie-Boulder, and Mandurah.

Generally the scale and/or scope of the project/s may be such that the advantages out-weigh the disadvantages by a substantial margin.

The disadvantages may also be counteracted by controls such as including RDCs and RDCo in the decision-making process, funding project 'proving', or approving developing projects and not just those that are construction ready.

What is apparent is that given the scale of Groups projects as envisaged by the CLGF policy, the funding offered by the CLGF is insufficient at present and needs to be increased.

The non-contestable grant pool proposed should be allocated on a pre-determined method. It is envisaged that this component will be based on key indicators determined by RDL in consultation with stakeholders such as the LGGC, the Trust, RDCs, RDCo, DLG or other key stakeholders such as DoP, WAPC and WALGA.

CLGF allocations will need to continue to be based on a set of accepted indicators that are made public. It is important to continue to provide a valid shield for the Minister against any suggestion of partisan bias.

Moreover, by reducing the scope for high level discretion or intervention, it ensures that the CLGF is more likely to fulfil the intent of the Act, even if a change in Minister or government occurs.

The rating system that is suggested for CLGs qualifying for differential funding under the CLGF is discussed at greater length later in this chapter.

Recommendation 12

The Trust recommends:

1. That by 31 December 2012 in order to be operational by 1 July 2013, the CLGF be distributed through two funding pools, one of which is allocated to qualifying grantees who will be rated prior to allocation as entitled to receive funding; and one of which is a contestable grants pool to which applications may be made by potential grantees rated as eligible.

2. That the CLGF funding quantum determined by the Minister and Cabinet be informed by the evidence to the Review and the findings of the Trust, and in particular by the sum of the recommendations in the Review.

3. That by 31 December 2012 in order to be operational by 1 July 2013, that all CLGs should be able to be rated on prospects, capability, capacity and risk, which rating shall identify those qualifying or not qualifying for the various categories of the two CLGF funding pools; and, that rating should be done on a publicly defensible professional basis.

4. That taking into account evidence to the Review and the findings of the Trust, the required CLG rating systems are to be agreed by a committee which shall take professional input and advice as required; and, the committee should be chaired by RDCo and include but not necessarily be limited to representatives of RDL, DLG, WAPC/DoP and WALGA.

Recommendation 13

The Trust recommends:

1. That RDL investigate the feasibility of CLGF funding from 1 July 2013 not being on a budget-year basis but on a project-time basis, so that such issues as the northern wet season affecting project delivery, or trying to force longer time-scale projects into a financial year framework, fall away.

2. That, subject to the feasibility study being positive and the Minister agreeing to RDL's proposals, that the CLGF shall operate on this funding system from 1 July 2013.

12.7 Who makes decisions on what basis?

12.7.1 Decision-makers

The principal decision-makers in the CLGF are the Minister, RDL and the CLGs.

From the very beginning, as discussed earlier in this Review, the CLGF was predicated on the principle of subsidiarity, so that funds would be provided as grants to CLGs to be spent on a wide range of infrastructure types, but the choice of which infrastructure and by what means it would be tackled was to be up to the local CLG decision-makers.

The Trust is of the view that as far as possible the principle of subsidiarity should be maintained, but to ensure confidence in the CLG decision-makers it is vital that the planning, asset management and other systems reforms continue. The Trust has made a number of observations and recommendations in this regard.

One area of decision-making that needs attention concerns the RDCo and the RDCs. With respect to the CLGF their role needs clarification.

Naturally RDL has had to acquit and account for the CLGF funds granted, and the systems developed to do this have occasioned criticism, as recounted in earlier evidence.

Much of this Review keeps returning to the basics:

- The CLGF is needed for infrastructure and CLG capacity-building
- Decision-making that is timely and effective needs good process and high quality data to make CLGF budgets programs and projects optimal
- The grants to achieve the CLGF outcomes should be certain and sufficient in quantum
- The CLGs programs and projects chosen to carry out the investment should be those that produce the best outcomes
- The execution of the CLGF should be timely and represent value for money
- The administration of the CLGF should be timely, be streamlined, be efficient and responsive, and have low compliance costs
- Accounting audit and reporting in the sector should be common, comparable, and sufficient for accountability and transparency purposes

12.7.2 Risk management

Risk management in the CLG sector

On what basis are the decision-makers to make decisions? Risk should exercise their minds.

The risk management practices of CLGs matter to the CLGF because the CLGF invests in infrastructure assets, which are then subject to the management of CLGs.

The concept and practice of risk management is not well developed in the public sector. For instance the Commonwealth *Financial Management and Accountability Act 1997* does not set out risk management principles for agencies and does not place explicit risk management obligations on CEOs.

Likewise, the *Commonwealth Authorities and Companies Act 1997* places no explicit risk management obligations on directors. References to risk are limited to corporate planning requirements for government business enterprises and to reporting obligations for Commonwealth authorities.

The management of risk, such as financial and reputational risk, is an important part of government delivery of services.

The importance of risk management was raised recently by the Australian National Audit Office in its review of the implementation of the Home Insulation Program.

Risk assessment starts with common sense. Risk management needs good judgement and experience more than a tick-a-box approach.

The most important question of all to ask is 'where are we most at risk?' In many CLGs fire threaten their assets, in others it is flooding, in others it is financial unsustainability.

If a CLG has large financial reserves and puts them all into a single financial institution which goes under, all the risk management procedures in the world will not save them if the rating agencies they rely on were rating them A+ investments, but if they used good judgement and experience and spread the reserves conservatively into more than one institution, they would have reduced risk.

It can be quite simple. For assets the most important risk management tool against loss is comprehensive insurance, and where relevant good health and safety practices.

The next important tool is sound financial systems. Sound financial systems calculate the real carrying cost of assets and their replacement cost, and realistically plan for maintenance or upgrade or replacement over known time frames.

A third important tool is good planning systems, to try and realistically appraise the future, using sound data.

Last but not least, sound governance systems are needed to guard against fraud or misconduct.

Procurement is another area of risk, how to appraise the real quality and substance of those tendering and supplying, and how to secure value for money.

It is no accident that Commonwealth and State Auditors General concentrate attention on tendering and procurement practices.

The DLG sees risk management as integral to local government:

> Risk management assessment should be undertaken in accordance with the International Risk Management standard – 1S0 31000 Risk Management.[482]

482 DLG: *Long Term Financial Planning Framework and Guidelines*; Perth May 2011; page 10.

The DLG has included the concepts of strategic risk assessment; operational risk analysis and workforce risk analysis in its planning and reporting framework for local governments[483] and says that one of the responsibilities of local government councils in asset management is to undertake appropriate risk management.[484]

As professional organisations most CLGs will understand, and many do use, the tools of risk management.

Effective prudent and regularly reviewed risk management is an essential component of good governance.

Risk management requires a structured approach to identifying and assessing uncertainties and potential dangers to finances programs and assets; monitoring and reporting on risk; and, developing strategies to manage and minimise risk.

There are productivity efficiency and reputational benefits from responding effectively to issues and concerns that may arise from CLG activities. As well as identifying potential beneficial outcomes, impact assessments assist in anticipating potential issues and concerns.

RDL and CLGF risk

In advice elsewhere, the Trust has noted that in assessing funding applications, RDL needs to define their position on risk management.

The Trust prefers an approach which avoids being risk averse while sensibly and responsibly managing and minimising the effect of identified risk.

Overall with respect to the Fund, RDL has accepted that it will manage risk and that:

> Governance will be tailored to ensure that compliance cost and time is not excessive and is relevant to cost, risk, and the project and entity concerned.[485]

Risk management of CLGs has not been practiced in the CLGF. If it had been, governance would have been tailored to the individual CLG. Instead, CLGF governance has been common to all CLGs.

Productivity and efficiency dictate that governance additional to that of the *Local Government Act 1995* and its associated regulations should be tailored to risk.

CLGs are long-established independent political and executive bodies with governance determined by statute. This warrants respect, and trust in their judgement and capability.

Add the principle of subsidiarity and the need for timely and efficient action, and it justifies a CLGF system of CLG decision-making funded by a grants system.

However, respect and trust do not mean that wide differences in individual CLG capability or capacity or performance history should be ignored.

483 DLG: *Integrated Planning and Reporting Framework and Guidelines*; Perth October 2010; pages 29, 32-33 and 43.

484 DLG: *Asset Management Reporting Framework and Guidelines*; Perth May 2011; Appendix A page 43.

485 Western Australian Regional Development Trust Annual Report 2010-2011, page 25.

Efficiency, flexibility, productivity and value for money are enhanced where the governance is determined by the capacity of the proponents, the nature of the project, and the outcome.

Lower CLG capability or capacity or a poor performance history will often mean higher risk.

In looking at risk management for grants, a draft discussion paper had this to say:

> Processes and requirements for grants should be commensurate with the value and level of risk associated with the grants. Increased guidance, training and standardised tools could assist entities with improving their administration of grants and providing greater consistency for third parties. There is scope to consider introducing a tiered approach to grant approval processes based on risk (which could be assessed against agreed criteria).[486]

Assessing CLGs for risk

The Trust believes that all RforR proponents and projects should be assessed on their merits. All significant proponents with significant projects should be assessed for risk.

The advantage with individual CLGs and collaborative groups of CLGs is that as constant CLGF participants they can be pre-assessed for risk, and that assessment does not need constant revisiting.

Risk pre-assessment is best done by organisations that are at arm's-length but have intimate knowledge of CLG capabilities. The two that obviously qualify are WALGA and DLG.

Without attempting an exhaustive list or trying to design the methodology, risk assessment could include a simple rating of 1-3, done bi-annually for capacity under such heads as strategic planning, financial planning, financial strength, asset management, structural reform, skills and resources, and particular circumstances under the *Local Government Act 1995* such as being under formal investigation or being in administration.

RDL would need to provide input to any other agency or entity's risk pre-assessment, based on RforR experience. Again, without attempting an exhaustive list or trying to design the methodology, this could include a simple rating of 1-3 for CLG's, with respect to applications (including completing the FCWP), implementation, acquittal, and reporting.

RDL's contribution to another agency or entity's risk-assessment process could be limited to indicating those CLGs with a good average or poor RforR application, implementation, reporting and acquittal history.

The pre-assessment for risk would mean that all individual CLGs and Groups would be assessed as either low medium or higher risk.

Note the use of 'higher risk' rather than 'high risk'. Despite the provision for being put into administration in the *Local Government Act 1995*, it seems unlikely that any local government is really 'high risk' in the commercial sense of 'high risk'.

In the private for-profit and not-for-profit sector, going out of business can result from failure. Local governments do not 'go out of business'.

486 Draft 2011 Commonwealth Financial Accountability Review: *Is Less More? Towards Better Commonwealth Performance*, Page 70.

The Trust's proposition is that risk-rating would determine the level of governance applying to RforR's CLGF funding, and could also be used as a means of determining capacity-building grants.

Higher risk does not mean RforR CLGF funding should not be considered, but it does mean stronger evaluation.

Examples:

Lower risk should mean lower governance. Lower governance A could mean CLGF criteria or guidelines are set; RforR funds are allocated to Shire X; acquittal is by certificate of compliance signed by the Shire CEO, President, and their external auditor. No additional RforR audit.

Medium risk should mean medium governance. Medium governance B could mean CLGF criteria or guidelines are set; RforR funds are allocated to Shire Y; but either the RDC or RDCo or RDL (one of them only) are involved in the application and acquittal process; plus acquittal is by certificate of compliance signed by the Shire CEO, President, and their external auditor. Spot RforR audits only.

Higher risk should mean higher governance. The highest governance C could mean CLGF criteria or guidelines are set; RforR funds are allocated to Shire Z, but either the RDC or RDCo, and RDL (two of the three) are involved in the application and acquittal process; plus acquittal is by certificate of compliance signed by the Shire CEO, President, and their external auditor. Automatic RforR audit.

The Trust emphasises that it is not its intention to suggest a risk-management model or methodology.

What the Trust recommends is that RDL risk-rate its CLGF grantees on a simple defensible professional and objective basis, with two intended consequences.

The first intended consequence is that higher risk grantees might be excluded from the CLGF, so helping protect the integrity of the Fund; the second being that governance requirements and compliance costs for both RDL and the grantees will fall for those rated lower risk.

12.7.3 Prospects

On what basis are the decision-makers to make decisions? The intention of the Act must exercise their minds.

As outlined earlier, the CLGF is governed by s4 and s9(1) of the Act, so the CLGF must contribute meaningfully to local, sub-regional or regional economic business and social development. There would appear to be two consequences to that:

- CLGs or Groups with better development prospects and projects with development outcomes should be better funded; and
- A rating system is needed ranking CLGs according to development prospects.

If the purpose of CLGF funding is local, sub-regional or regional economic business and social development, then there needs to be a basis for directing the funds available to where they will have the most development effect.

The development prospects of the CLG should be the principal determinant. Development prospects are not a determinant at present, need is.

In that regard, note that the Trust has recommended a continuation of uncontested grants to individual CLG categories, to address legitimate infrastructure and capacity needs.

If the CLGF is to operate under principles of subsidiarity and efficiency through a system of CLG decision-making funded by grants, then a rating system is needed to allocate funds which will vary by outcome, quantum and purpose.

Without attempting an exhaustive list or trying to design the methodology, prospects assessment could be done bi-annually for development prospects, under such heads as actual and projected growth, actual and projected population, existing economic importance, and projected economic expansion.

Sophisticated input will be needed. For instance strategic economic growth is affected by the type of industry and the quality of employment related to it. Industries in CLGs may be concentrated or specialised with particular growth and infrastructure effects.

Growth industries and firms vary in terms of the support they need. Growth potential can be domestic or export, and productivity and the value added socially and economically can vary.

The advantage with individual CLGs and Groups is that as going concerns with considerable corporate history information and local knowledge, they can be quite readily assessed for their prospects.

The assessment for prospects would mean that all local governments and Groups would be assessed as either lower medium or higher development prospects.

A 'lower prospects' rating would not mean RforR or CLGF funding would not be considered, but it should usually mean lower funding.

The prospects pre-assessment should be assisted by the RDCs with input from DoP/WAPC and oversight by RDL, because the RDCs are the only organisations that are at arm's-length but still have intimate and current knowledge of CLG development prospects.

RDCs may need resourcing to undertake this task.

RDL's SuperTowns experience

Selection

The Trust was interested in RDL's actual experience in the process of selecting prospects for priority investment, and in subsequently managing that relationship.

RDL's Regional Centres Development Plan (SuperTowns) is a Government RforR initiative aimed at encouraging regional communities located in the southern half of Western Australia to plan and prepare for what is predicted to be a doubling of the State's population over the next 40 years, to almost 4.5 million people.

Boddington, Collie, Esperance, Jurien Bay, Katanning, Manjimup, Margaret River, Morawa and Northam were chosen as the nine inaugural SuperTowns.

For the purposes of this Review the Trust asked RDL the basis for selection.

The selection process involved key State agencies providing information on each of 22 towns nominated by the six RDCs in the southern half of the State. The nominated towns were assessed against the following criteria:

- potential for population expansion;
- potential for economic expansion and diversification;
- strong local governance capabilities; and
- ability to generate net benefits to Western Australia.

Other relevant considerations included:

- established transportation linkages;
- planning maturity and capacity; and
- committed or current capital expenditure or investment linkages to other major infrastructure projects or strategies.

RDC advice was provided to RDCo on the above factors. RDCo then recommended towns to the Minister. The Cabinet made the final decision and selected nine country towns to participate in the SuperTowns initiative.

The approach used in the selection of the nine SuperTowns utilised a local decision to nominate a town, a regional level review of the information submitted, and a decision was made on the selected towns which incorporated local and regional input, at the State level.

Similar methodology could be adopted to rate the growth prospects of CLGs, involving multi criteria evaluation and aligning with local regional and State planning.

The ability of CLGs to compete for contestable funds should be linked to an assessment of their capability and prospects for development.

Their capability would be assessed via a methodology to be developed, but which could adopt a 3-tiered approach in which the key areas of planning, corporate capacity (financial, HR, systems) and governance would be assessed in concert with those agencies with related responsibilities and recognised knowledge and expertise in these areas, such as:

- planning – WAPC/DoP;
- corporate capacity – WALGA and DLG with possible input from external professional bodies and the Department of Training and Workforce Development;
- governance and sector capacity – DLG.

The higher the assessed capability and 'prospectivity' of an individual CLG, the greater might then be their access to the contestable fund pool.

To round out the assessment, risk needs to be rated, so that a four-part assessment would be done on prospects, risk, capability and capacity.

Governance

The SuperTowns project recognised that for effective change to occur there is a need for an integrated strategic and implementation framework comprising sufficient capacity and resources to be in place to meet the SuperTowns strategic objectives.

The strategic framework built on existing and proposed planning initiatives, and acknowledged that they needed to work together.

This framework acknowledged that each region has specific issues and circumstances that impact planning and funding outcomes that may not necessarily be common across regional WA. To ensure consistency, it was recommended that State regional and sub-regional planning frameworks be used to guide and drive the development of a suitable growth plan.

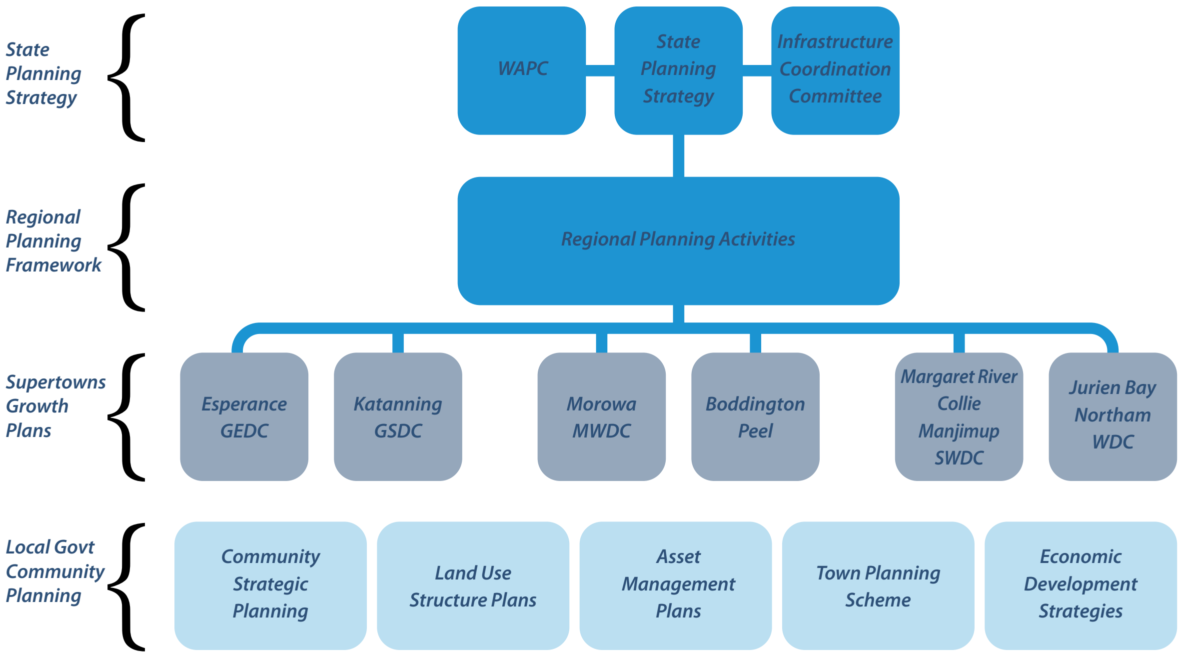
The SuperTowns governance framework incorporates a steering committee, implementation unit, project teams for each SuperTown and local community reference groups.

This means that all appropriate State and local government agencies are involved in the planning for and implementation of projects in each SuperTown.

The Trust considers that RDL's experience with this framework means that it might be a suitable starting point on which to build, as an adjunct to the use of the methodology previously used to select the SuperTowns.

The Strategic Planning Framework for SuperTowns is shown below:

Figure 16: The Strategic planning framework for SuperTowns



Marrying risk and prospects

The discussion on risk earlier in this chapter should be heeded. The question is how to integrate risk into the development prospects rating process, and in the process rewarding lower risk CLGs and helping provide an incentive for CLGs to achieve that lower risk rating.

Having prospects dominate over risk is unwise. It is important to marry the prospects for development with a risk assessment.

Table 8: A possible risk/prospects matrix

	A		B		C
P	Higher Prospects + Low Risk	**P**	Higher Prospects + Medium Risk	**P**	Higher Prospects + Higher Risk
Q	Medium Prospects + Low Risk	**Q**	Medium Prospects + Medium Risk	**Q**	Medium Prospects + Higher Risk
R	Lower Prospects + Low Risk	**R**	Lower Prospects + Medium Risk	**R**	Lower Prospects + Higher Risk

The risk/prospects matrix shown here is not a recommendation but an illustration. More work is needed.

A is low risk, **B** is medium risk, and **C** is higher risk.
P is higher development prospects, **Q** is medium prospects, and **R** is lower prospects.

A has lower level governance requirements.
B has medium level governance requirements.
C has the highest level governance requirements.

P has automatic access to the most CLGF funds, *except for those in the higher risk category.* Higher risk CLGs only have access to a contestable grants pool.

Q has automatic access to a smaller pool of CLGF funds, *except for those in the higher risk category.* Higher risk CLGs only have access to a contestable grants pool.

R only has access to a regional pool and the smallest category of non-contestable grants.

Conclusion

The Trust emphasises that it is not its intention to recommend a prospects assessment model or methodology.

The need for CLGF grants will emerge from the FCWPs and the Asset Management Plans, which should together allow RDL to get a firm understanding for each CLG of what particular assets in which asset classes are proposed for CLGF funding, and on what basis.

What the Trust recommends is that RDL prospects-rates its CLGF grantees on a simple defensible professional and objective basis, in order to assist CLGF decision-makers balance need with prospects. Secondly, that it protects the program by combining this approach with risk-rating. This is not done at present.

Recommendation 14

The Trust recommends that RDL and RDCo assess the relevant evidence and findings of this Review, and determine for the Minister's approval by no later than 31 December 2012 in order to be operational by 1 July 2013, the manner in which the RDCs role in the CLGF can be adjusted to facilitate and maximise CLGF outcomes.

Recommendation 15

The Trust recommends that by no later than 31 December 2012 in order to be operational by no later than 1 July 2013, RDL introduce a CLG risk rating system for its CLGF grantees, so that:

1. Higher risk grantees might be assessed and thereafter a judgement made as to whether they should be excluded from the CLGF, so helping protect the integrity of the Fund; and

2. Reduced governance requirements and compliance costs for both RDL and the grantees can thereafter be applied for those rated lower risk.

Recommendation 16

The Trust recommends that by no later than 31 December 2012 in order to be operational by no later than 1 July 2013, RDL take into account the CLG prospects-assessment for its CLGF grantees, in order that the quantum and destination of CLGF grants can be better directed for optimal regional development outcomes.

12.8 What will deliver the best outcomes?

12.8.1 An outcomes-based approach

The Trust's emphasis on outcomes

The Trust has been sympathetic to the learning required in the context of RforR as a ground-breaking new policy under a new department, and has indeed been impressed by an RDL culture of continuous improvement in systems and performance.

In these circumstances the absence of an outcomes-based approach has been understandable, particularly in a whole-of-government environment which overall has not to date been outcomes-based.[487]

On a number of occasions the Trust has provided advice to RDL and the Minister on the importance of an outcomes-based approach.

In advice summarised in its Annual Report on RforR 2011-12 budget proposals the Trust emphasised:

- The need for RDL to develop regional development priorities against specific criteria.
- The need for coordinated and holistic regional planning to inform Royalties for Regions project and program selection.
- The need for Royalties for Regions programs and projects to be outcomes-based, and to include timelines and deadlines, wherever feasible.
- The need for Royalties for Regions programs and projects to have business cases, and cost/benefit analyses where sensible.[488]

One of the Trust's key governance conclusions, accepted by RDL, is that:

- All regional development projects and programs must be outcomes-based.[489]

In consequence RDL has proposed a revised set of outcomes for RforR in regional WA:

> To be conducted within 2011-12, integrated regional planning against priority setting will direct Royalties for Regions and other investment to large and small transformational social and economic development projects with the following outcomes:

- New and revitalised regional infrastructure supports increased growth, reduced costs and increased productivity
- Productivity and effectiveness of regional economies are increased
- Communities grow and prosper through employment and business development
- Housing, land and essential services are accessible and affordable

487 See the Western Australian 2009 Economic Audit Committee Report *Putting the Public First: Partnering with the Community and Business to Deliver Outcomes*. Available from: http://www.dpc.wa.gov.au/Publications/EconomicAuditReport/Documents/eac_final_report.pdf

488 Western Australian Regional Development Trust Annual Report 2010-2011 Perth September 2011, page 23.

489 Western Australian Regional Development Trust Annual Report 2010-2011 Perth September 2011, page 25.

- Human services are delivered at a standard equivalent to or better than those in metropolitan areas
- Communities enjoy good quality amenity and lifestyles
- Capacity building (particularly for leadership) is enhanced[490]

Government emphasis on outcomes

Key reports at both the State and Commonwealth level support the Trust's outcomes emphasis. The Economic Audit [491] mentions outcomes 174 times, and the Budget Transparency[492] report 118 times.

The common understanding of the word 'outcome' is 'the result'. In the public sector this result has two components – the intended result, and the actual result.

All appropriations from government revenue, including RforR, are for an intended outcome, but intended outcomes should not be vague:

> There is an obvious need to translate complex agency intentions into a simpler understandable form for ease of communication and focus, but the danger in such distillation is over-simplification or meaninglessness.[493]

If an outcome justification is simplistic or ambiguous and not supported by specific programs, issues of accountability and transparency arise.

In the context of the public sector, value-for-money should be an expected outcome:

> Generally, value-for-money requires that the project can be delivered at a reasonable whole-of-life cost and would generally involve open procurement processes or mechanisms to ensure competitive delivery with project delivery arrangements. Project costs must compare favourably with available benchmarks for the activities being undertaken.[494]

CLGF outcomes have two dimensions: the intended outcome and the result after execution.

The Australian National Audit Office described the first of these thus:

> A major purpose of outcome statements is that they justify the basis on which the appropriation of funding takes place. For this reason it is imperative that agency outcomes describe concisely, and specifically, the impacts that the Government intends to achieve through the use of allocated appropriations.[495]

---

490 Western Australian Regional Development Trust Annual Report 2010-2011 Perth September 2011, page 28.

491 The Economic Audit Committee's Final Report *Putting the Public First: Partnering with the Community and Business to Deliver Outcomes* was released by the [WA] Premier on 15 December 2009. Available from: http://www.dpc.wa.gov.au/Publications/EconomicAuditReport/Documents/eac_final_report.pdf

492 Report to the Minister for Finance: *Review of Operation Sunlight: Overhauling Budgetary Transparency*, Senator Andrew Murray, Canberra, June 2008.

493 Report to the Minister for Finance: *Review of Operation Sunlight: Overhauling Budgetary Transparency*, Senator Andrew Murray, Canberra, June 2008, page ix.

494 Regional Development Australia Fund Guidelines Round Two November 2011 page 17.

495 Australian National Audit Office, Application of the Outcomes and Outputs Framework, Audit Report No. 23, 2006-07, page 16, quoted on page 86 of the *Review of Operation Sunlight: Overhauling Budgetary Transparency*, Senator Andrew Murray, Canberra, June 2008.

What good accountability systems seek to do is to avoid generalised outcome descriptions that have large appropriations tied to them which are not supported by program detail, performance measurement, and transparent reporting, and consequently allow for wide or unfettered ministerial and bureaucratic discretion.

In the public sector environment, outcomes can be separated into agency/department level and whole-of-government strategic outcomes, which together form an overall goal. In a policy setting, outcomes are delivered through 'what' is provided, delivered, regulated or funded, and 'who gets it' – groups or individuals.[496]

Strategic outcomes relate to people and communities, the economy, the environment, the regions and governance.[497] They can be used as a basis for allocating resources to deliver services, and to trigger corrective action, identify and encourage best practice, motivate employees, and plan and budget.

As noted by Perrin,[498] there is no point in engaging in an outcomes focused approach unless the information is going to be used to effect.

In the case of grant programs such as the CLGF, the information can be used to justify the continuation of the program or not, as a basis for resource allocation and budgeting, as a means of refining targets and objectives, and as a reason for adjusting funding distribution to maximise outcomes.

The EAC report makes a key observation:

> … without clarity as to what is expected of the sector, it is not possible to assess its performance.[499]

The EAC has concluded that outcomes are required to ensure the needs and aspirations of citizens are being met, and that the public sector does not currently have sufficient clear direction and strategy due to a historical focus on inputs and outputs (including dollar spent) or processes, rather than end results or benefits. This has in turn led to a lack of clearly defined outcome areas.

The EAC states[500] that there is concern that excessively enthusiastic and ambitious interpretation and accountability requirements in government (i.e. over governance) have drawn government away from an outcomes focus and led to weaknesses.

These weaknesses they itemise as minimal capacity for policy development; inefficient and costly ineffective service delivery; inflexible, outdated and prescriptive processes; complex accountability arrangements and below par performance management; bureaucratic and cultural barriers to whole of government collaboration and public innovation; and onerous regulatory control of community sector organisations.[501]

These weaknesses have contributed to outcomes or benefits for the community becoming lost. Additionally, the maximum return on investment (whether it be economic or social return) is not achieved due to time/resources/money being redirected into meeting governance requirements.

---

496 Wanna, J., Butcher, J. & Freyens, B. (2010). *Policy in Action*. Sydney: UNSW Press.

497 DTF, 2004.

498 Perrin, B. (2006). *Moving from Outputs to Outcomes: Practical Advice from Governments Around the World*; The World Bank/ IBM Centre for the Business of Government, page 8.

499 EAC report, page 1.

500 EAC report, page 2.

501 EAC report, page 2.

The EAC note that the:

> … absence of commonly understood strategic direction and priorities leads to a focus on short-term resource constraints rather than meeting the long-term needs of citizens, communities and industry.[502]

Therefore outcomes are required so that government can have specific direction towards agreed targets and service delivery (i.e. they know what they want/need and how to get there/it). This specific outline also provides a useful resource for "operational clarity" throughout and also allows for "continuous improvement through opportunity to learn from experience".[503]

The EAC report has identified a number of ways in which outcomes can be implemented more successfully in organisations. This includes the implementation of an Outcome Areas model approach:

> The model contains two tiers of strategic management – the expectations of the collective effort of government and expectations of specific agencies. The first tier focuses on the outcomes that citizens expect of government in social, economic and environmental settings. The public sector and community sector organisations will both be increasingly responsible for the delivery of services to achieve these outcomes.
>
> The second tier focuses on what specific agencies are expected to do, such as outputs or services. Lead agencies in government would be expected to provide advice on high level outcome indicators, regular evaluation of performance within each outcome area, consideration of long term infrastructure requirements, liaison with federal entities which play a key role in contributing resources or leading policy formulation in Outcome Areas, advice on the contribution to each Outcome Area for which individual agencies should be held to account.[504]

The EAC states that:

> … public sector leadership should be demonstrated across a robust policy framework that distinguishes between the ongoing delivery of public services and the priorities and policies of the elected Government … the Committee is drawn to an 'Outcome Areas' approach organised around functions of government that resonate with the community such as health, education, law and order, child protection, *infrastructure development* [emphasis added] and environmental protection …[505]

As a broader observation, the Rockefeller Foundation says it is not uncommon for grant makers to have unclear goals; and an inconsistent approach to funding priorities highlight a significant limitation of trust and mutuality within grant making.

> ***Goals are often unclear***
> In some cases, funders themselves lack a clear theory of change, and therefore lack clear goals. A funder's lack of clarity often has a trickle down effect on grantees, who scramble to accommodate the funder's shifting priorities. Likewise, impact cannot be measured without clear goals.

---

502 EAC report, page 13.
503 EAC report, page 39.
504 EAC report, page 27.
505 EAC report, page 26.

Inconsistent funding priorities

One of the deepest structural flaws in the non profit capital market is the tendency for funders to spread their money across a community, even though many organisations have not demonstrated results. Consequently, "best of breed" organisations often find themselves scrambling for capital as funders look for projects that fulfil a particular grant making criterion instead of funding results.

Trust and mutuality are limited

Unless grantees have ownership over assessment tools, processes, and outcomes, they will not buy into the process. Impact assessment must be built on a foundation of trust and shared risk, or else funders will likely continue what Jed Emerson, senior fellow with the William and Flora Hewitt Foundation, calls the "dance of deceit" between them and their grantees.[506]

Outcomes and the CLGF

Since 2008 the CLGF intended outcome has been to reduce the CLG infrastructure backlog.

While the infrastructure backlog is real and is supported by WALGA's SSS report, the size and nature of the backlog is not yet known. This Review shows that this backlog has been very difficult to particularise at the aggregate CLG level, and often at the individual CLG level.

RDL has consequently required CLGs to produce FCWPs so that it can get a clearer understanding of CLG infrastructure priorities and projects. The FCWPs and new asset management plans will materially improve the situation.

Fortunately, expenditure on infrastructure is visible, so that the result can be assessed. This has mostly been done informally.

However, performance evaluation of the actual result requires more application than that.

For a better assessment of value for money and the impact of expenditure, outcomes should be assessed against CLG KPI's, targets and benchmarks. Accountability should be enforced with respect to performance. There is a need for consistent CLG performance measures of cost, quality and timeliness.

This does not imply that RDL must do this. Such systems can be developed for and by the CLG sector.

It is of material importance to ensure CLGF outcomes are as intended by the purpose of the Act and are measured in performance terms.

The overall outcomes required are specified by s9(1) of the Act:

- to provide infrastructure and services in regional Western Australia;
- to develop and broaden the economic base of regional Western Australia;
- to maximise job creation and improve career opportunities in regional Western Australia.

506 *Social Impact Assessment – A Discussion Among Grantmakers*, The Rockefeller Foundation & The Goldman Sachs Foundation, New York City, 26 March 2003, page 15.

While the current objectives of CLGF do connect to the purposes outlined in s9(1)(a) of the Act, a specific outcomes-based approach to the CLGF's development and implementation is needed, at both the departmental and local government level.

This is not to say that the CLGF has not made inroads into the infrastructure backlog within the sector, but as there are no clearly reported outcomes (although the submissions to this Review make up for that to some extent), the data has not been collected to report the actual benefits the CLGF has brought to local and regional communities.

There have been criticisms that the CLGF funding has seen money wasted on projects that are not priorities. Such criticism is difficult to rebut because the data is often not available.

The CLGF is a clear example of how non-specific outcomes can lead to a variety of end points with no real assessment tool to determine achievement.

Another benefit that an outcomes-based approach allows is transparency due to the information available. CLGF has sometimes been criticised for not having enough transparency, which is not helped if the information and reports are simply not available to provide the desired information.

Currently, the applications for CLGF allocations are varied depending on the mechanism for funding delivery. All regional and sub-regional CLG Group projects must now be supported by a business case that includes a list of deliverables (which includes outputs, productivity benefits, and outcomes) along with a set of descriptions and performance measures.

The individual CLG allocations do not have such parameters set and do not appear to be based on any specific outcomes other than the requirement for spending on infrastructure.

For regional and sub-regional CLG Groups, the project objective must now also be clearly defined, including a clear statement of the outcome/s the project aims to achieve but at the regional and on a broad CLGF level this is not the case.

Currently, it is unclear what the CLGF is trying to achieve regionally and therefore RDL RDCs and the CLGs are unsure which projects best deliver desired outcomes.

The Trust notes that both RDCs and the DLG have been recipients of CLGF funding since 2008-09 but although objectives were set, outcomes were neither specified nor reported in the manner intended by the EAC report.

Without clear intended outcomes it is difficult to determine the activities to undertake and measurements to develop in order to ascertain whether the CLGF has achieved the required results.

Ultimately, CLGF spending needs to adhere to and be measurable against the Act and therefore an outcomes based approach is required.

Having said that, not every project or program readily responds to an outcomes-based approach. One issue affecting judgement on the CLGF is that many projects undertaken create social as opposed to economic outcomes.

Tuan confirms that the measurement of social outcomes integrated with infrastructure is virtually non-existent for a number of reasons, but primarily because there is no one agreed method on the best way to capture such outcomes. Even if a simple cost-benefit analysis is undertaken, the lack of common data between programs or projects makes such comparisons inappropriate; or it inevitably must incorporate value judgements which in turn are not standardised in approach.[507]

It has been determined that the approach to measuring social outcomes has not yet matured because:

- Many important benefits that accrue from effective social programs are rarely, if ever, monetised
- Shadow prices (the dollar values assigned to outcomes) in cost-benefit analyses of social programs do not consistently capture the full range of societal benefits or costs
- Even when there is well-established literature for valuing outcomes, shadow prices are not being consistently used across studies of social programs
- Some cost-benefit analyses use methods to project future outcomes based on early outcomes, but such approaches have yet to become routine and standardised.[508]

However, given its impact, there is still an essential role for CLGF to play in building the social capital of local government communities. It is up to RDL to determine how best to measure these social outcomes (and how they should be captured and reported) and which ones CLGF are to target.

Conclusion

Outcomes are the most important requirement of all. It is a waste of money and contrary to the Act to spend RforR on any project or program unless it contributes meaningfully at either a local or a sub-regional or a regional level to the economic business and social development of regional WA.

In a grants context, where the grant is automatic and non-contestable, the intended outcome is set by the grantor in terms of criteria and/or guidelines, and the grantee self-assesses that their proposed expenditure complies. On completion, audit and reporting is expected to verify that self-assessment.

Where the grant is subject to application and is contestable, the grantee has to satisfy the grantor in advance that the proposed project or program will deliver the desired outcomes. On completion, audit and reporting is expected to verify that external assessment.

In both non-contestable and contestable grants, it is vital that the actual outcome is reported and measured, where measurement is possible. It is not always possible; for instance, it is hard to measure the impact of new pedestrian pavements, or the impact of refurbishing a village hall, except in the most general terms.

This outcomes-based approach requires the development of a measurement and reporting mechanism, and where appropriate, a performance audit system. Performance audit is best done by agencies with a direct understanding of CLGF, such as the RDCs or RDL, but it is open to RDL to fund OAG performance audits.

507 Tuan, Melissa T (2008). *Measuring and/or Estimating Social Value Creation: Insights Into Eight Integrated Cost Approaches*. Bill & Melinda Gates Foundation, Impact Planning and Improvement, Final Paper. December 15 2008, page 6.

508 Tuan, page 6.

In designing any performance measurement and reporting system, it is important to avoid excessive compliance costs and complex processes.

There is one other important point to make. The EAC report made it clear that an outcomes-based approach is desired of government agencies and grant recipients. It is imperative that an outcomes-based approach is not only implemented by RDL and the CLGs but by all recipients of CLGF funding.

12.8.2 Engaging with the regions

Engaging with the regions was discussed in section 11.1. This topic has wider ramifications than just the CLGF. As a department that administers 93% of the State's land and is responsible for regional development for the whole of the State, effective engagement with the regions is vital for RDL.

The evidence provided to this Review is that the CLGF is largely a desk-top administration, with very limited engagement on the ground with CLGs, and a heavy reliance on RDCs, WALGA and CLGs for such face-to-face engagement as occurs.

The organogram for RDL[509] shows seven divisions reporting to the Director General – Lands, Regional Investment (which includes responsibility for the CLGF), Pilbara Cities, SuperTowns, Ord-East Kimberley Expansion, Community Development and Strategic Policy.

RDL is largely a Perth-based agency, although the Lands division has some regional offices and Pilbara Cities and the Ord-East Kimberley Expansion both have regional offices.

Other RforR programs such as the CRCs administered by Community Development and SuperTowns have a significantly different administration structure to the lightly resourced CLGF.

For example, CRCs have around 12 RDL staff to monitor and support grants and other activities for over 100 regional CRCs, with an annual budget of around $20 million per annum. Support includes engagement such as site visits; teleconferencing, a dedicated website with grant templates and other grant opportunities, leadership and development and training information.

Both at the political and executive levels, CLGs engage with a great variety of individuals, organisations and agencies. They naturally appreciate it when their dealings are with people who are professional, informed and well acquainted with their particular CLG circumstances.

It is also important to remember that every RforR project or program takes place within a CLG somewhere, whether CLGF or not, and that by virtue of the wide responsibilities of local government, that particular CLG will invariably be involved in some way in it.

In its comments on the evidence in section 11.1 the Trust said that:

> RDL senior executives do visit the regions during the year on RforR and departmental business, and in the process therefore at times engage at a professional level with CLGs. However interaction with CLGs on CLGF matters by other RDL officers is largely by telephone and by email.

509 RDL Organisational Chart accessed August 2011.

> It is true that the regionally-based RDC staff do interact regularly and closely with CLGs RforR and CLGF, and will and do advise RDL as a consequence, but interaction with the RDCs by RDL officers is also largely by telephone and by email.
>
> If such a desk-bound approach is driven by thoughts of cost it is a false economy. The Trust believes that RDL project officers who visit the regions and acquaint themselves with the people and circumstances relating to CLGF projects are far more likely to make efficient informed and timely decisions than those that do not.

The Trust feels it is essential for both stakeholder relations and the delivery of regional development policy that administrators and decision-makers do not remain centralised and that they experience the regions for which they are decision-makers or administrators. As indicated in the evidence in section 11.1 this view is supported by the WA LGGC, the EAC and by the RDC Review Committee.

Stakeholder engagement generally is essential to most organisations for a number of reasons. In the private sector, stakeholder engagement is as much about managing public expectations and information sharing as it is about gaining an understanding of the issues and concerns which may relate to a specific location; that is, it is ensuring a two-way understanding regarding activities, projects or policies.

When developing or implementing regional development policies, especially from central governments, engagement can also help capture different experiences but also involve the people affected by it.

Engagement can:

- Better manage conflict and create more durable solutions
- Deal with local issues in direct ways that are manageable
- Build interactions and possible partnerships
- Empower individuals and groups by developing resources, knowledge and skills
- Help to build trust, leadership development and shaping services[510]

The literature indicates that it is not uncommon for agencies not to engage sufficiently on the ground with key players, especially in relation to grants, with the perception that often decision-makers make grant investment decisions from a centralised position that is isolated from the communities they serve.[511] While grant makers are willing to change administrative processes or practices in engagement:

> ... the perception persists today that foundations operate in ways that exclude, rather than engage key stakeholders.[512]

---

510 Innoven, *Management and Leadership Development, Tokenism Builds Cynicism*, found at: http://www.regionaldevelopment.com.au/pdfs/community_engagement.pdf

511 Enright, K.P. & Bourns, C., 2010, *The Case for Stakeholder Engagement*, Stanford Graduate School of Business: Stanford Social Innovation review, Spring, page 43.

512 Bourns, J.C., 2010, *Do Nothing About Me Without Me: An Action Guide for Engaging Stakeholders,* Grantmakers for Effective Organisations & Interaction Institute for Social Change, page 1.

Lack of genuine stakeholder engagement can lead to a number of issues such as counterproductive relationships (especially with grant recipients sensing a lack of trust from organisations); lack of understanding and knowledge gaps by organisations; ineffective and inefficient processes; reduced communication regarding key decisions; and ineffective or failed programs.[513]

Grant-making initiatives often fail when the agency remain isolated from its grantees and the communities they both service. To remedy this problem, grant-makers must work more closely with their grantees, community leaders, and other important stakeholders. This engagement helps everyone involved gain a deeper understanding of the problems they are tackling, create new and better solutions, and build more effective organisations.[514]

If the CLGF were to be handed over to the RDCs to run then there would not be as much need for RDL to improve its on-ground engagement with CLGs. However the Trust does not recommend that course of action.

The Trust does not consider the current CLGF system of engagement with CLGs and CLGF projects satisfactory. There is far too little on-ground engagement with CLGs by CLGF administrators and decision-makers.

Some useful recommendations have been made to this CLGF Review and are quoted in evidence in section 11.1.

The Trust believes that as a result of this Review's findings that RDL should take the opportunity to reassess the resourcing, administrative structure, and operational and communications systems of the CLGF.

As part of this exercise RDL should examine ways of engaging more with CLGs on the ground.

12.8.3 Communications

Information

This section of the chapter is concerned with delivering better outcomes. Good communications contribute to better outcomes.

Whether it was the Shadow Minister or a CLG, one of the most consistent issues raised in consultation and evidence was information – a need for the easy to get, easy to understand, easy to use and useful kind.

The CLGF is a program running at over $100 million a year, and forecast to reach $1 billion within ten years. The political and media interest in the CLGF, the community interest in it, and the quantum scope impact and nature of the program demand ready access to quality and pertinent information. Transparency is desired.

513 Bournce, J.C., pages 5 – 16.

514 Enright, K.P. & Bourns, C., page 40.

The issue of communications has been raised in three main ways in this Review in the context of:

- Communication by RDL to stakeholders;
- A response protocol/system to issues raised by stakeholders; and
- An automatic web-based information system.

Many stakeholders want the CLGF program to be better marketed, partly because it is important to them that a valuable program retain public support to help guarantee its continuation, and partly to sell its real achievements.

The Trust also detects a subtext in CLG comments and that is that CLGs believe that they are publicly responsible and accountable in a more visible on-the-ground sort of way than any other level of government, and their needs and infrastructure achievements should be better publicised.

Negative carping unsubstantiated criticisms get up their collective nose. Consultation with the Trust confirms CLGs think the CLGF program achieves significant results but they see too little acknowledgement of that in the public realm.

Too often the importance of communications can be underestimated, especially for the understanding and acceptance of a major new program

Communications has a far greater role than marketing or promotion. It is as much about stakeholder relationships, useable data and information sharing.

Internal communications within RDL and external communications with the media, CLGs and RDCs are important to the CLGF's effectiveness as a program.

This observation is not specific to RDL, with CLGs sometimes lacking the understanding of the importance of communications for external funding sources and probably lacking the resources to properly address this aspect of the CLGF.

In this sense, communications for the CLGF has been traditional, proactive in announcements and reactive to events or issues, but short of data and information.

While RDL does communicate with stakeholders, it does not have a well developed response protocol or system to respond to needs and issues raised by stakeholders, nor does it have an automatic web-based information system (the Commonwealth R2R web-based system was extolled by CLGs).

While the CLGF guidelines do attempt to highlight the need for good communication, without active engagement with CLGs this is hard to monitor and implement.

When reviewing the RDL website, it is difficult to ascertain its purpose – whether it is an information portal or a mechanism to highlight RDL's activities. As a result the information is mixed and information is buried and difficult to find.

This causes issues when the Minister refers questions to the website for information when answering Parliamentary questions.

RDL have acknowledged the deficiencies in its website to the Trust and the website is currently under review.

The Trust is conscious that communications should not stray into political promotion.

However if information concerning the CLGF was more readily available, the resulting transparency would reduce the opportunity for some perceptions concerning the program on wastage, decision making, bias and so on to be more readily and objectively answered.

This raises of course the issue of resources, and the Trust has noted earlier the limited resources (relative to other RforR programs) that RDL has committed to the administration of the CLGF.

Roads to Recovery

Both in consultation and in their submissions, a number of CLGs referenced the Review to the Commonwealth's R2R program as a suggested template funding model for the CLGF. Their view is that the online application, reporting and acquittal processes are particularly easy to use and result in reduced administrative burdens on CLGs.

One of the significant positives of the R2R model is that it appears to accept existing legislative and regulatory checks and balances for CLGs as adequate, and therefore trusts CLGs to expend the funds appropriately against the R2R guidelines.

The Trust understands that RDL is in the process of finalising its 'Project Tracking System' (PTS) and therefore RDL cannot make comparisons between it and the R2R online system until such time as the PTS is implemented.

However, it would be prudent of RDL to try to ensure its PTS system has similar capabilities to that employed by R2R, without compromising what RDL wants out of the administrative system. If it is too late to do that, the Trust suggests that RDL analyse R2R and investigate the viability of moving to a similar online administrative process.

The Trust acknowledges that the R2R methods are greatly aided by the fact that expenditure is limited to roads rather than a number of infrastructure options. However the R2R system does offer desirable administrative features, such as:

- Project details are comprehensive, and they are approved on a project basis rather than on an expense line item basis. Information includes matters additional to auditable information like:
    - Project start and completion dates;
    - Total project values;
    - Project delay reasoning;
- Annual audits/reports/acquittals are submitted via the system in a standardised template in a user-friendly data entry system that also assists with program evaluation;
- Projects can be added, deleted and approved online; and
- Work schedules (i.e. a roads version of FCWP) are entered online and funds distributed against such schedules (even if not receiving R2R funding). Any project variations can only have funds re-distributed to projects in the schedule.

It is likely that the R2R reporting templates are not dissimilar to those quarterly reporting templates used by RforR in terms of information requested; it is just that the R2R is set out online and in a user friendly template. Additionally R2R is supported with a 'Users Manual' with step by step instructions and screen dumps.

R2R is also not unlike CLGF in that:

- Funds cannot be held by CLGs for more than 6 months without explanation;
- Payment schedules are against relevant expenditure;
- Payment schedules are contingent on a quarterly report; and
- Outcomes of projects are to be reported on.

The main difference is that R2R is a rolling fund with amounts set for 3-4 years and distributed accordingly. This certainty of funding allows CLGs to undertake more strategic projects and plan or schedule works to greater effect and efficiency. The only 'expended by' date is at the end of the program, and CLGs must still adhere to conditions for receipt of allocations, and there are consequences if they do not:

> In particular, where an LGA fails to draw down its full annual allocation in the last quarter of any financial year, the amount not drawn down may be reallocated to other LGAs at the discretion of the Department. Additional funding allocated to an LGA, in any one year, will only result in bringing forward later year funding, so total funding to any LGA will not exceed the life of program allocation. The timing of the reallocation is at the discretion of the Department.[515]

Of particular interest to the Trust is that R2R monitors own CLG expenditure maintenance requirements, and payments are contingent on a requirement that this expenditure does not reduce over the lifetime of the R2R funding.

An adjustment is only allowable when a decline in a Council's own source revenue is proven and that such reduction in roads expenditure is proportionate to its own overall revenue.[516]

Recommendation 17

> The Trust recommends that taking into account the evidence and findings of the Review, that RDL reassess the outcomes sought, and the resourcing, administrative structure, and operational systems of the CLGF, including greater engagement with CLGs by administrators and decision-makers on the ground; and, report its recommendations to the Minister for approval by no later than 30 June 2012.

515 *Program guidelines for the Roads to Recovery Program: issued January 2011, page 11.*

516 *Program guidelines for the Roads to Recovery Program: issued January 2011, page 16.*

Recommendation 18

The Trust recommends:

1. That to facilitate CLGF investment that is strategic and prioritised, and to fulfil the purposes of the Act, from not later than 31 December 2012 in order to be operational by 1 July 2013, CLGF spending should be outcomes-based;

2. That taking into account the findings of the EAC, evidence to the Review, and the findings of the Trust, RDL must establish the principles methodology and operational systems for making CLGF projects and programs outcomes-based; and,

3. That from no later than 1 July 2013, the Minister require as a condition of grant that CLGF grantees comply with relevant outcomes required by the Act, expanded where applicable by specific outcomes expressed in the CLGF guidelines, and where applicable specific outcomes by program or project or in the FAA; and that wherever practicable and relevant the outcomes achieved shall be measured and reported.

Recommendation 19

The Trust recommends that by no later than 31 December 2012 in order to be operational by 1 July 2013, RDL in consultation with DLG and the CLG sector and taking into account evidence to this Review and the findings of the Trust, develop a practical means for collecting and reporting the necessary data while minimising compliance costs, so that benchmarks for CLGF infrastructure and capacity-building can be set, against which the results of CLGF investment can be measured.

Recommendation 20

The Trust recommends that RDL, taking into account evidence to the Review and the Trust's findings, further consult with local government to identify opportunities to refine streamline and simplify current CLGF reporting processes on a preferred 'report once' basis wherever possible, but which ensures relevant information can still be captured and reported, and that necessary accountability is not compromised.

Recommendation 21

The Trust recommends that in the context of evidence to the CLGF Review and the Trust's findings, RDL review the outcomes sought and the resources needed for a better information flow to and from the CLGF with respect to three issues: communication by RDL to stakeholders; a response protocol or system to issues raised by stakeholders; and, an automatic web-based information system.

Recommendation 22

The Trust recommends that RDL, taking into account evidence to the Review and the Trust's findings, assess the Commonwealth Roads to Recovery website and administrative system with a view to using desirable features of that system to improve the CLGF, but without compromising the administrative outcomes required for the CLGF.

12.9 Capacity building

12.9.1 Accounting systems and standards

Chapter 11 reviewed terms of reference 7 and included a section on CLG accounting standards and systems.

In a small but long-established CLG sector of only 109 organisations (138 in the State) the Trust has frankly been surprised at the variance reported to it in accounting standards, systems and capacity. The Trust noted the efforts that are being made to rectify or improve matters by CLGs, WALGA, DLG, RDL and others.

The Trust considers that it would be to the benefit of all parties providing funds to CLGs, all parties having an interest in the services delivered by CLGs, and all parties requiring data, financial statements and reports from CLGs, if systems were standardised.

At the conclusion of section 11.2 the Trust commented that it was clear that individual CLGs, even if they had the interest, cannot lead the development of standardised accounting systems. The Trust suggested that would have to be the function of WALGA, the DLG, or some other appropriate body.

On the face of it, WALGA could be a prime candidate to lead the task. In that regard, WALGA made this point to the Trust:

> The Association would be in a position to scope and then implement a standard system on behalf of the Local Government sector, should funding be available for this purpose. The Association's experience in delivering major IT projects on behalf of the sector is demonstrated by the successful implementation of Roman II, the road management system used by the majority of Western Australian Local Governments.[517]

Significant medium-term external funding and support will be necessary to achieve change on this front.

Earlier in this Chapter 12, the Trust said that to enable the purpose of the CLGF to be realised it is necessary for the CLGF to also invest in CLG capacity-building.

In the opinion of the Trust, it is therefore open to the Minister to determine whether funding should be provided by the CLGF for the specific purpose of standardising CLG accounting and data systems, either alone, or in concert with other agencies or organisations.

In any case, as a result of this CLGF Review's findings, the Trust considers that under the mantle of CLG capacity-building it is desirable for RDL to have discussions with DLG and WALGA, and whomever else thought appropriate, on the matter of standardising accounting systems for CLGs.

The key to standardisation of accounting systems is software, training, and the appropriate technical backup. As WALGA advised:

> ... one missing element in the capacity building component of the Country Local Government Fund may be funding for standard software for the Local Government sector. A standard software package would provide all Local Governments with a common operating platform.[518]

517 WALGA supplementary submission, page 1.
518 WALGA supplementary submission, page 1.

The DLG made important points:

> Future investment in IT solutions, however, must take into account not only new software and hardware, but also network connectivity and workforce upskilling.[519]

The Trust is of the opinion that standardised accounting systems are desirable for the sector.

However, the Trust recognises that there are a number of agencies and many entities that have an interest in these matters, and that further investigation beyond this Review is required. In particular a lead agency or entity is needed.

At the conclusion of section 11.2 the Trust commented that it was clear that the staffing issue remains paramount.

With respect to suitably skilled permanent staff for the accounting and data systems, it is obvious that high turnover and/or a low skill base would not be helpful, and that resourcing attracting and keeping skilled staff will be more difficult in some CLGs than others.

The Trust also commented that failing to attract and retain skilled knowledgeable staff in CLGs with a low population or rate base or with poor amenity may impact on the standard of financial management and that RforR social investment, particularly in housing, is relevant here to the retention of staff.

The Trust has agreed that the primary purpose of the CLGF is to address the infrastructure needs of CLGs. This means the Minister has a direct interest in asset management. This is confirmed by the CLGF requirement for all CLGs to complete FCWPs.

At the conclusion of section 11.2 the Trust commented that asset management is right at the heart of considerations of CLG financial sustainability. With respect to RforR and the CLGF the main requirement is asset data integrity and sector comparability.

The Trust commented that perhaps the most important of all matters with respect to asset management is the treatment of depreciation, and a resolution of depreciation is an essential consideration in any review of CLG accounting systems.

The Trust noted that a standardised approach to depreciation may prove an inappropriate or difficult approach to improving capacity in the sector. That is not to say that the sector, once consulted, may not be prepared to agree on a standard approach to certain classes of asset valuation and depreciation.

519 DLG supplementary submission, page 3.

12.9.2 Audit matters

One of the key messages coming through is the apparent excessive level of scrutiny being placed on local government in terms of their governance obligations for CLGF funding.

A similar concern on governance imposed on grantees is being examined for another sector. A recent discussion paper concerning the governance of the not-for-profit sector said:

> The Final Report provided several recommendations …
>
> 13.2 acquittal reporting should be outcomes-based and should not include financial reporting or reporting related to organisational governance;
>
> 13.3 organisational governance rules should be proportional to the size of entities, risk factors and receipt of public and government assistance; … [and]
>
> 13.5 government contracts should no longer mandate organisational governance requirements for NFPs; … [520]

There is a significant interest in the projects that the CLGF is funding across regional WA and so it is imperative that the program is still able to capture the details of these planned works and the estimated costs.

If current processes are considered too onerous it would be useful to hear from CLGs on a preferred approach where the relevant information can still be captured and reported.

If a less onerous acquittal process can be developed this may present an opportunity to move to a more principles-based approach to CLGF funding with the key advantage of reducing the need for the CLGF guidelines and the FAAs to be too lengthy detailed or prescriptive.

This in turn would result in a reduced audit scope compared with current audits that ensure that funding is expended in accordance with the current guidelines.

At the conclusion of section 11.3 the Trust commented that a number of CLGs have variously criticised RDL audits and double or multiple audits as an unfortunate and costly consequence of high political interest, as a waste of money resources and time, as exhibiting a lack of trust in CLGs, or as showing ignorance as to the existing integrity of CLG processes.

Audit of different types often appear to be a response to a variance in the capability and capacity of CLGs, with a greater audit intensity and investigation unnecessarily applied to the best because it is needed for the worst. Some CLGs were and are perceived as less able to operate and respond to the CLGF program requirements than others.

The Trust commented that as a result it would appear that RDL has three possible ways to go. These were either to rely on CLGs under the principle of subsidiarity to carry out project work under broad guidelines with fairly minimal auditing and reporting requirements; or, to have prescriptive and detailed expectations and guidelines which require detailed audit and reporting and which then places additional costs on both RDL and CLGs; or, to have a less prescriptive but more sophisticated outcomes and risk based system tailored to the varying types and capabilities of CLGs.

---

520 Source: The Australian Government the Treasury *Review of not for profit governance arrangements*, page 2 http://treasury.gov.au/documents/2252/PDF/CP_NFP_Governance_Arrangements.pdf

The Trust favours the latter approach and has made recommendations in this respect earlier in this chapter.

If external audit practice is regarded as less than adequate then this will need to be separately addressed.

In light of the discussion on external audit in section 11.3, the Trust considered that it might be useful for a comparison to be made of the audit expectations placed on corporations by the Commonwealth and that placed on local governments in Western Australia.

In the tables below is a brief interpretation of the relevant audit requirements as contained in the WA *Local Government Act 1995* supplemented by the *Local Government (Audit) Regulations 1996,* and the Commonwealth *Corporations Act 2001*.

As a general observation, the *Corporations Act 2001* is more prescriptive than the *Local Government Act 1995*, as supplemented by the *Local Government (Audit) Regulations 1996*.

The *Corporations Act 2001* intends to make clear the auditors obligations and the consequences of non-compliance, whereas the *Local Government Act 1995* has more of a guidance perspective and the consequences to the auditor of non-compliance are minimal.

The Trust has identified some of the differences between audit responsibilities in the *Corporations Act 2001* and the *Local Government Act 1995*. A more detailed view is provided in the attached tables. The *Local Government Act 1995* does not:

- explicitly require the financial report to give a true and fair view of the financial position and performance;
- make a reference to the number of years audit working papers need to be retained by the auditor;
- require the auditor to give a written and signed declaration of the auditor's independence. (However, the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* are very clear as to who may not be appointed as auditor to a local government);
- make a reference to the severity of penalties, if any, for non compliance by the auditor with any of the sections of the *Local Government Act 1995*; and
- clearly state the level of responsibility the auditor has in terms of reporting any breaches or interference with the proper conduct of the audit.

The *Local Government Act 1995* does however enable the auditor to obtain and act upon legal advice or request an employee of a local government to furnish a written statement of monies received in their official capacity to assist with the audit, which does not appear to be an option under the *Corporations Act 2001*.

The Trust is generally concerned with enhancing productivity and efficiency, but specifically the Trust encourages RDL to keep CLGF compliance costs down. RDL argues on accountability grounds that it has to guard against variances and inadequacies in CLG systems.

The greater the certainty of high quality in the standard CLG auditing process, the less will be a perceived need for additional assurance by outside agencies.

On the face of it, enhancing the role of the external auditor may lessen the need for other audits by RDL or any other agency, or at least reduce the intensity and cost of those audits.

Recommendations follow at the end of this section.

In the following tables the Trust has attempted to align like sections of each Act where there is guidance provided:

Table 9 : WA Local Government Act 1995 & Local Government (Audit) Regulation 1996 v Corporations Act 2001

WA's Local Government Act 1995 & Local Government (Audit) Regulations 1996		***Corporations Act 2001***
Part 7, Division 3 of the WA's Local Government Act 1995 covers Conduct of Audits	This is further supplemented by the Local Government (Audit) Regulations 1996	Volume 2, Division 3 covers Audit and Auditor's Report
	s7 Agreement between a local government and an auditor is to include: • Objectives of the audit; • Scope of the audit; • Plan for the audit; • Details of the remunerations and expenses to be paid to the auditor; • Communication method means of supplying information to the auditor.	
s7.9 Auditor is required to examine the accounts and annual financial report. (The report must include: • If there is any error or deficiency in an account or financial report submitted for audit; • If any money paid from or due to any fund or account that has been or may have been unapplied for unlawful purposes • If there is a matter arising that needs to be addressed by the local government • Defaults of any error, deficiency, misapplication or matter)	s9 Auditor is to carry out work necessary to form an opinion as to whether : • the accounts are properly kept; and • the financial report is prepared in accordance with financial records and the financial performance and position of the local government is in accordance with the Australian Accounting Standards and the Act	s307 Auditor must form an opinion about: • Financial Report is in accordance with this Act; • Report complies with accounting standards; • Report must give a true and fair view of the financial position and performance of the company; • Any additional information gives true and fair view; • Auditor has been given all info, explanation and assistance to conduct the audit; and • Sufficient financial and other records were kept to enable a financial report to be prepared and audited.

WA's Local Government Act 1995 & Local Government (Audit) Regulations 1996		*Corporations Act 2001*
	s9 Audit is to be carried out in accordance with the Auditing Standards and Auditing Guidance Statements	s307A Audit must be conducted in accordance with auditing standards *Non compliance with this section is an offence of strict liability asdefined in S6.1 of the Criminal Code Act 1995 (Cth).*
		s307B Audit working papers must be retained for 7 yrs Note 1: Under some circumstances (e.g. death of an individual auditor), ASIC has the power to determine an earlier date Note 2: If audit working papers are in electronic form, they are taken to be retained only if they are convertible into hard copy. *Contraventions by individual, audit company or member of audit firm are all offences of strict liability of but a member of an audit firm has a defence in s307B(5).*
s7 A person may not be appointed as a local government's auditor if he/ she: • Is a councillor or an employee; • Is in debt for more than the prescribed amount to the local government; • Is an employee of, or a member of the governing body of, a prescribed entity ; • Is a member of a prescribed class of persons.	s12 Auditor is to report a possible conflict of interest to the Minister as soon as possible after the auditor becomes aware of the possible conflict of interest • s4 the prescribed amount of debt is $5,000 • s5 prescribed entities are a regional local government in which the local government is a participant and an incorporated association which the local government has formed or taken part in forming under the Associations Incorporations Act 1987 • s6 prescribed persons are: – persons who are disqualified for membership of a council; – persons who are insolvents under administration under the Corporations Act 2001 – persons who are closely associated with a relevant person (e.g. partnership, employer, beneficiary under trust, spouse etc)	s307C Written and signed declaration of the auditor's independence must be given: • When the audit report is given to the directors; OR > Declaration is given before directors pass a resolution in relation to directors' report; and > A director signs the directors' report within 7 days after the declaration is given; and > Auditor's report is made within 7 days after the directors' report is signed; and > Auditor's report includes a statement that either – the declaration would have been the same if it had been given at the time directors' report was made OR – the circumstances have changed since the declaration was given to the directors, setting out how the declaration would differ. – And must be signed by the person making the declaration. s307C (6) An individual is not excused from giving a declaration, even if it might incriminate the individual or expose them to a penalty *Contraventions by an individual auditor, lead auditor are all offences of strict liability.*

WA's Local Government Act 1995 & Local Government (Audit) Regulations 1996		*Corporations Act 2001*
s7.9 A copy of the audit report must be forwarded to: • Mayor or President; • CEO of the local government; and • Minister for Local Government Where the auditor considers that: • there is an error or deficiency; • any money may have been misapplied to purposes not authorised by law; or • there is a matter arising from the audit that needs to be addressed by the local government then details of any of the above must be included in the auditor's report If the Minister directs the auditor to examine any aspect of the accounts submitted for audit by the local government, the audit report must be prepared on the findings and forwarded to the Minister.	s10 (1) Auditor's report must be forwarded within 30 days of completing the audit s10 (2) The report is to give the auditor's opinion on: • the financial position of the local government; and • the financial performance of the local government. s10(3) The report is to include: • any material matters that indicate significant adverse trends; • any matters indicating non-compliance with Part 6 of the Act, the Local Government (Financial Management) Regulations 1996 or applicable financial controls; • details of whether information and explanations were obtained; • a report on the conduct of the audit. s10(4) if considers appropriate by the auditor, he/she is to prepare a management report to accompany the auditor's report.	s308 – Auditor's report on Annual Reports s309 – Auditor's report on Half yearly Reports Auditor must report to members on whether he/she is of the opinion that the financial report or any additional information is in accordance with this Act (including compliance with accounting standards and true and fair view) If the auditor is of the opinion that the financial report does not comply, the auditor's report must so far as it is practicable to do so, qualify the effect of the non-compliance on the financial report. Auditor's report must: • describe any defect or irregularity; • describe any deficiency, failure or shortcoming; • include any statements or disclosures required by auditing standards; • specify the date on which the report is made; • state whether the auditor is of the opinion that the remuneration report complies with the relevant section of this Act (only if remuneration report is included in the director's report for the financial year) *An offence based on these sections is an offence of strict liability.*
s7.10 (a) Auditor has a right to all information that in their opinion is necessary to conduct the audit and a right of access at all reasonable times to all such books, accounts, documents, and assets of the local government necessary to allow the audit to be conducted. s7.10 (c) Auditor may, at the cost of the local government, obtain and act upon a legal opinion arising in the course of the audit. s7.11 Auditor has authority to access, without any notice, books, accounts, vouchers, papers, documents, records, assets and cash in hand, belonging to the local government or in their control.		s310 Auditor has a right to access all information and may require any officer to provide the information, explanations or assistance.

WA's Local Government Act 1995 & Local Government (Audit) Regulations 1996	*Corporations Act 2001*
	s311 Auditor must report to ASIC, in writing, of any breaches or contraventions of the Corporations Act or interference with the proper conduct of the audit. *Whether a contravention of the Act is a significant contravention differs depending on various situations outlined in the Act.*
s7.10 (b) Auditor may require a member or employee of the local government to provide all relevant information, provide assistance or explanation. s7.12 (1) Auditor may request an employee of a Local Gov to furnish a statement in writing of all money received in their official capacity on account of the local government or otherwise. s7.12 (2) Auditor may request a bank or other financial institution, at which a local government has an account, to furnish full particulars of the account.	s312 An officer of the company must assist the auditor by allowing access to the books of the company or providing relevant information.

Recommendation 23

The Trust recommends that the Minister, in the interests of CLG capacity-building:

1. Require RDL to have discussions with DLG and WALGA and whomever else thought appropriate, on the matter of standardising accounting systems for local government, with a view to determining if such a project should proceed, with what timelines, and on what basis; and

2. If a decision to proceed is made, to agree on the funding and methodology for a scoping and consultation exercise, including consideration of the suitability of the Local Government Accounting Manual, software, hardware, network connectivity and workforce upskilling; and subsequently, if standardisation is found feasible and desirable, for the implementation of a standard system for the local government sector.

Recommendation 24

The Trust recommends that the Minister, in the interests of CLG capacity-building:

1. Taking into account evidence to the Review and the Trust's findings, examine whether additional CLGF investment in housing and amenity for particular CLG permanent staff is warranted, particularly in locations remote from regional or metropolitan centres; and,

2. Task the RforR Directors General Reference Group, taking into account evidence to this Review and the Trust's findings, to explore options for staff attraction and retention across the CLG sector, particularly as they relate to the more remote areas of the State, including but not limited to housing, amenity, family and social requirements, professional development, special allowances and incentives.

Recommendation 25

The Trust recommends that the Minister require RDL to engage with DLG and WALGA to ensure that CLG asset management, depreciation systems, and forward capital works plans are integrated or harmonised as systems in the most practical efficient and useable manner.

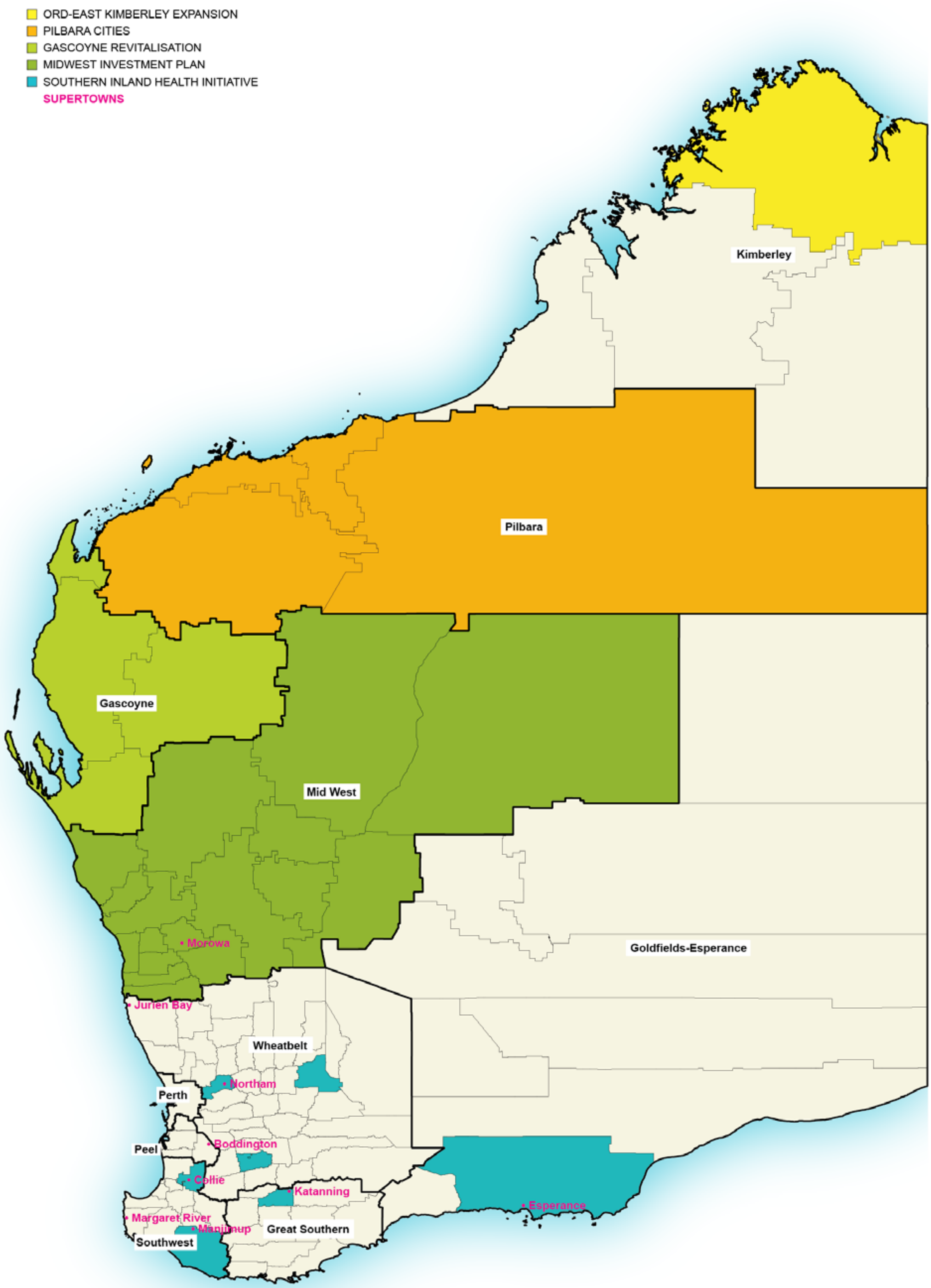
Recommendation 26

The Trust recommends:

1. That the Minister for Local Government review the *Local Government Act 1995* to determine whether the provisions governing the auditing of local government could or should be enhanced; and

2. That until the DLG review of the audit provisions of the *Local Government Act 1995* is completed, RDL work with DLG to examine options for and a process for increasing the consistency and general alignment of local government audit practices and grantee audit requirements with the existing audit provisions of the *Local Government Act 1995*.

MAP 7: Royalties for Regions Intensive Development Expenditure



THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

APPENDICES

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Appendix 1: The Full Terms Of Reference

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

TERMS OF REFERENCE
FOR THE REVIEW OF THE ROYALTIES FOR REGIONS
COUNTRY LOCAL GOVERNMENT FUND

Purpose of the Review

The Country Local Government Fund (CLGF) is in its fourth year of operation. The CLGF was originally a four-year budget program. S5(1)(a) of the *Royalties for Regions Act 2009* (Act) went beyond this timeframe, as it gave the CLGF permanence by entrenching the CLGF as a subsidiary account of the Royalties for Regions Fund.

The purpose of the review is to determine whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

BACKGROUND

The CLGF is one of three subsidiary accounts of the Royalties for Regions Fund (Fund) established under the Act.

On 15 December 2008, the Minister for Regional Development and Lands (Minister) launched CLGF with $400 million over four years to assist country local governments to build and maintain their community infrastructure.

The Fund's stated aims are to:
- address infrastructure backlogs and support capacity building
- improve the financial sustainability of country local governments in WA through improved asset management
- provide financial assistance to country local governments which choose to amalgamate voluntarily
- assist groups of country local governments to fund larger scale infrastructure projects.

Who is to conduct the Review

The Western Australian Regional Development Trust (Trust) is established under the Act. The Trust is an independent statutory body that provides advice and recommendations to the Minister on the allocation and management of funds from the Fund. The Trust is the appropriate body to conduct the Review.

Timing

The review is to be conducted in the 2011-12 financial year and presented to the Minister by the end of January 2012.

ISSUES FOR CONSIDERATION IN THE REVIEW

Overall, whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

1. The extent to which the stated aims of the CLGF are being met, in particular, have the objectives of the CLGF been materially achieved:
   - o how the CLGF is addressing local governments' infrastructure backlogs and enhancing local governments' capacity building
   - o how the financial sustainability of country local governments is being improved through improved asset management
   - o the effectiveness of funds directed to voluntary amalgamation
   - o how CLGF is assisting groups of country local governments to fund larger scale infrastructure projects
   - o the effect or impact of funds allocated under the CLGF
2. Whether country local government or the Department of Regional Development and Lands has experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF.
3. The efficacy of the current formula in allocating funds to individual and groups of local governments, including whether this approach should be retained reformed or replaced.
4. The appropriate proportional allocation of funding between individual, group and regional components over time.
5. The scope of initiatives that should be funded and in particular, whether the existing focus on infrastructure and capacity building should be retained, narrowed, broadened or otherwise changed.
6. Matters that would improve the efficiency and effectiveness of the Fund's implementation including the existing processes for forward capital works development, and business plan development.
7. Any other relevant matters.

REQUIREMENTS

In conducting the review the Trust will consult with relevant stakeholders, including but not limited to:

- Country local governments
- Western Australian Local Government Association and its zones
- Local Government Managers Australia (Western Australia)
- Department of Regional Development and Lands
- Department of Local Government
- Regional Development Commissions
- Regional Development Council
- Office of the Auditor General
- Minister for Regional Development
- Minister for Local Government
- Parliamentary Secretary to the Minister for Regional Development
- Regional Development Australia
- Appropriate industry bodies.

Appendix 2: Review Issues Paper

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

GOVERNMENT OF
WESTERN AUSTRALIA

Western Australian Regional Development Trust

Issues Paper

Review of the Royalties for Regions Country Local Government Fund

August 2011

Table of Contents

Invitation to provide submissions to the Review of the Country Local Government Fund

The Minister for Regional Development; Lands has referred a review of the Country Local Government Fund (CLGF) to the Western Australian Regional Development Trust (Trust) pursuant to section 12(b) of the *Royalties for Regions Act 2009* (Act).

The Trust is an independent statutory body established under the Act that provides advice and recommendations on the allocation and management of funds from the Fund.

The CLGF is in its fourth year of operation and the Trust will conduct an independent, evidence-based review.

The CLGF is one of three subsidiary accounts of the Royalties for Regions Fund (Fund) established under the Act. The CLGF was originally a four-year budget program. Section 5(1)(a) of the Act went beyond this timeframe, as it gave the CLGF permanence by entrenching it as a subsidiary account of the Fund.

The Trust's own consultation over the past year has led it to believe that overall to date, the CLGF expenditure has been welcomed and valued by regional local government and regional communities, and that there has been a need for an individual local government component to the Fund, for small community grants, and for sub-regional pooled grants.

There has been debate and commentary on the CLGF policy and performance to date, including matters of quantum, design, process, governance, allocation, timelines and execution.

The purpose of the Review is to determine whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

In undertaking this Review, the Trust will seek the views of and consult with relevant stakeholders. Submissions are particularly sought from those with a direct interest in the CLGF, but written submissions are welcome from any source.

Submissions are due by 31 October 2011, and consultation will occur thereafter. The Review report will be presented to the Minister by the end of January 2012.

I encourage you to take the time to make a submission to the Review. Your views and experiences will be important to the Trust in forming its conclusions.

Andrew Murray
Chair
Western Australian Regional Development Trust

1. Key Dates

The Trust has to report by 31 January 2012. To enable the Trust to consult with relevant stakeholders in 2011, it would be appreciated if written submissions could be sent in as early as practicable, but no later than 30 October 2011.

2. Extract from the Terms of Reference[521]

The issues for Trust consideration in the Review are:

"Overall, whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

8. The extent to which the stated aims of the CLGF are being met, in particular, have the objectives of the CLGF been materially achieved:
   - how the CLGF is addressing local governments' infrastructure backlogs and enhancing local governments' capacity building
   - how the financial sustainability of country local governments is being improved through improved asset management
   - the effectiveness of funds directed to voluntary amalgamation
   - how CLGF is assisting groups of country local governments to fund larger scale infrastructure projects
   - the effect or impact of funds allocated under the CLGF
9. Whether country local government or the Department of Regional Development and Lands has experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF.
10. The efficacy of the current formula in allocating funds to individual and groups of local governments, including whether this approach should be retained reformed or replaced[522]
11. The appropriate proportional allocation of funding between individual, group and regional components over time
12. The scope of initiatives that should be funded and in particular, whether the existing focus on infrastructure and capacity building should be retained, narrowed, broadened or otherwise changed
13. Matters that would improve the efficiency and effectiveness of the Fund's implementation including the existing processes for forward capital works development, and business plan development.
14. Any other relevant matters."

[521] The full Terms of Reference - Review of the Royalties for Regions CLGF is contained in Attachment A of this document.

[522] The current formula is outlined in Attachment B of this document.

3. CLGF in the context of the Act

The CLGF will be assessed by the Trust in the context of the Act.

Section 4 Object

The object of this Act is to promote and facilitate economic, business and social development in regional Western Australia through the operation of the Fund.

Section 5 Subsidiary accounts of Fund

(2) The Fund is to consist of the following subsidiary accounts-
(a) the Country Local Government Fund;
(b) the Regional Community Services Fund;
(c) the Regional Infrastructure and Headworks Fund;
(d) any other account determined by the Treasurer, on the recommendation of the Minister, to be a subsidiary account.

(3) The Treasurer, on the recommendation of the Minister, is to determine from time to time the way in which money standing to the credit of the Fund is to be allocated between the subsidiary accounts.

Section 9(1) Application of Fund

(2) The Minister, with the Treasurer's concurrence, may authorise the expenditure of money standing to the credit of the Fund for the following purposes-
(a) to provide infrastructure and services in regional Western Australia;
(b) to develop and broaden the economic base of regional Western Australia;
(c) to maximise job creation and improve career opportunities in regional Western Australia.

4. CLGF – History and Program

The Trust is advised that a major reason for establishing the CLGF was to address an infrastructure backlog identified in a 2006 report. The report was sponsored by the Western Australian Local Government Association (WALGA), and had estimated a $1.75 billion infrastructure backlog that existed in Western Australia.[523]

A recommendation of the report was that WALGA develop a campaign strategy to leverage funding, to eliminate the infrastructure backlog in conjunction with improved asset management practices, recognising that sustainable progress will not be made on reducing the backlog, unless additional annual revenues of approximately $120 million per year are secured, based on current calculations of the infrastructure deficit.

The CLGFs overall aims are to:

- address infrastructure needs and support capacity building;
- improve the financial sustainability of country local governments in Western Australia through improved asset management;
- provide financial assistance to country local governments which choose to amalgamate voluntarily; and
- assist groups of country local governments to fund regionally significant infrastructure projects.

CLGF program delivery[524]

- The Department of Regional Development and Lands (RDL) administers and monitors CLGF expenditure.
- The Department of Local Government (DLG) delivers capability building programs to individual local governments and groups of country local governments, funded through CLGF. This includes assistance towards the development of strategic plans, asset management plans, the costs of amalgamation; and scoping plans to cost the delivery of municipal services to Aboriginal communities.
- Regional Development Commissions (RDCs) facilitate the Regional Group projects that have been developed through a regional planning process. Applicants are required to include a letter of support from their local RDC, specifically commenting on the strategic and regional relevance of the application.

---

[523] See the December 2006 report "In Your Hands – Shaping the Future of Local Government in Western Australia", sponsored by the WALGA.

[524] Please see the RDL website for further informaton on the CLGF program and funding rounds http://www.rdl.wa.gov.au/grantandfunding/country/Pages/For-Country-Local-Gov.aspx

Some issues

Public debate and commentary on CLGF policy and performance to date has included matters of quantum, design, process, governance, allocation, timelines and execution.

Through the current formula, CLGF funding is primarily directed to population. Western Australia's population is concentrated in the south of the State; the shires are similarly concentrated in the south of the State. Consequently the regional allocation of the CLGF has been concentrated to the south of the State, as shown by this approximate summary of allocations:

North:	Kimberley, Pilbara, Gascoyne regions – 18%
Mid:	Mid West, Goldfields regions – 23%
South:	Peel, Great Southern, South West, Wheatbelt regions – 59%

- **2008-09**

In 2008-09, over 600 projects totaling $97.5 million were funded from the Royalties for Regions' CLGF first round allocation. Allocations for the first year of the fund ranged from a minimum of $469,000 to $2 million. Expenditure of CLGF allocations were directed to individual local government infrastructure asset renewal and/or infrastructure asset creation.[525] A total of $98.281 million was disbursed in 2008-09.

- **2009-10**

As a result of the Global Financial Crisis in this year the Minister decided to defer expenditure. The overall allocation to Royalties for Regions dropped and funding available for CLGF was reduced. Nevertheless some expenditure was directed to forward planning. In recognition of the need for local government to adequately plan for forward capital works an amount of $10 million was made available through the CLGF in 2009-10 as follows [526]:

Local Government Authorities

Up to $35,000 was provided to each country local government to access expertise to develop a forward capital works plan consistent with strategic plans and asset management plans. The provision of adequate forward capital works plans, informed by strategic and asset management plans, was a pre-requisite to accessing individual local government allocations from the CLGF in 2010-11. A total of $3.85 million was disbursed.

Department of Regional Development and Lands

With the transfer of the CLGF from the DLG in April 2010, RDL received an allocation for administration. A total of $275,000 was disbursed to RDL.

[525] Information sourced from the Royalties Regions Progress Report December 2008 – June 2009 and further detail is available in the Progress report at http://www.rdl.wa.gov.au/publications/Pages/Reports.aspx

[526] Information sourced from the Royalties for Regions Progress report 2009-10 and further details on allocations for country local governments is available at http://www.rdl.wa.gov.au/grantandfunding/country/Pages/For-Country-Local-Gov.aspx

Regional Development Commissions

Up to $100,000 was provided through each RDC to support regional groups of country local governments in the nine regions to identify, scope and plan their regional infrastructure priorities. The provision of adequate business cases for each regional priority infrastructure project that were put forward was a pre-requisite to accessing the regional component of CLGF in 2010-11. Approximately $900,000 was disbursed.

Department of Local Government

The DLG was provided with $2.47 million to deliver complementary capacity building initiatives, with a particular focus on strategic and asset management planning. In addition, up to $2.50 million was provided to DLG to assist those local government groups who had formalised their position and wished to proceed to amalgamation by investing in, for example, common operating systems and infrastructure. A total of $4.97 million was disbursed.

- **2010-11**

In 2010-11 funds were allocated 35 percent to regional groups of country local governments and 75 percent to individual local governments.

The intention of the regional groupings component was to provide financial assistance to local governments to fund larger scale infrastructure projects which clearly demonstrate wider community benefits across a region. Regional Groups may include Regional Collaborative Groups, Regional Transitional Groups, those local governments that have agreed to amalgamate, regional organisations of councils, strategic alliances or any other grouping of local governments that wishes to work together for the purpose of delivering a regionally significant infrastructure project.

Groups were required to provide RDL with a completed CLGF 2010-11 Regional Groups Application Form and attach a completed Business Case for each project for which CLGF funding is requested prior to entering into a Financial Assistance Agreement (FAA) with RDL.

For individual local governments expenditure of allocations was to be on individual local government infrastructure asset renewal and/or infrastructure asset creation. The CLGF is aimed at encouraging additional expenditure by the local government on planned infrastructure needs. The local government received its 2010-11 allocation upon RDL's receipt of a satisfactory acquittal of the 2008-09 allocation and approval of the local government's forward capital works plan, and upon entering into a FAA with RDL.

- **2011-12**

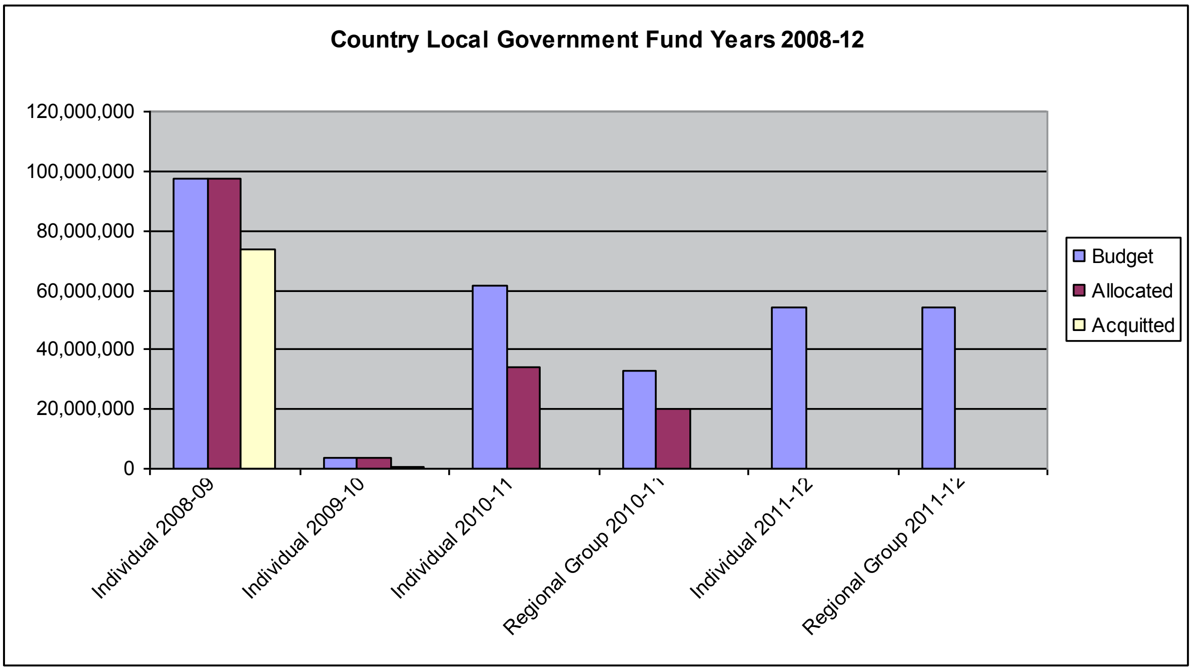
The CLGF 2011-12 funding will be provided to individual country local governments and groups of country local governments for infrastructure asset renewal and/or infrastructure asset creation.

The 2011-12 allocations have been finalised for individual local governments and groups of local governments.[527]

The Trust is advised by RDL that guidelines for applying for the CLGF 2011-12 funding will be available in 'the near future'.

The following graph summarises the total CLGF budget, allocations and acquitted funds for Regional Groups and Individual Components by year of funding.

Graph 1 - Country Local Government Fund Years 2008-12[528]



[527] CLGF allocations for 2011-12 are available at http://www.rdl.wa.gov.au/grantandfunding/country/Pages/2011-12-Funding.aspx

[528] Please see Key on following page for explanation of terms

5. CLGF Funding

The following table summarises the total CLGF budget, allocations and acquitted funds for Regional Groups and Individual Components by year of funding.

Table 1 - Country Local Government Fund Years 2008-12[529]

	Individual 2008-09 100% CLGF Allocation	Individual 2009-10 (Planning)	Individual 2010-11 (65% CLGF Allocation)	Regional Group 2010-11 (35% CLGF Allocation)	Individual 2011-12 (50% CLGF Allocation)	Regional Group 2011-12 (50% CLGF Allocation)
Budget	**97,500,000**	**3,850,000**	**61,464,000**	**33,096,000**	**54,030,000**	**54,030,000**
Allocated[530]	**97,500,000**	**3,850,000**	**34,263,046**	**20,225,298**		
Acquitted	**73,726,814**	**315,000**				

Key for Graph 1 and Table 1:

- Allocated – Funds committed to the shire to be provided to a project and spent accordingly.
- Acquitted – Funds which have received audited acquittals from an independent registered auditor.
- Regional Group refers to any grouping of local governments that agrees to work together for the purpose of delivering a regionally significant infrastructure project. Examples include:
  - Regional Collaborative Groups
  - Regional Transitional Groups
  - Local governments which have amalgamated or are undergoing amalgamation
  - Regional organisations of councils
  - Strategic alliances
  - Regional local governments
  - Informal groups that sign an agreement to undertake a specific CLGF Regional Group project.

Attachment C to this Issues Paper details the CLGF Budgets the 2008-09 to 2011-12 financial years and by region and shire with figures as at 26 August 2011.

529 These figures are current as at 30 June 2011.

530 Please note money is only allocated to local governments once they have acquitted the previous years funding and have completed their FAA

6. Submissions and Consultation

How to provide a submission

The Trust has not established a particular template for submissions. Your submissions should address the Issues for Consideration in the Terms of Reference (Attachment A). It is not necessary to address all the issues. If you have any other issues you would like to raise in your submission that are relevant to the CLGF you are welcome to do so.

Please note in your submissions which particular issue you are responding to and please provide an executive summary in your submission.

The Trust is interested in getting feedback from a variety of stakeholders who have been involved with the CLGF. If you represent a group or organisation please provide those details in your submission.

The Trust has been asked to consider whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose – the Trust asks that you take a strategic longer-term view in addressing these issues.

Submissions and any enquiries regarding the Issues Paper should be directed to the Trust's Executive Officer Priscilla Gleeson. Submissions can be emailed, mailed or faxed. The Trust asks that submissions be submitted as early as practicable, but no later than 31 October 2011.

The email address for submissions is clgfreview@rdl.wa.gov.au. Further contact details are in the last page of this document.

Responses to the Submissions and Consultation

In addition to taking evidence from written submissions, the Trust will be consulting with as many stakeholders as is possible within the relatively short period of time before it has to report. This will include meetings with individual stakeholders and meetings with groups, for example regional groups of country local governments.

Apart from an acknowledgement of receipt, the Trust will not be responding directly to individual submissions. However, where necessary the Trust may contact you with questions arising from your submissions.

Confidentiality and FOI for Submissions

Your feedback may be quoted in the final report. Please note that submissions will be made publically available at the conclusion of the Review on the Trust's website.

If you do not want your written evidence automatically made public, please mark your submission 'CONFIDENTIAL'. Please note however that even if marked confidential the requirements under the *Freedom of Information Act 1992* will apply.[531]

Reporting

The Trust is due to report to the Minister by 31 January 2012.

7 Provision of services and facilities to the Trust

Pursuant to section 27 of the Act RDL provides the Trust with the services and facilities necessary for the Trust to perform its function. RDL will provide the Trust with assistance for the Review, which will include staff to assist with research, analysis and secretariat support.

8 Contact Details for Review

Contact details for the Review of the Royalties for Regions CLGF are:

Email address for submissions: clgfreview@rdl.wa.gov.au

Street Address:
Review of the Royalties for Regions Country Local Government Fund
Western Australian Regional Development Trust
Level 2, 140 William Street, Perth WA 6000

Postal Address:
Review of the Royalties for Regions Country Local Government Fund
PO Box 1143, West Perth WA 6872

Support for the Review:
Priscilla Gleeson[532]
A/Executive Officer, Western Australian Regional Development Trust

Direct phone:	(08) 6552 4498
Fax:	(08) 6552 4417
Freecall:	1800 735 784 (Country callers only)
Email:	priscilla.gleeson@rdl.wa.gov.au ***(not for submissions)***

The Trust's website is located on the RDL website at:
http://www.rdl.wa.gov.au/aboutus/partners/RegionalDevelopmentTrust/Pages/default.aspx

[531] The Western Australian Freedom of Information Act 1992 (the FOI Act) gives people the right to apply for access to documents held by State Public Sector agencies which includes: Government Departments; Local Authorities; Statutory Authorities and Ministers. The Trust is subject to FOI requirements. The FOI Act can be accessed at: http://www.slp.wa.gov.au/legislation/agency.nsf/foi_menu.htmlx

[532] Please note that as at the 3rd October 2011 Priscilla Gleeson took over the position of Executive Officer from Michele Howard and this document has been updated accordingly

TERMS OF REFERENCE
FOR THE REVIEW OF THE ROYALTIES FOR REGIONS
COUNTRY LOCAL GOVERNMENT FUND

Purpose of the Review

The Country Local Government Fund (CLGF) is in its fourth year of operation. The CLGF was originally a four-year budget program. S5(1)(a) of the *Royalties for Regions Act 2009* (Act) went beyond this timeframe, as it gave the CLGF permanence by entrenching the CLGF as a subsidiary account of the Royalties for Regions Fund.

The purpose of the Review is to determine whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

BACKGROUND

The CLGF is one of three subsidiary accounts of the Royalties for Regions Fund (Fund) established under the Act.

On 15 December 2008, the Minister for Regional Development and Lands (Minister) launched CLGF with $400 million over four years to assist country local governments to build and maintain their community infrastructure.

The Fund's stated aims are to:
- address infrastructure backlogs and support capacity building
- improve the financial sustainability of country local governments in WA through improved asset management
- provide financial assistance to country local governments which choose to amalgamate voluntarily
- assist groups of country local governments to fund larger scale infrastructure projects.

Who is to conduct the Review

The Western Australian Regional Development Trust (Trust) is established under the Act. The Trust is an independent statutory body that provides advice and recommendations to the Minister on the allocation and management of funds from the Fund. The Trust is the appropriate body to conduct the Review.

Timing

The Review is to be conducted in the 2011-12 financial year and presented to the Minister by the end of January 2012.

ISSUES FOR CONSIDERATION IN THE REVIEW

Overall, whether there is a continuing need for the CLGF, and if so, in what form, with what budget parameters, and with what purpose.

1. The extent to which the stated aims of the CLGF are being met, in particular, have the objectives of the CLGF been materially achieved:
    - how the CLGF is addressing local governments' infrastructure backlogs and enhancing local governments' capacity building
    - how the financial sustainability of country local governments is being improved through improved asset management
    - the effectiveness of funds directed to voluntary amalgamation
    - how CLGF is assisting groups of country local governments to fund larger scale infrastructure projects
    - the effect or impact of funds allocated under the CLGF.
2. Whether country local government or the Department of Regional Development and Lands has experienced difficulties in applications and approvals, executing, acquitting, reporting, or managing projects under the CLGF.
3. The efficacy of the current formula in allocating funds to individual and groups of local governments, including whether this approach should be retained reformed or replaced
4. The appropriate proportional allocation of funding between individual, group and regional components over time
5. The scope of initiatives that should be funded and in particular, whether the existing focus on infrastructure and capacity building should be retained, narrowed, broadened or otherwise changed
6. Matters that would improve the efficiency and effectiveness of the Fund's implementation including the existing processes for forward capital works development, and business plan development.
7. Any other relevant matters.

REQUIREMENTS

In conducting the Review the Trust will consult with relevant stakeholders, including but not limited to:

- Country local governments
- Western Australian Local Government Association and its zones
- Local Government Managers Australia (Western Australia)
- Department of Regional Development and Lands
- Department of Local Government
- Regional Development Commissions
- Regional Development Council
- Office of the Auditor General
- Minister for Regional Development
- Minister for Local Government
- Parliamentary Secretary to the Minister for Regional Development
- Regional Development Australia
- Appropriate industry bodies.

Attachment B - Formula for the Country Local Government Fund

The CLGF formula uses WA Local Government Grants Commission (LGGC) factors which attend to needs components[533]; equalisation criteria[534]; and roads components[535]. This formula was first applied in the determination of CLGF grants in 2008-09.

Allocations will be determined on the basis of population and needs

(1) The population formula used to determine the funding allocation for each of the 110 councils was as follows:

Formula

1) $A_i = k.p_i + R/2(g_i+r_i)$

or

$A_i=k.p_i + R/2.g_i+R/2.r_i$

where

A_i is the final funding allocation to a local government;
p_i is the local government population used in the 2007 LGGC Financial Assistance Grants assessments; and
i represents each country local government.

2) k=CG/Pop

where

CG is total allocation of funds and
Pop is the total country local government population used in the (2007) LGGC Financial Assistance Grants assessments.
In 2007, CG was $97,500,000

3) $400,000 < kpi < $900,000

that is

kp_i is constrained to be in the range [$400k to $900k]

4) $R = CG - \sum kpi$

that is

R is the difference (residual) between the total allocation (CG) and the sum of constrained allocations to individual local governments ($\sum kp_i$).

13

[533] The total Financial Assistance Grant pool (both general purpose and roads allocation) is the surrogate measure for need.
[534] Where local governments have limited capacity to fund service provision needs.
[535] Reflecting asset preservation needs reflecting different road lengths, standards and costs.

$gi = Gi / \sum Gi$

where

G_i is the local governments FAG grants amount arising from needs assessment by the LGGC

5) $ri = Ri / \sum Ri$

where

R_i is the local governments Road grants amount arising from roads assessment by the LGGC

(2) The needs criteria used to determine the Country Local Government Fund allocation to the 110 councils are included within the assessments of the WA Local Government Grants Commission, which annually assesses revenue capacity and expenditure needs using key data, and approximately 20 disability factors, to determine horizontal equalisation funding requirements. It also uses detailed road inventory data and regional costings to assess asset preservation needs for each local government as a basis for allocating local road grants. A local government's share of these allocations was considered to be a suitable indicator of funding needs.

To achieve the above, the following steps were undertaken:

1. Calculate each local government share of the total Financial Assistance Grant pool (both general purpose and roads allocations) (this is the surrogate measure for need)

2. Calculate the per capita allocation, if the whole pool was allocated on population basis

   $97.5m for 565,000 people
   Equates to $172.50 per capita

3. Work out the allocation to each local government if the whole pool was allocated on population basis,
   Equates to $172.50 times the population of each local government
   The sum of these allocations should be $97.5m

4. A decision was made to limit the influence of population on the final allocations, such that there was a minimum population component of $400,000 and maximum population component of $400,000.

   These limits and caps on the allocation are calculated via 'IF' statements.

   Some local governments will be allocated $400,000, and some $900,000, with the balance receiving a floating figure between these two figures based on population.

5. Sum the allocations to each councils calculated in step 4.

    $61.15m allocated on population basis

    Balance of $36.35m of pool can be allocated on basis of need (step 1)

6. For each local government, work out the entitlement by summing the population component (step 4) and the needs component (step 5).

    The sum of these allocations should be $97.5m

Any additional funds can be allocated on a basis of the existing percentage share of the $97.5m pool.

Attachment C - CLGF Budget

By Regional Groups and Individual Local Governments

and

Country Local Government Fund 2008-09 to 2011-12

Country Local Government Fund Regional Group Budgets
by Regional Development Commission Regions as 26 August 2011

Regions	Local Government	Individual Budget 08-09	Disbursed Amount 08-09	Individual Budget 09-10	Disbursed Amount 09-10	Individual Budget 10-11	Individual Disbursed Amount 10-11	Regional Group Budget 10-11	Group Disbursed Amount 10-11	Individual Budget 11-12	Individual Disbursed Amount 11-12	Regional Group Budget 11-12	Group Disbursed Amount 11-12
Gascoyne	Carnarvon	1,693,818	1,693,818	35,000	35,000	1,067,783		574,960	200,000	938,636	0	938,636	0
Gascoyne	Exmouth	721,045	721,045	35,000	35,000	454,547	454,547	244,756	244,756	399,570	0	399,570	0
Gascoyne	Shark Bay	682,737	682,737	35,000	35,000	430,397		231,752	231,752	378,341	0	378,341	0
Gascoyne	Upper Gascoyne	931,727	931,727	35,000	35,000	587,361		316,271		516,320	0	516,320	0
Gascoyne Total		4,029,327	4,029,327	140,000	140,000	2,540,088	454,547	1,367,739	676,508	2,232,867	0	2,232,867	0
Goldfields	Coolgardie	862,456	862,456	35,000	35,000	543,692		292,757		477,933	0	477,933	0
GoldFields	Dundas	673,751	673,751	35,000	35,000	424,733	424,733	228,702		373,362	0	373,362	0
Goldfields	Esperance	1,692,177	1,692,177	35,000	35,000	1,066,749		574,403		937,727	0	937,727	0
Goldfields	Kalgoorlie-Boulder	1,397,790	1,397,790	35,000	35,000	881,167		474,475		774,591	0	774,591	0
Goldfields	Laverton	757,712	757,712	35,000	35,000	477,662		257,203		419,889	0	419,889	0
Goldfields	Leonora	609,235	609,235	35,000	35,000	384,062	384,062	206,802		337,610	0	337,610	0
Goldfields	Menzies	791,732	791,732	35,000	35,000	499,108		268,750		438,741	0	438,741	0
Goldfields	Ngaanyatjarraku	1,085,756	1,085,756	35,000	35,000	684,461		368,556		601,676	0	601,676	0
Goldfields	Ravensthorpe	650,852	650,852	35,000	35,000	410,297		220,929	220,929	360,672	0	360,672	0
Goldfields Total		8,521,462	8,521,462	315,000	315,000	5,371,930	808,794	2,892,577	220,929	4,722,201	0	4,722,201	0
Great Southern	Albany	1,568,047	1,568,047	35,000	35,000	988,497	988,497	532,267	532,267	868,939	0	868,939	0
Great Southern	Broomehill-Tambellup*	676,507	676,507	35,000	35,000	426,470	426,470	229,638	229,638	374,889	0	374,889	0
Great Southern	Cranbrook	605,275	605,275	35,000	35,000	381,565		205,458	205,458	335,415	0	335,415	0
Great Southern	Denmark	1,076,771	1,076,771	35,000	35,000	678,797		365,506	365,506	596,697	0	596,697	0
Great Southern	Gnowangerup	600,485	600,485	35,000	35,000	378,546	378,546	203,832	203,832	332,761	0	332,761	0
Great Southern	Jerramungup	586,158	586,158	35,000	35,000	369,514	369,514	198,969	198,969	324,822	0	324,822	0
Great Southern	Katanning	1,085,325	1,085,325	35,000	35,000	684,189	684,189	368,410	368,410	601,437	0	601,437	0
Great Southern	Kent	586,470	586,470	35,000	35,000	369,711		199,075	199,075	324,995	0	324,995	0
Great Southern	Kojonup	625,454	625,454	35,000	35,000	394,286	394,286	212,308	212,308	346,598	0	346,598	0
Great Southern	Plantagenet	1,071,541	1,071,541	35,000	35,000	675,499		363,730	363,730	593,798	0	593,798	0
Great Southern	Woodanilling	528,696	528,696	35,000	35,000	333,290	333,290	179,464	179,464	292,979	0	292,979	0

Great Southern Total		9,010,730	9,010,730		385,000	385,000		5,680,364	3,574,792	3,058,657	3,058,657		4,993,331	0	4,993,331	0
Kimberley	Broome	1,590,859	1,590,859		35,000	35,000		1,002,877		540,011			881,580	0	881,580	0
Kimberley	Derby-West Kimberley	2,079,507	2,079,507		35,000	35,000		1,310,921	1,310,921	705,881			1,152,367	0	1,152,367	0
Kimberley	Halls Creek	1,526,029	1,526,029		35,000	35,000		962,009	962,009	518,005			845,655	0	845,655	0
Kimberley	Wyndham-East Kimberley	1,710,292	1,710,292		35,000	35,000		1,078,168		580,552			947,765	0	947,765	0
Kimberley Total		6,906,686	6,906,686		140,000	140,000		4,353,975	2,272,930	2,344,449	0		3,827,367	0	3,827,367	0
Mid West	Carnamah	598,197	598,197		35,000	35,000		377,103	377,103	203,056	180,056		331,493	0	331,493	0
Mid West	Chapman Valley	536,919	536,919		35,000	35,000		338,474	338,474	182,255	182,255		297,536	0	297,536	0
Mid West	Coorow	638,166	638,166		35,000	35,000		402,300	402,300	216,623	193,623		353,642	0	353,642	0
Mid West	Cue	646,761	646,761		35,000	35,000		407,718	407,718	219,540	219,540		358,405	0	358,405	0
Mid West	Geraldton-Greenough	1,701,007	1,701,007		35,000	35,000		1,072,315		577,400	534,769		942,620	0	942,620	0
Mid West	Irwin	711,480	711,480		35,000	35,000		448,517	448,517	241,509	241,509		394,269	0	394,269	0
Mid West	Meekatharra	941,218	941,218		35,000	35,000		593,344	593,344	319,493	319,493		521,579	0	521,579	0
Mid West	Mingenew	512,174	512,174		35,000	35,000		322,874		173,855			283,823	0	283,823	0
Mid West	Morawa	647,073	647,073		35,000	35,000		407,915	407,915	219,647			358,578	0	358,578	0
Mid West	Mount Magnet	718,005	718,005		35,000	35,000		452,631		243,724	243,724		397,885	0	397,885	0
Mid West	Mullewa	573,715	573,715		35,000	35,000		361,670	361,670	194,745	194,745		317,926	0	317,926	0
Mid West	Murchison	912,836	912,836		35,000	35,000		575,452	575,452	309,859			505,851	0	505,851	0
Mid West	Northampton	824,025	824,025		35,000	35,000		519,465		279,712	279,712		456,637	0	456,637	0
Mid West	Perenjori	681,709	681,709		35,000	35,000		429,749	429,749	231,403	88,435		377,771	0	377,771	0
Mid West	Sandstone	769,543	769,543		35,000	35,000		485,120	485,120	261,219	261,219		426,445	0	426,445	0
Mid West	Three Springs	564,714	564,714		35,000	35,000		355,996		191,690			312,939	0	312,939	0
Mid West	Wiluna	753,249	753,249		35,000	35,000		474,848		255,687	255,687		417,416	0	417,416	0
Mid West	Yalgoo	760,662	760,662		35,000	35,000		479,522		258,204	258,204		421,524	0	421,524	0
Mid West Total		13,491,453	13,491,453		630,000	630,000		8,505,012	4,827,361	4,579,621	3,452,971		7,476,340	0	7,476,340	0
Peel	Boddington	486,196	486,196		35,000	35,000		306,498		165,037			269,427	0	269,427	0
Peel	Mandurah	1,373,018	1,373,018		35,000	35,000		865,551		466,066			760,863	0	760,863	0
Peel	Murray	1,323,082	1,323,082		35,000	35,000		834,071	834,071	449,115			733,191	0	733,191	0
Peel	Serpentine-Jarrahdale	1,360,486	1,360,486		35,000	35,000		857,650		461,812			753,918	0	753,918	0
Peel	Waroona	841,779	841,779		35,000	35,000		530,658	530,658	285,739			466,475	0	466,475	0
Peel Total		5,384,560	5,384,560		175,000	175,000		3,394,427	1,364,728	1,827,769	0		2,983,875	0	2,983,875	0
Pilbara	Ashburton	1,803,793	1,803,793		35,000	35,000		1,137,111		612,290	612,290		999,579	0	999,579	0
Pilbara	East Pilbara	1,870,713	1,870,713		35,000	35,000		1,179,298	1,179,298	635,006	635,006		1,036,663	0	1,036,663	0
Pilbara	Port Hedland	1,457,619	1,457,619		35,000	35,000		918,883		494,783	494,783		807,745	0	807,745	0

Pilbara	Roebourne	1,570,171	1,570,171	35,000	35,000	989,836	989,836	532,988	532,988	870,116	0	870,116	0
Pilbara Total		6,702,295	6,702,295	140,000	140,000	4,225,127	2,169,133	2,275,067	2,275,067	3,714,103	0	3,714,103	0
South West	Augusta-Margaret River	1,123,296	1,123,296	35,000	35,000	708,126	708,126	381,299	381,299	622,479	0	622,479	0
South West	Boyup Brook	579,414	579,414	35,000	35,000	365,263	365,263	196,680	196,680	321,085	0	321,085	0
South West	Bridgetown-Greenbushes	1,017,154	1,017,154	35,000	35,000	641,214		345,269	20,269	563,660	0	563,660	0
South West	Bunbury	1,189,272	1,189,272	35,000	35,000	749,717	749,717	403,694	403,694	659,040	0	659,040	0
South West	Busselton	1,263,255	1,263,255	35,000	35,000	796,356	796,356	428,807	428,807	700,038	0	700,038	0
South West	Capel	1,163,948	1,163,948	35,000	35,000	733,753	733,753	395,098	395,098	645,006	0	645,006	0
South West	Collie	1,337,259	1,337,259	35,000	35,000	843,008	843,008	453,927	453,927	741,047	0	741,047	0
South West	Dardanup	1,119,765	1,119,765	35,000	35,000	705,900		380,100	380,100	620,522	0	620,522	0
South West	Donnybrook-Balingup	1,167,748	1,167,748	35,000	35,000	736,148		396,388	396,388	647,112	0	647,112	0
South West	Harvey	1,294,766	1,294,766	35,000	35,000	816,221	816,221	439,503	439,503	717,500	0	717,500	0
South West	Manjimup	1,510,518	1,510,518	35,000	35,000	952,231	952,231	512,740	24,440	837,060	0	837,060	0
South West	Nannup	605,370	605,370	35,000	35,000	381,625		205,490		335,468	0	335,468	0
South West Total		13,371,767	13,371,767	420,000	420,000	8,429,562	5,964,674	4,538,995	3,520,205	7,410,016	0	7,410,016	0
Wheatbelt	Beverley	605,681	605,681	35,000	35,000	381,821		205,596	205,596	335,640	0	335,640	0
Wheatbelt	Brookton	545,937	545,937	35,000	35,000	344,159	344,159	185,316		302,533	0	302,533	0
Wheatbelt	Bruce Rock	757,473	757,473	35,000	35,000	477,511		257,121	125,597	419,757	0	419,757	0
Wheatbelt	Chittering	841,130	841,130	35,000	35,000	530,248	530,248	285,518	285,518	466,115	0	466,115	0
Wheatbelt	Corrigin	679,609	679,609	35,000	35,000	428,425		230,691		376,608	0	376,608	0
Wheatbelt	Cuballing	572,416	572,416	35,000	35,000	360,851	360,851	194,304	194,304	317,206	0	317,206	0
Wheatbelt	Cunderdin	623,755	623,755	35,000	35,000	393,215	393,215	211,731	211,731	345,656	0	345,656	0
Wheatbelt	Dalwallinu	802,548	802,548	35,000	35,000	505,926		272,422	88,435	444,735	0	444,735	0
Wheatbelt	Dandaragan	820,400	820,400	35,000	35,000	517,180	517,180	278,482		454,628	0	454,628	0
Wheatbelt	Dowerin	618,573	618,573	35,000	35,000	389,948	389,948	209,972	209,972	342,785	0	342,785	0
Wheatbelt	Dumbleyung	635,505	635,505	35,000	35,000	400,623		215,720		352,168	0	352,168	0
Wheatbelt	Gingin	1,086,381	1,086,381	35,000	35,000	684,855	684,855	368,768	274,500	602,022	0	602,022	0
Wheatbelt	Goomalling	530,808	530,808	35,000	35,000	334,621	334,621	180,181	180,181	294,149	0	294,149	0
Wheatbelt	Kellerberrin	688,524	688,524	35,000	35,000	434,045		233,717	114,164	381,548	0	381,548	0
Wheatbelt	Kondinin	644,667	644,667	35,000	35,000	406,398	406,398	218,830	218,830	357,244	0	357,244	0
Wheatbelt	Koorda	720,977	720,977	35,000	35,000	454,504	454,504	244,733	244,733	399,532	0	399,532	0
Wheatbelt	Kulin	650,289	650,289	35,000	35,000	409,942	409,942	220,738	220,738	360,360	0	360,360	0
Wheatbelt	Lake Grace	750,341	750,341	35,000	35,000	473,015		254,700	254,700	415,804	0	415,804	0
Wheatbelt	Merredin	966,402	966,402	35,000	35,000	609,220		328,042	160,239	535,536	0	535,536	0
Wheatbelt	Moora	662,338	662,338	35,000	35,000	417,538	417,538	224,828		367,037	0	367,037	0

Wheatbelt	Mount Marshall	770,927	770,927	35,000	35,000	485,992		261,688	261,688	427,212	0	427,212	0
Wheatbelt	Mukinbudin	653,884	653,884	35,000	35,000	412,208		221,958	221,958	362,352	0	362,352	0
Wheatbelt	Narembeen	716,933	716,933	35,000	35,000	451,955		243,360	224,051	397,291	0	397,291	0
Wheatbelt	Narrogin(S)	567,162	567,162	35,000	35,000	357,539	357,539	192,521		314,295	0	314,295	0
Wheatbelt	Narrogin(T)	996,820	996,820	35,000	35,000	628,395		338,367	121,234	552,391	0	552,391	0
Wheatbelt	Northam	1,413,188	1,413,188	35,000	35,000	890,874	890,874	479,701	479,701	783,124	0	783,124	0
Wheatbelt	Nungarin	587,030	587,030	35,000	35,000	370,064		199,265	199,265	325,305	0	325,305	0
Wheatbelt	Pingelly	580,218	580,218	35,000	35,000	365,769	365,769	196,953		321,530	0	321,530	0
Wheatbelt	Quairading	658,191	658,191	35,000	35,000	414,923	414,923	223,420	223,420	364,739	0	364,739	0
Wheatbelt	Tammin	565,828	565,828	35,000	35,000	356,698		192,068	192,068	313,556	0	313,556	0
Wheatbelt	Toodyay	1,007,671	1,007,671	35,000	35,000	635,236	635,236	342,050	342,050	558,405	0	558,405	0
Wheatbelt	Trayning	627,982	627,982	35,000	35,000	395,880	395,880	213,166	213,166	347,999	0	347,999	0
Wheatbelt	Victoria Plains	537,458	537,458	35,000	35,000	338,814		182,438	182,438	297,834	0	297,834	0
Wheatbelt	Wagin	626,011	626,011	35,000	35,000	394,637	394,637	212,497	212,497	346,906	0	346,906	0
Wheatbelt	Wandering	474,227	474,227	35,000	35,000	298,953	298,953	160,974	160,974	262,795	0	262,795	0
Wheatbelt	West Arthur	549,393	549,393	35,000	35,000	346,337		186,489	186,489	304,448	0	304,448	0
Wheatbelt	Westonia	592,276	592,276	35,000	35,000	373,371	373,371	201,046		328,212	0	328,212	0
Wheatbelt	Wickepin	629,551	629,551	35,000	35,000	396,869	396,869	213,699	164,912	348,868	0	348,868	0
Wheatbelt	Williams	469,371	469,371	35,000	35,000	295,892	295,892	159,326	159,326	260,104	0	260,104	0
Wheatbelt	Wongan-Ballidu	709,849	709,849	35,000	35,000	447,489	447,489	240,955		393,365	0	393,365	0
Wheatbelt	Wyalkatchem	619,649	619,649	35,000	35,000	390,627	390,627	210,338	210,338	343,381	0	343,381	0
Wheatbelt	Yilgarn	708,036	708,036	35,000	35,000	446,346		240,340		392,361	0	392,361	0
Wheatbelt	York	816,313	816,313	35,000	35,000	514,604		277,094	277,094	452,363	0	452,363	0
Wheatbelt Total		30,081,720	30,081,720	1,505,000	1,505,000	18,963,516	10,901,517	10,211,123	7,021,907	16,669,901	0	16,669,901	0
Grand Total		97,500,000	97,500,000	3,850,000	3,850,000	61,464,000	32,338,477	33,095,997	20,226,244	54,030,000	0	54,030,000	0

Country Local Government Fund 2008-12
as 26 August 2011

Local Government	Individual Budgets 2008/09	Disbursed Amount 2008/09	Acquitted Expenditure2008/09		Disbursed Amount 2009/10	Acquitted Expenditure 2009/10	Individual Budgets 2010-11	Disbursed Amount 2010/11	Regional Group Budgets 2010-11	Disbursed Amount 2010/11	Individual Budgets 2011-12	Disbursed Amount 2011/12	Regional Group Budgets 2011-12	Disbursed Amount 2011/12
Albany	1,568,047	1,568,047	1,568,047	35,000	35,000	35,000	988,497	988,497	532,267	532,267	868939	0	868939	0
Ashburton	1,803,793	1,803,793		35,000	35,000	35,000	1,137,111		612,290	612,290	999579	0	999579	0
Augusta-Margaret River	1,123,296	1,123,296	1,123,296	35,000	35,000		708,126	708,126	381,299	381,299	622479	0	622479	0
Beverley	605,681	605,681		35,000	35,000		381,821		205,596	205,596	335640	0	335640	0
Boddington	486,196	486,196	486,196	35,000	35,000		306,498		165,037		269427	0	269427	0
Boyup Brook	579,414	579,414	579,414	35,000	35,000		365,263	365,263	196,680	196,680	321085	0	321085	0
Bridgetown-Greenbushes	1,017,154	1,017,154		35,000	35,000		641,214		345,269	20,269	563660	0	563660	0
Brookton	545,937	545,937	545,937	35,000	35,000		344,159	344,159	185,316		302533	0	302533	0
Broome	1,590,859	1,590,859	1,590,859	35,000	35,000		1,002,877		540,011		881580	0	881580	0
Broomehill-Tambellup*	676,507	676,507	676,507	35,000	35,000		426,470	426,470	229,638	229,638	374889	0	374889	0
Bruce Rock	757,473	757,473	757,473	35,000	35,000		477,511		257,121	125,597	419757	0	419757	0
Bunbury	1,189,272	1,189,272	1,189,272	35,000	35,000	35,000	749,717	749,717	403,694	403,694	659040	0	659040	0
Busselton	1,263,255	1,263,255	1,263,255	35,000	35,000	35,000	796,356	796,356	428,807	428,807	700038	0	700038	0
Capel	1,163,948	1,163,948	1,163,948	35,000	35,000		733,753	733,753	395,098	395,098	645006	0	645006	0
Carnamah	598,197	598,197	598,197	35,000	35,000		377,103	377,103	203,056	180,056	331493	0	331493	0
Carnarvon	1,693,818	1,693,818	1,693,818	35,000	35,000		1,067,783		574,960	200,000	938636	0	938636	0
Chapman Valley	536,919	536,919	536,919	35,000	35,000		338,474	338,474	182,255	182,255	297536	0	297536	0
Chittering	841,130	841,130	841,130	35,000	35,000		530,248	530,248	285,518	285,518	466115	0	466115	0
Collie	1,337,259	1,337,259	1,337,259	35,000	35,000		843,008	843,008	453,927	453,927	741047	0	741047	0
Coolgardie	862,456	862,456		35,000	35,000		543,692		292,757		477933	0	477933	0
Coorow	638,166	638,166	638,166	35,000	35,000		402,300	402,300	216,623	193,623	353642	0	353642	0
Corrigin	679,609	679,609	679,609	35,000	35,000	35,000	428,425		230,691		376608	0	376608	0
Cranbrook	605,275	605,275	605,275	35,000	35,000		381,565		205,458	205,458	335415	0	335415	0
Cuballing	572,416	572,416	572,416	35,000	35,000		360,851	360,851	194,304	194,304	317206	0	317206	0
Cue	646,761	646,761	646,761	35,000	35,000		407,718	407,718	219,540	219,540	358405	0	358405	0
Cunderdin	623,755	623,755	623,755	35,000	35,000		393,215	393,215	211,731	211,731	345656	0	345656	0
Dalwallinu	802,548	802,548	802,548	35,000	35,000		505,926		272,422	88,435	444735	0	444735	0
Dandaragan	820,400	820,400	820,400	35,000	35,000		517,180	517,180	278,482		454628	0	454628	0
Dardanup	1,119,765	1,119,765		35,000	35,000		705,900		380,100	380,100	620522	0	620522	0
Denmark	1,076,771	1,076,771	1,076,771	35,000	35,000	35,000	678,797		365,506	365,506	596697	0	596697	0

Derby-West Kimberley	2,079,507	2,079,507	2,079,507	35,000	35,000		1,310,921	1,310,921	705,881		1152367	0	1152367	0
Donnybrook-Balingup	1,167,748	1,167,748	1,167,748	35,000	35,000		736,148		396,388	396,388	647112	0	647112	0
Dowerin	618,573	618,573	618,573	35,000	35,000		389,948	389,948	209,972	209,972	342785	0	342785	0
Dumbleyung	635,505	635,505		35,000	35,000		400,623		215,720		352168	0	352168	0
Dundas	673,751	673,751	673,751	35,000	35,000	35,000	424,733	424,733	228,702		373362	0	373362	0
East Pilbara	1,870,713	1,870,713	1,870,713	35,000	35,000		1,179,298	1,179,298	635,006	635,006	1036663	0	1036663	0
Esperance	1,692,177	1,692,177		35,000	35,000		1,066,749		574,403		937727	0	937727	0
Exmouth	721,045	721,045	721,045	35,000	35,000		454,547	454,547	244,756	244,756	399570	0	399570	0
Geraldton-Greenough	1,701,007	1,701,007	1,701,007	35,000	35,000	35,000	1,072,315		577,400	534,769	942620	0	942620	0
Gingin	1,086,381	1,086,381	1,086,381	35,000	35,000		684,855	684,855	368,768	274,500	602022	0	602022	0
Gnowangerup	600,485	600,485	600,485	35,000	35,000		378,546	378,546	203,832	203,832	332761	0	332761	0
Goomalling	530,808	530,808	530,808	35,000	35,000		334,621	334,621	180,181	180,181	294149	0	294149	0
Halls Creek	1,526,029	1,526,029	1,526,029	35,000	35,000		962,009	962,009	518,005		845655	0	845655	0
Harvey	1,294,766	1,294,766	1,294,766	35,000	35,000		816,221	816,221	439,503	439,503	717500	0	717500	0
Irwin	711,480	711,480	711,480	35,000	35,000		448,517	448,517	241,509	241,509	394269	0	394269	0
Jerramungup	586,158	586,158	586,158	35,000	35,000		369,514	369,514	198,969	198,969	324822	0	324822	0
Kalgoorlie-Boulder	1,397,790	1,397,790		35,000	35,000		881,167		474,475		774591	0	774591	0
Katanning	1,085,325	1,085,325	1,085,325	35,000	35,000		684,189	684,189	368,410	368,410	601437	0	601437	0
Kellerberrin	688,524	688,524		35,000	35,000		434,045		233,717	114,164	381548	0	381548	0
Kent	586,470	586,470	586,470	35,000	35,000		369,711		199,075	199,075	324995	0	324995	0
Kojonup	625,454	625,454	625,454	35,000	35,000		394,286	394,286	212,308	212,308	346598	0	346598	0
Kondinin	644,667	644,667	644,667	35,000	35,000		406,398	406,398	218,830	218,830	357244	0	357244	0
Koorda	720,977	720,977	720,977	35,000	35,000		454,504	454,504	244,733	244,733	399532	0	399532	0
Kulin	650,289	650,289	650,289	35,000	35,000		409,942	409,942	220,738	220,738	360360	0	360360	0
Lake Grace	750,341	750,341		35,000	35,000		473,015		254,700	254,700	415804	0	415804	0
Laverton	757,712	757,712		35,000	35,000		477,662		257,203		419889	0	419889	0
Leonora	609,235	609,235	609,235	35,000	35,000		384,062	384,062	206,802		337610	0	337610	0
Mandurah	1,373,018	1,373,018	1,373,018	35,000	35,000		865,551		466,066		760863	0	760863	0
Manjimup	1,510,518	1,510,518	1,510,518	35,000	35,000	35,000	952,231	952,231	512,740	24,440	837060	0	837060	0
Meekatharra	941,218	941,218	941,218	35,000	35,000		593,344	593,344	319,493	319,493	521579	0	521579	0
Menzies	791,732	791,732	791,732	35,000	35,000		499,108		268,750		438741	0	438741	0
Merredin	966,402	966,402		35,000	35,000		609,220		328,042	160,239	535536	0	535536	0
Mingenew	512,174	512,174	512,174	35,000	35,000		322,874		173,855		283823	0	283823	0
Moora	662,338	662,338	662,338	35,000	35,000		417,538	417,538	224,828		367037	0	367037	0

Morawa	647,073	647,073	647,073	35,000	35,000		407,915	407,915	219,647		358578	0	358578	0
Mount Magnet	718,005	718,005	718,005	35,000	35,000		452,631		243,724	243,724	397885	0	397885	0
Mount Marshall	770,927	770,927		35,000	35,000		485,992		261,688	261,688	427212	0	427212	0
Mukinbudin	653,884	653,884		35,000	35,000		412,208		221,958	221,958	362352	0	362352	0
Mullewa	573,715	573,715	573,715	35,000	35,000		361,670	361,670	194,745	194,745	317926	0	317926	0
Murchison	912,836	912,836	912,836	35,000	35,000		575,452	575,452	309,859		505851	0	505851	0
Murray	1,323,082	1,323,082	1,323,082	35,000	35,000		834,071	834,071	449,115		733191	0	733191	0
Nannup	605,370	605,370	605,370	35,000	35,000		381,625		205,490		335468	0	335468	0
Narembeen	716,933	716,933	716,933	35,000	35,000		451,955		243,360	224,051	397291	0	397291	0
Narrogin(S)	567,162	567,162	567,162	35,000	35,000		357,539	357,539	192,521		314295	0	314295	0
Narrogin(T)	996,820	996,820		35,000	35,000		628,395		338,367	121,234	552391	0	552391	0
Ngaanyatjarraku	1,085,756	1,085,756		35,000	35,000		684,461		368,556		601676	0	601676	0
Northam	1,413,188	1,413,188	1,413,188	35,000	35,000		890,874	890,874	479,701	479,701	783124	0	783124	0
Northampton	824,025	824,025	824,025	35,000	35,000		519,465		279,712	279,712	456637	0	456637	0
Nungarin	587,030	587,030	587,030	35,000	35,000		370,064		199,265	199,265	325305	0	325305	0
Perenjori	681,709	681,709	681,709	35,000	35,000		429,749	429,749	231,403	88,435	377771	0	377771	0
Pingelly	580,218	580,218	580,218	35,000	35,000		365,769	365,769	196,953		321530	0	321530	0
Plantagenet	1,071,541	1,071,541		35,000	35,000		675,499		363,730	363,730	593798	0	593798	0
Port Hedland	1,457,619	1,457,619	1,457,619	35,000	35,000		918,883		494,783	494,783	807745	0	807745	0
Quairading	658,191	658,191	658,191	35,000	35,000		414,923	414,923	223,420	223,420	364739	0	364739	0
Ravensthorpe	650,852	650,852		35,000	35,000		410,297		220,929	220,929	360672	0	360672	0
Roebourne	1,570,171	1,570,171	1,570,171	35,000	35,000		989,836	989,836	532,988	532,988	870116	0	870116	0
Sandstone	769,543	769,543	769,543	35,000	35,000		485,120	485,120	261,219	261,219	426445	0	426445	0
Serpentine-Jarrahdale	1,360,486	1,360,486	1,360,486	35,000	35,000		857,650		461,812		753918	0	753918	0
Shark Bay	682,737	682,737	682,737	35,000	35,000		430,397		231,752	231,752	378341	0	378341	0
Tammin	565,828	565,828		35,000	35,000		356,698		192,068	192,068	313556	0	313556	0
Three Springs	564,714	564,714	564,714	35,000	35,000		355,996		191,690		312939	0	312939	0
Toodyay	1,007,671	1,007,671	1,007,671	35,000	35,000		635,236	635,236	342,050	342,050	558405	0	558405	0
Trayning	627,982	627,982	627,982	35,000	35,000		395,880	395,880	213,166	213,166	347999	0	347999	0
Upper Gascoyne	931,727	931,727		35,000	35,000		587,361		316,271		516320	0	516320	0
Victoria Plains	537,458	537,458	537,458	35,000	35,000		338,814		182,438	182,438	297834	0	297834	0
Wagin	626,011	626,011	626,011	35,000	35,000		394,637	394,637	212,497	212,497	346906	0	346906	0
Wandering	474,227	474,227	474,227	35,000	35,000		298,953	298,953	160,974	160,974	262795	0	262795	0
Waroona	841,779	841,779	841,779	35,000	35,000		530,658	530,658	285,739		466475	0	466475	0

West Arthur	549,393	549,393	549,393	35,000	35,000		346,337		186,489	186,489	304448	0	304448	0
Westonia	592,276	592,276	592,276	35,000	35,000		373,371	373,371	201,046		328212	0	328212	0
Wickepin	629,551	629,551	629,551	35,000	35,000		396,869	396,869	213,699	164,912	348868	0	348868	0
Williams	469,371	469,371	469,371	35,000	35,000		295,892	295,892	159,326	159,326	260104	0	260104	0
Wiluna	753,249	753,249		35,000	35,000		474,848		255,687	255,687	417416	0	417416	0
Wongan-Ballidu	709,849	709,849	709,849	35,000	35,000		447,489	447,489	240,955		393365	0	393365	0
Woodanilling	528,696	528,696	528,696	35,000	35,000		333,290	333,290	179,464	179,464	292979	0	292979	0
Wyalkatchem	619,649	619,649	619,649	35,000	35,000		390,627	390,627	210,338	210,338	343381	0	343381	0
Wyndham-East Kimberley	1,710,292	1,710,292		35,000	35,000		1,078,168		580,552		947765	0	947765	0
Yalgoo	760,662	760,662		35,000	35,000		479,522		258,204	258,204	421524	0	421524	0
Yilgarn	708,036	708,036		35,000	35,000		446,346		240,340		392361	0	392361	0
York	816,313	816,313		35,000	35,000		514,604		277,094	277,094	452363	0	452363	0
Total	97,500,000	97,500,000	73,726,814	3,850,000	3,850,000	315,000	61,464,000	32,338,477	33,096,000	20,226,244	54030000	0	54030000	0

Appendix 3: The 2011-12 Guidelines

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Government of **Western Australia**
Department of **Regional Development and Lands**

ROYALTIES FOR REGIONS

ROYALTIES FOR REGIONS

COUNTRY LOCAL GOVERNMENT FUND

INDIVIDUAL COUNTRY LOCAL GOVERNMENTS

2011-12 Guidelines

Background

The Western Australian Liberal National Government's Royalties for Regions is a commitment to put more back into the State's regions.

Through the *Royalties for Regions Act 2009*, the equivalent of 25 per cent of the State's mining and onshore petroleum royalties are being returned to the State's regional areas each year as an additional investment in projects, infrastructure and community services.

The object of this Act is to promote and facilitate economic, business and social development in regional Western Australia.

The expenditure of Royalties for Regions funds is for the following purposes:
S

- Provide infrastructure and services in regional Western Australia
- To develop and broaden the economic base of regional Western Australia
- To maximise job creation and improve career opportunities in regional Western Australia

Royalties for Regions has six policy objectives:

- building capacity in regional communities
- retaining benefits in regional communities
- improving services to regional communities
- attaining sustainability
- expanding opportunity
- growing prosperity.

Royalties for Regions distributes benefits to regional communities through three supporting funds:

- The Country Local Government Fund
- The Regional Community Services Fund
- The Regional Infrastructure and Headworks Fund.

COUNTRY LOCAL GOVERNMENT FUND

The primary objective of the Royalties for Regions Country Local Government Fund (CLGF) is to address infrastructure needs across the country local government sector.

CLGF overall aims are to:

- address infrastructure needs and support capacity building
- improve the financial sustainability of country local governments in Western Australia through improved asset management
- provide financial assistance to country local governments which choose to amalgamate voluntarily
- assist groups of country local governments to fund regionally significant infrastructure projects.

CLGF Overall Program Delivery

- The Department of Regional Development and Lands (RDL) administers and monitors CLGF expenditure.

- The Department of Local Government delivers capacity building programs to individual and groups of country local governments, funded through CLGF. This includes assistance towards the development of strategic plans, asset management plans, the costs of amalgamation; and scoping plans to cost the delivery of municipal services to Aboriginal communities.

CLGF for Individual Country Local Governments (2011-12)

CLGF provides the country local government sector with additional money for the purpose of infrastructure provision and renewal.

The focus of funding in 2011-12 is to continue the delivery of projects identified in each eligible country local government's forward capital works plan (FCWP).

For 2011-12 each eligible individual country local government allocation is 50 percent of the total allocated CLGF budget, as shown on the Royalties for Regions website. However, all allocations are subject to meeting the requirements specified in these guidelines.

Application Deadline

Individual local governments should revise their FCWP. The required documentation must be submitted **between 30 October and 30 December 2011** to RDL who will assess projects against the CLGF guidelines.

Failure to meet the **30 December 2011** deadline may result in a local government being excluded from 2011-12 funding and their 2011-12 notional allocation being re-distributed to other eligible recipients.

WHAT CAN BE FUNDED

Eligibility Criteria

Grant expenditure must be on individual local government infrastructure asset creation, preservation or renewal projects.

Project proposals and grant expenditure must meet the following criteria:

Criterion 1. Projects must be identified in a Council approved Forward Capital Works Plan (FCWP)

Local governments should review their 2010-11 FCWP, and update it for 2011-12 onwards, as necessary. Local governments should notify RDL in writing of changes as necessary.

Criterion 2. Local governments should be well advanced in their project planning.

Where required by RDL, local governments should provide written evidence that:

- Initial planning work through feasibility studies, business plans and risk assessments has been undertaken
- Realistic cost estimates for the project by appropriate independent professionals such as engineers, quantity surveyors and architects have been obtained
- Obtaining all necessary approvals and licences are well advanced
- Additional or alternative funding sources have been identified to address funding gaps
- Where projects are of a strategic nature and/or relate to core agency business, for example Sport and Recreation or Culture and the Arts, local governments have consulted with the relevant agencies.

Criterion 3. CLGF expenditure must be directly related to the delivery of capital works projects

Capital works is defined as building and engineering works that:

- **Create a fixed infrastructure asset, for example:**
  - Materials and labour associated with constructing a building, road or bridge.
  - Installing facilities and fixtures that form an integral part of those works, such as floor finishes, air conditioning and security systems.
  - Purchase of buildings.
  - Earthworks, landscaping and headworks costs associated with an eligible CLGF project.

- **Renew or preserve a fixed infrastructure asset. This could include a major restoration or renovation project, such as:**
  - Repainting a building
  - Rewiring a building
  - Replacement of a bridge, road, roof, ceiling, floor or air-conditioning system.

Notes to Criterion 3:

- **Assets owned or managed by third parties**

  Individual country local governments may expend CLGF funds on assets which are not under the direct care or control of a local government where **all** of the following are demonstrated in writing through a formal agreement between the parties:
  - There is a clear commitment from the owner to the asset being accessible on a long term basis to the broader community;
  - The local government maintains appropriate control over ensuring that the asset is used for the benefit of the community; and
  - There is a plan for the long-term future maintenance of the asset..

  Long term is expected to be a minimum of five years.

- **Purchasing vacant land for the purposes of development**

  The purchase of the land must clearly relate to the establishment of:

  - a fixed community and local government infrastructure asset; or
  - residential, commercial or industrial subdivision.

  CLGF should not be used for the sole purpose of purchasing and selling land in its vacant state. Development of the land needs to commence within 2 years of signing the Financial Assistance Agreement (FAA).

Using CLGF funds to purchase vacant land may be considered where no other funds can be secured for this purpose.

Please direct enquiries to RDL who can provide advice on a case by case basis.

- **Related Costs**

  Up to 15% of the total project cost can be allocated from CLGF towards project management fees and project documentation activities (such as architectural fees and the development of structural, mechanical and hydraulic engineering plans) on eligible CLGF projects.

  For example, if the total project cost of a project identified in a FCWP was valued at $1,000,000, a local government could spend up to a total of $150,000 from CLGF on related costs to that project.

- **Local government staff wages**

  The cost of limited but reasonable direct wages, where they are a component in the construction of an infrastructure asset, may be included under CLGF expenditure. Please refer to Section 9, Pages 40-41, of the *Local Government Accounting Manual (Edition 2)* for the relevant treatment of employee benefits in relation to CLGF.

WHAT CANNOT BE FUNDED

CLGF funds are **not** to be used for:

- projects not identified in the local government's FCWP
- purchasing equipment (e.g. furniture, computers, vehicles or moveable plant)
- retiring debt
- engaging consultants or staff outside or beyond the timeframe of an approved CLGF funded infrastructure project
- general maintenance (such as the day-to-day servicing of an asset including small parts - please refer to Section 9, Page 10, of the *Local Government Accounting Manual (Edition 2)* for the relevant definition)
- feasibility studies, cost-benefit analysis, impact studies, marketing plans or research projects
- the sole purpose of return on investment (e.g. interest)
- retrospective funding, where projects have been completed or have commenced construction prior to receiving approval from RDL.

HOW TO APPLY

Local Governments are to review their FCWP. Local Governments are not required to submit FCWP but ensure that they are kept up to date.

Local Governments must submit to RDL:

A. A Financial Assistance Agreement (FAA) which outlines the conditions of funding and work schedule for the 2011-12 funds

B. Relevant supporting documentation for example letters of support, relating plans or strategies

C. Notification in writing of any changes to the projects relating to CLGF activity in the FCWP.

Note: Where projects are of a strategic nature and/or relate to core agency business, for example Sport and Recreation or Culture and the Arts, local governments are to demonstrate that consultation has been undertaken with relevant agencies.

ASSESSMENT and PAYMENT PROCESS

The process for CLGF grant applicants will be:

1. Submission of draft FAA and where required, supporting documentation and a letter notifying RDL of changes to the FCWP.
2. RDL or its nominee will then assess the documentation against the CLGF guidelines.
3. Upon acceptance by both RDL and the local government, two copies of the FAA will need to be signed by the local government and forwarded to RDL.
4. The FAA will then be signed by a nominated representative of RDL and the grant payment will be processed.

RDL may contact applicants should further information be required. All information provided needs to be to the satisfaction of RDL.

Applicants need to be aware that RDL may consult with other agencies and relevant stakeholders in relation to proposed projects.

CONDITIONS AND OBLIGATIONS

It is important to note the following:

Management and Expenditure of Funds

- Local governments will be expected to review their FCWP each year and identify their priorities for the 2011-12 year.
- If project priorities have changed the local governments will need to provide written notification to RDL of changes to projects relating to CLGF in the FCWP.
- 2011-12 CLGF funds must be held in a separate account or cost centre within the local government's financial system.
- The 2011-12 funds must be spent in accordance with the signed FAA.
- The preference is for the funds to be spent in the year in which they are paid. However, local governments may take up to two years from the signing of the FAA to acquit the funds to the satisfaction of RDL and as detailed in the FAA.

For example, if local governments can demonstrate, to the satisfaction of RDL, that reasonable progress is being made with the expenditure of the 2010-11 CLGF grant, payment of the 2011-12 allocation is likely to occur in the financial year in which it is due. Likewise, if reasonable progress is demonstrated with expenditure of the 2011-12 CLGF grant, payment of the 2012-13 funds is likely to occur in the financial year in which it is due.

However, payment of 2012-13 CLGF funds will not be made until the 2010-11 CLGF allocation has been fully acquitted and accepted by RDL.

Approval for Project Variations

- After signing the FAA if local governments wish to change projects, they will be required to seek RDL's approval, in writing, to reallocate CLGF funding to alternative projects.
- Project changes requested must adhere to these guidelines and be formally acknowledged through a variation of the FAA, signed by both parties.
- **Local governments are welcome to contact RDL to discuss all projects, or aspects of projects, that appear to fall outside the guidelines**.

Reporting, Acquittal and Audit Requirements

These requirements will be detailed in the FAA, including obligations to provide Progress Reports, Audits, the Final Acquittal and any other information.

Should recipients not adhere to the FAA, they may be excluded from future CLGF allocations.

Provisions for Councils Facing Exceptional Circumstances

Councils experiencing exceptional circumstances such as the effects of flooding, drought, bushfire or other emergency situations, are encouraged to contact RDL as soon as possible to discuss their options.

Amalgamating Local Governments

In line with the policy adopted by the Western Australia Local Government Grants Commission (LGGC), where two or more local government bodies are amalgamated into a single body, the CLGF grant provided to the new body following amalgamation will be the total of the amounts that would have been provided to the former bodies if they had remained separate entities. Although the LGGC policy has adopted a timeframe of five years, the CLGF policy will only be in effect until the end of 2012-13, after which CLGF funding is no longer provided to any individual local governments. However, some provision for newly amalgamated bodies is made in the Funding Guidelines for CLGF Regional Groups of Country Local Governments 2011-12, where such a body will be recognised as an eligible group if they have a CLGF project that meets those guidelines.

CLGF Expenditure on Roads and Impact on Commonwealth Financial Assistance Grants

Local governments need to be aware that in determining Commonwealth Financial Assistance Grants, the Local Government Grants Commission is likely to take into account CLGF expenditure on road asset preservation and renewal.

CLGF expenditure on bridges, buildings and infrastructure assets other than road asset preservation and renewal, may not affect financial assistance allocations.

Please ensure you contact the Department of Local Government by telephone on (08) 6552 1500 should you require information regarding the Commission's definition of road asset preservation and renewal.

Local Content

Local governments agree to endeavour to use local or regional products and services where possible for undertaking funded projects. The level of local content in projects will be required to be reported as part of the reporting process.

Acknowledgment of CLGF

Community awareness of the facilities funded by the CLGF will assist in the program's acceptance, success and longevity. It is therefore important that local governments acknowledge their Royalties for Region's CLGF allocation during all communication activities such as:

- Newsletter articles, advertising, speeches, presentations, or other literary works by displaying the Royalties for Regions logo and the State Government logo and acknowledging the funding assistance.
- Signage on project sites and plaques on completed projects.
- Public announcements (media statements), official launches and/or openings. To ensure consistency of messages delivered across government agencies and departments, local governments should work with and seek RDL approval on all public announcements.

Advice on acknowledging your Royalties for Regions CLGF allocation can be obtained by contacting the RDL Regional Investment communications team on (08) 6552 4400.

The Royalties for Regions Style Guide and advice on purchasing signage can be downloaded from the RDL website at www.royaltiesforregions.wa.gov.au.

TAX INFORMATION

RDL is registered for GST and has been issued with Australian Business Number (ABN) 28 807 221 246. RDL regards financial assistance under the CLGF as payment for a supply. GST-registered financial assistance recipients will therefore be liable for GST in connection with the financial assistance.

For GST-registered financial assistance recipients, RDL will increase the financial assistance by the amount of GST payable. GST-registered financial assistance recipients need to provide the Office of Shared Services (OSS) with a tax invoice for the GST inclusive value of the financial assistance unless RDL and the recipient have agreed in writing to the issue of a Recipient Created Tax Invoice.

Payment will not be made until the recipient is registered as a supplier with OSS and OSS receive a tax invoice or an agreement to issue a Recipient Created Tax Invoice. The recipient acknowledges that the financial assistance provided is consideration for a supply to RDL and that the GST component will be included in the applicant's next Business Activity Statement lodged with the Australian Taxation Office.

For applicants not registered for GST, RDL will *not* include GST. Nor will it reimburse an unregistered financial assistance recipient for GST paid or payable to a third party. Unregistered financial assistance recipients must provide OSS with an invoice for the amount of the grant.

FREEDOM OF INFORMATION ACT

Recipients are informed that RDL is subject to the *Western Australia Freedom of Information Act*, which provides a general, right of access to records held by State Government agencies and local government authorities.

Recipients should also be aware that information pertaining to the receipt of State Government financial assistance will be tabled in the Western Australian Parliament. This information could include the names of local governments, the amount of the assistance, the name of the project/activity and, possibly, a brief description thereof. This could result in requests for more detail to be released publicly.

Should you require any further information in relation to this issue, please contact RDL's Freedom of Information Coordinator on (08) 6552 4400.

PAYMENT DETAILS

All payments are contingent upon receipt of required reporting and audit actions as outlined under **Conditions and Obligations** in these guidelines and detailed in the FAA.

Method of Payment
RDL is responsible for the administration of this Fund. Please be aware that RDL operates under a Whole of Government shared corporate services environment. Through this arrangement, payments will be undertaken by OSS, a business unit of the Department of Treasury and Finance.

Upon receipt of the required documentation, RDL will raise a requisition and OSS will issue recipients with a purchase order. Tax invoices for these funds will then need to be submitted directly to OSS, quoting the purchase order number and GST, if registered. The payment of this grant will be made direct to you from OSS and not from RDL after receipt of invoice. However, recipients should ensure that RDL is kept informed when invoices are submitted so that payment can be tracked.

For further information regarding these payment arrangements please visit the OSS website http://www.oss.wa.gov.au and review information about how the arrangements will affect the local government by clicking on the Suppliers Corner.

Should the organisation not be registered as a supplier with OSS please complete the Supplier Creation Form found on the OSS website. Should you need to contact OSS, details are as follows:

Mason Bird Building
303 Sevenoaks Street
PO Box 591
CANNINGTON Western Australia 6987
Customer Service Centre: 1300 345 677
Fax: (08) 9258 0303
Email: business@oss.wa.gov.au

Supplier Creation Forms can also be obtained by contacting RDL. Please note that an organisation will not be able to receive funding until they are registered with OSS.

RDL CONTACT DETAILS

Please contact RDL should there be any further queries regarding these guidelines or the payment of this grant under the CLGF:

Telephone (08) 6552 4400 or freecall 1800 735 784.

Website: http://www.royaltiesforregions.wa.gov.au

Email: clgf@rdl.wa.gov.au.

Post: PO Box 1143 West Perth WA 6872

ROYALTIES FOR REGIONS

COUNTRY LOCAL GOVERNMENT FUND

REGIONAL GROUPS OF COUNTRY LOCAL GOVERNMENTS

2011-12 Guidelines

Background

The Western Australian Liberal National Government's Royalties for Regions is a commitment to put more back into the State's regions.

Through the *Royalties for Regions Act 2009*, the equivalent of 25 per cent of the State's mining and onshore petroleum royalties are being returned to the State's regional areas each year as an additional investment in projects, infrastructure and community services. The object of this Act is to promote and facilitate economic, business and social development in regional Western Australia.

The expenditure of Royalties for Regions funds is for the following purposes:

- Provide infrastructure and services in regional Western Australia
- To develop and broaden the economic base of regional Western Australia
- To maximise job creation and improve career opportunities in regional Western Australia

Royalties for Regions has six policy objectives:

- building capacity in regional communities
- retaining benefits in regional communities
- improving services to regional communities
- attaining sustainability
- expanding opportunity
- growing prosperity.

Royalties for Regions distributes benefits to regional communities through three supporting funds:

- The Country Local Government Fund
- The Regional Community Services Fund
- The Regional Infrastructure and Headworks Fund.

COUNTRY LOCAL GOVERNMENT FUND

The primary objective of the Royalties for Regions Country Local Government Fund (CLGF) is to address infrastructure needs across the country local government sector.
CLGF overall aims are to:

- address infrastructure needs and support capacity building
- improve the financial sustainability of country local governments in Western Australia through improved asset management
- provide financial assistance to country local governments which choose to amalgamate voluntarily
- assist groups of country local governments to fund regionally significant infrastructure projects

CLGF Program Delivery

- The Department of Regional Development and Lands (RDL) administers and monitors CLGF expenditure.
- The Department of Local Government delivers capacity building programs to individual and groups of country local governments, funded through CLGF. This includes assistance towards the development of strategic plans, asset management plans, the costs of amalgamation; and scoping plans to cost the delivery of municipal services to Aboriginal communities.
- The nine Regional Development Commissions work with local governments in their region to facilitate the process of determining priorities with the groupings agreed by local governments.

CLGF for Regional Groups of Country Local Governments (2011-12)

CLGF provides the country local government sector with additional money for the purpose of infrastructure provision and renewal.

The focus of funding in 2011-12 is to continue developing strategic infrastructure projects that demonstrate wide community benefits across a region and which are linked to comprehensive regional planning processes.

For 2011-12 each eligible individual country local government allocation is 50 percent of the total allocated budget, as shown on the Royalties for Regions website. However, all allocations are subject to the requirements specified in these guidelines.

It is anticipated that funding from other sources may be required to fund such projects.

REGIONAL GROUPS OF COUNTRY LOCAL GOVERNMENTS

Regional Group refers to any grouping of local governments that agrees to work together for the purpose of delivering a regionally significant infrastructure project. Examples include:

- Regional Collaborative Groups
- Regional Transitional Groups
- Local governments which have amalgamated or are undergoing amalgamation
- Regional organisations of councils
- Strategic alliances
- Regional local governments
- Informal groups that sign an agreement to undertake a specific CLGF Regional Group project

Priority projects should be developed by each Regional Group through a regional planning process, facilitated by their local Regional Development Commission (RDC). The RDCs will contact local governments in their region to discuss an appropriate planning process prior to its commencement.

The Group then needs to develop a business case for each project seeking CLGF funds.

The funds must be managed by a legal entity that is registered for GST. Such an entity will apply for and receive the Group's funding and be responsible for submitting reports required by RDL and for the Group's acquittal of funds.

Application Deadline

Applications for CLGF Group project funding need to be submitted to RDL between **30 October 2011 and 30 May 2012** to ensure that projects meet the CLGF Guidelines**.**

Failure to submit by **30 May 2012** may result in that Group being excluded from 2011-12 funding and their 2011-12 notional allocation being re-distributed to other eligible recipients.

WHAT CAN BE FUNDED

Eligibility Criteria

Grant expenditure must be on infrastructure asset creation, preservation or renewal projects.

Project proposals and grant expenditure must meet the following criteria:

Criterion 1. Strategic regional projects

Projects must demonstrate regional significance, such as:

- benefit multiple communities across local government or regional boundaries
- address a substantial gap in infrastructure;
- link to a regional plan (eg RDC strategic or regional investment plan, Regional Planning Committee framework, Regional Development Australia Committee plan, Regional Local Government strategic plan etc)

Groups are encouraged to align their projects to wider regional policy frameworks such as the Regional Development Council's Action Agenda and the Royalties for Regions objectives.

Groups are also encouraged to explore opportunities to develop large scale projects and partner with other local, state and Australian government agencies, non government organisations, the community and industry to leverage funding or other types of support for these projects.

Where projects are of a strategic nature and/or relate to core agency business, for example Sport and Recreation or Culture and the Arts, Groups are to consult with relevant agencies.

Criterion 2. Participation in a regional planning process, facilitated by the Regional Development Commissions (RDCs)

Regional Group projects should be submitted and agreed to through a regional planning process, facilitated by their local RDC, to be eligible for funding.

Applicants should forward a copy of the Group's CLGF application to their local RDC(s) for their information.

Applicants should include a letter from their local RDC, specifically commenting on the strategic and regional relevance of the application.

Criterion 3. All members of the agreed Regional Group (as per page 2), involved in the project, must support the project (including financial support) and expenditure of funds must be by mutual agreement of the Regional Group.

All members of the Regional Group must be signatories to the application.
Funding is provided on the basis that it is combined for allocation by the Regional Group as a whole, rather than expended by each local government according to the amount notionally allocated through the CLGF funding formula.

Each local government in the Regional Group is therefore expected to contribute a reasonable proportion of their allocated CLGF Group funding to the project.

The project should be incorporated into each member's Forward Capital Works Plan, as appropriate.

Criterion 4. Local government Regional Groups should be well advanced in their project planning.

The Regional Group should provide appropriate documentation to demonstrate this, for example that they have:

- undertaken initial planning work through feasibility studies, business plans and risk assessments
- obtained realistic cost estimates for the project by appropriate independent professionals such as engineers, quantity surveyors and architects
- obtained all necessary approvals and licences or be well advanced in doing so
- identified additional or alternative funding sources

Criterion 5. CLGF expenditure must be directly related to the delivery of capital works

Capital works is defined as building and engineering works that:

- **Create a fixed infrastructure asset, for example:**
  - Materials and labour associated with constructing a building, road or bridge.
  - Installing facilities and fixtures that form an integral part of those works, such as floor finishes, air conditioning and security systems.
  - Purchase of buildings
  - Earthworks, landscaping and headworks costs associated with an eligible CLGF project.
- **Renew or preserve a fixed infrastructure asset. This could include a major restoration or renovation project such as:**
  - Repainting a building
  - Rewiring a building
  - Replacement of a bridge, road, roof, ceiling, floor or air-conditioning system

Notes to Criterion 5:

- **Purchasing vacant land for the purposes of development**

  The purchase of the land must clearly relate to the establishment of:
  - a fixed community and local government infrastructure asset; or
  - residential, commercial or industrial subdivision.

CLGF should not be used for the sole purpose of purchasing and selling land in its vacant state. Development of the land needs to commence within 2 years of signing the Financial Assistance Agreement (FAA).

Using CLGF funds to purchase vacant land may be considered where no other funds can be secured for this purpose.

Please direct enquiries to RDL who can provide advice on a case by case basis.

- **Assets owned or managed by third parties**

Local governments may expend CLGF funds on assets which are not under the direct care or control of a local government where **all** of the following are demonstrated in writing through a formal agreement between the parties:

- There is a clear commitment from the owner to the asset being accessible on a long term basis to the broader community;
- The local government maintains appropriate control over ensuring that the asset is used for the benefit of the community;
- There is a plan for the long-term future maintenance of the asset; and
- The project is included in each member's forward capital works plan.

Long term is expected to be a minimum of five years.

- **Related Costs**

  Up to 15% of the total project cost can be allocated from CLGF towards project management fees and project documentation activities (such as architectural fees and the development of structural, mechanical and hydraulic engineering plans) on eligible CLGF projects.

  For example, if the total project cost of a project was valued at $1,000,000, a Regional Group could spend up to a total of $150,000 from CLGF on costs related to that project.

- **Local government staff wages**

  The cost of limited but reasonable direct wages, where they are a component in the construction of an infrastructure asset, may be included under CLGF expenditure. Please refer to Section 9, Pages 40-41, of the *Local Government Accounting Manual (Edition 2)* for the relevant treatment of employee benefits in relation to CLGF.

WHAT CANNOT BE FUNDED

CLGF funds are **not** to be used for:

- projects not identified as priorities in the relevant local government's 2011-12 Forward Capital Works Plan, as formally accepted by RDL
- purchasing equipment (e.g. furniture, computers, vehicles or moveable plant)
- retiring debt
- engaging consultants or staff outside or beyond the timeframe of an approved CLGF funded infrastructure project
- general maintenance (such as the day-to-day servicing of an asset including small parts. -please refer to Section 9, Page 10, of the Local Government Accounting Manual (Edition 2) for the relevant definition)
- feasibility studies, cost-benefit analysis, impact studies, marketing plans or research projects
- non-CLGF approved project designs or plans
- for the sole purpose of return on investment (e.g. interest)
- retrospective funding, where projects have been completed or have commenced construction prior to receiving approval from RDL.

HOW TO APPLY

Regional Groups need to submit an application for **each** CLGF Group project to RDL and provide a copy to their local RDC(s).

The application should include:

D. CLGF 2011-12 Regional Groups Application Form, signed by the Chief Executive Officer and President of **each** local government in the Group.

E. Business Case for the proposed CLGF project, including an itemised cash and in-kind budget for the CLGF project. The proposal should identify sources and allocations from other sources of funding.

F. Relevant supporting documentation.

Note: Where projects are of a strategic nature and/or relate to core agency business, for example Sport and Recreation or Culture and the Arts, Groups must demonstrate they have consulted with relevant agencies.

Please see attached Application Form and Business Case Template.

ASSESSMENT

The process for CLGF grant applicants will be:

5. Submission of the appropriate documentation to the satisfaction of RDL, with a copy provided to the local RDC.
6. Once the required documentation is submitted, RDL will assess the projects against CLGF guidelines.
7. RDCs will be asked to comment on each CLGF Group application relevant to their region and indicate their level of support for the project.
8. Projects will be compiled and project summaries forwarded to the Royalties for Regions Directors General (DG) group for advice.
9. Projects summaries will then be submitted to Cabinet for approval.
10. Upon approval by Cabinet RDL will forward applicants a Financial Assistance Agreement (FAA) for signing, which will outline the conditions of the funding, including the approved project(s) and budget(s).
11. The FAA will then be signed by a nominated representative of RDL and the grant payment will be processed.

RDL will contact applicants should further information be required.

Applicants need to be aware that RDL may consult with other agencies and relevant stakeholders in relation to proposed projects.

Please note that recommended projects will be forwarded in batches to the Minister for Regional Development and State Cabinet for approval dependent on when the projects are submitted by local governments and assessed to the satisfaction of RDL.

Projects will be submitted to Cabinet on a quarterly basis against the following timeframe.

- The first submission closes 30 November 2011
- The second submission closes 28 February 2012
- The third submission in closes 30 May 2012.

CONDITIONS AND OBLIGATIONS

The signed FAA between RDL and the CLGF recipient will detail the terms and conditions of funding. However, it is important to note the following:

Management and Expenditure of Funds

Grant recipients must establish a separate account or cost centre within their financial system for each project for the 2011-12 CLGF Regional Group funds.

- The 2011-12 CLGF funds must be spent in accordance with the signed FAA.
- The preference is for the funds to be spent in the year in which they are paid to a Group. However, CLGF recipients may take up to two years from the signing of the FAA to acquit them to the satisfaction of RDL and as detailed in the FAA.

For example, if local governments can demonstrate, to the satisfaction of RDL, that reasonable progress is being made with the expenditure of the 2010-11 CLGF grant, payment of the 2011-12 allocation is likely to occur in the financial year in which it is due.

Likewise, if reasonable progress is demonstrated with expenditure of the 2011-12 CLGF grant, payment of the 2012-13 funds is likely to occur in the financial year in which it is due.

However, payment of the 2012-13 CLGF funds will not be paid until 2010-11 allocation has been fully acquitted by the Group and reports accepted by RDL in accordance with the FAA.

Approval for Project Variations

- Groups need to seek RDL's approval, in writing, should they wish to reallocate CLGF funding to alternative projects.
- Projects will need to go through the Assessment process prior to approval.
- Project changes requested must adhere to these guidelines and be formally acknowledged through a variation of the FAA, signed by both parties.
- **Groups are welcome to contact RDL to discuss all projects, or aspects of projects that fall outside the guidelines**.

Provisions for Councils Facing Exceptional Circumstances

Councils experiencing exceptional circumstances, such as the effects of flooding, drought, earthquake, bushfire or other natural disasters and emergency situations, are encouraged to contact RDL as soon as possible to discuss their options.

Reporting, Acquittal and Audit Requirements

These requirements will be detailed in the FAA, including obligations to provide Progress Reports, Audits, the Final Acquittal and any other information.

Should recipients not adhere to the FAA, they may be excluded from future CLGF allocations.

Amalgamating Local Governments

In line with the policy adopted by the Western Australian Local Government Grants Commission (LGGC), where two or more local government bodies are amalgamated into a single body, the CLGF grant provided to the new body following amalgamation will be the total of the amounts that would have been provided to the former bodies if they had remained separate entities. Although the LGGC policy has adopted a timeframe of five years, the CLGF policy will only be in effect until the end of 2012-13, after which CLGF funding is no longer provided to any individual local governments. However, some provision for newly amalgamated bodies is made in these Funding Guidelines, where such a body will be recognised as an eligible Group if they have a CLGF project that meets the criteria in these guidelines.

CLGF Expenditure on Roads and Impact on Commonwealth Financial Assistance Grants

Local governments need to be aware that in determining Commonwealth Financial Assistance Grants, the LGGC is likely to take into account CLGF expenditure on road asset preservation and renewal. CLGF expenditure on bridges, buildings and infrastructure assets other than road asset preservation and renewal, may not affect financial assistance allocations.

Please ensure you contact the Department of Local Government by telephone on (08) 6552 1500, should you require information regarding the Commission's definition of road preservation and renewal.

Local Content

Local governments agree to endeavour to use local or regional products and services where possible for undertaking funded projects. The level of local content in projects will be required to be reported as part of the reporting process.

Acknowledgment of CLGF

Community awareness of the facilities funded by the CLGF will assist in the program's acceptance, success and longevity. It is therefore important that Regional Groups acknowledge their Royalties for Regions CLGF allocation during all communication activities such as:

- Newsletter articles, advertising, speeches, presentations, or other literary works by displaying the Royalties for Regions logo and the State Government logo and acknowledge the funding assistance.
- Signage on project site and plaques on completed projects.
- Public announcements (media statements), official launches and/or openings. To ensure consistency of messages delivered across government agencies and departments, Regional Groups should work with and seek RDL approval on all public announcements.

Advice on acknowledging your Royalties for Regions CLGF allocation can be obtained by contacting the RDL Regional Investment communications team on (08) 6552 4400.

The Royalties for Regions Style Guide and advice on purchasing signage can be downloaded from the RDL website at www.royaltiesforregions.wa.gov.au.

TAX INFORMATION

RDL is registered for GST and has been issued with Australian Business Number (ABN) 28 807 221 246. RDL regards financial assistance under the CLGF as payment for a supply. GST-registered financial assistance recipients will therefore be liable for GST in connection with the financial assistance.

For GST-registered financial assistance recipients, RDL will increase the financial assistance by the amount of GST payable. GST-registered financial assistance recipients need to provide the Office of Shared Services (OSS) with a tax invoice for the GST inclusive value of the financial assistance unless RDL and the recipient have agreed in writing to the issue of a Recipient Created Tax Invoice.

Payment will not be made until the recipient is registered as a supplier with OSS and OSS receive a tax invoice or an agreement to issue a Recipient Created Tax Invoice. The recipient acknowledges that the financial assistance provided is consideration for a supply to RDL and that the GST component will be included in the applicant's next Business Activity Statement lodged with the Australian Taxation Office.

For applicants not registered for GST, RDL will *not* include GST. Nor will it reimburse an unregistered financial assistance recipient for GST paid or payable to a third party. Unregistered financial assistance recipients must provide OSS with an invoice for the amount of the grant.

FREEDOM OF INFORMATION ACT

Recipients are informed that RDL is subject to the *Western Australia Freedom of Information Act*, which provides a general, right of access to records held by State Government agencies and local government authorities.

Recipients should also be aware that information pertaining to the receipt of State Government financial assistance will be tabled in the Western Australian Parliament. This information could include the name of local governments, the amount of the assistance, the name of the project/activity and, possibly, a brief description thereof. This could result in requests for more detail to be released publicly.

Should you require any further information in relation to this issue, please contact RDL's Freedom of Information Coordinator on (08) 6552 4400.

PAYMENT DETAILS

Allocations are to be provided according to an agreed schedule in the FAA. All payments are contingent upon receipt of required reporting and audit actions as outlined under **Conditions and Obligations in these guidelines and as detailed in the FAA.**

Method of Payment
RDL is responsible for the administration of this Fund. Please be aware RDL operates under a Whole of Government shared corporate services environment. Through this arrangement, payments will be undertaken by OSS, a business unit of the Department of Treasury and Finance.

Upon receipt of the required documentation, RDL will raise a requisition and OSS will issue recipients with a purchase order. Tax invoices for these funds will then need to be submitted directly to OSS, quoting the purchase order number and GST, if registered.
The payment of this grant will be made direct to you from OSS and not from RDL after receipt of invoice. However, recipients should ensure that RDL is kept informed when invoices are submitted so that payment can be tracked.

For further information regarding these payment arrangements please visit the OSS website http://www.oss.wa.gov.au and review information about how the arrangements will affect the local government by clicking on the Suppliers Corner.

Should the organisation not be registered as a supplier with OSS please complete the Supplier Creation Form found on the OSS website. Should you need to contact OSS, details are as follows:

Mason Bird Building
303 Sevenoaks Street
PO Box 591
CANNINGTON WA 6987
Customer Service Centre: 1300 345 677
Fax: (08) 9258 0303
Email: business@oss.wa.gov.au

Supplier Creation Forms can also be obtained by contacting RDL. Please note that an organisation will not be able to receive funding until they are registered with OSS.

Please refer to RDL's website http://www.royaltiesforregions.wa.gov.au for any further information on this grant.

RDL CONTACT DETAILS

Please contact RDL should there be any further queries regarding these guidelines or the payment of this grant under the CLGF:

Telephone (08) 6552 4400 or freecall 1800 735784

Website: http://www.royaltiesforregions.wa.gov.au

Email: clgf@rdl.wa.gov.au.

Post: PO Box 1143 West Perth WA 6872

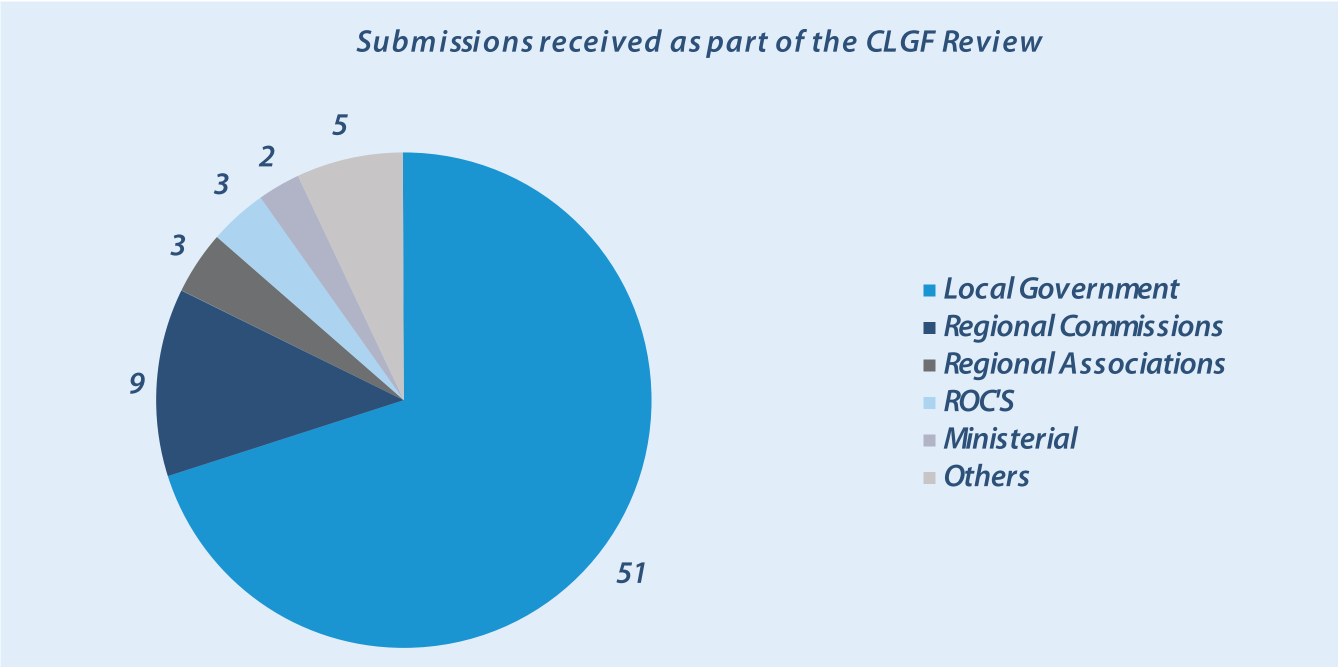
THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Appendix 4: List of correspondence, submissions and consultations

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

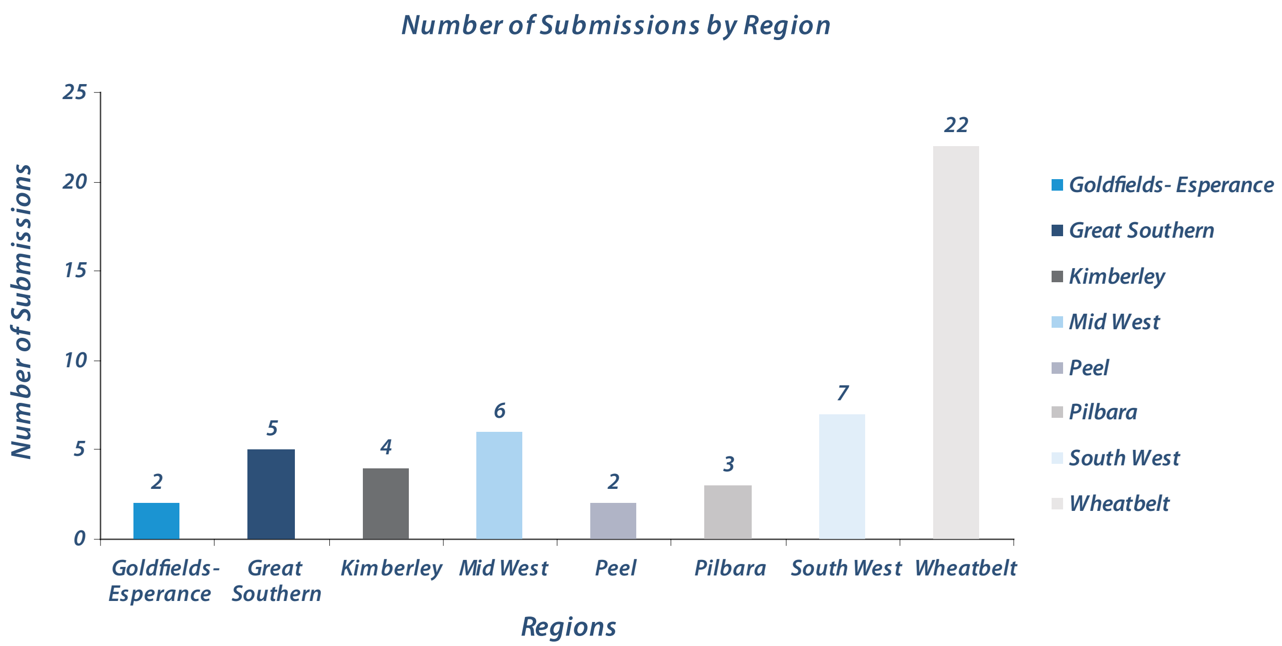
Number of stakeholders written to as part of the consultation process and the number of submissions received as part of the review into the Country Local Government Fund

Organisation	*Written to*	*Submissions received in*	*Response rate %*
Local Government	110	51	46
Regional Commissions and Council	10	9	90
Regional Associations	14	3	21
ROC'S	15	3	20
Ministerial	3	3	100
Others	26	5	19
Total	**178**	**74**	**42**



Total number submissions received from Local Governments as part of the review into the Country Local Government Fund and response rate of Local Governments written to as part of the Review.

Local Government Regions	*Submissions received*	*Number of Local Governments*	*Response Rate %*
Gascoyne	0	4	0%
Goldfields- Esperance	2	9	22%
Great Southern	5	11	45%
Kimberley	4	4	100%
Mid West	6	17	35%
Peel	2	5	40%
Pilbara	3	4	75%
South West	7	12	58%
Wheatbelt	22	43	51%
Total	**51**	**109**	



Breakdown per Region of the submissions received from Local Governments as part of the review into the Country Local Government Fund.

Local Government	***Region***
City of Kalgoorlie-Boulder	Goldfields- Esperance
Shire of Esperance	Goldfields- Esperance

Local Government	***Region***
City of Albany	Great Southern
Shire of Broomehill-Tambellup	Great Southern
Shire of Cranbrook	Great Southern
Shire of Jerramungup	Great Southern
Shire of Plantagenet	Great Southern

Local Government	***Region***
Shire of Broome	Kimberley
Shire of Derby-West Kimberley	Kimberley
Shire of Halls Creek	Kimberley
Shire of Wyndham-East Kimberley	Kimberley

Local Government	***Region***
Shire of Cue	Mid West
Shire of Mingenew	Mid West
Shire of Morawa	Mid West
Shire of Mount Magnet	Mid West
Shire of Perenjori	Mid West
Shire of Wiluna	Mid West

Local Government	***Region***
City of Mandurah	Peel
Shire of Murray	Peel

Local Government	***Region***
Shire of Ashburton	Pilbara
Shire of East Pilbara	Pilbara
Shire of Roebourne	Pilbara

Local Government	***Region***
City of Bunbury	South West
Shire of Bridgetown-Greenbushes	South West
Shire of Capel	South West
Shire of Collie	South West
Shire of Dardanup	South West
Shire of Donnybrook-Balingup	South West
Shire of Manjimup	South West

Local Government	***Region***
Shire of Beverley	Wheatbelt
Shire of Brookton	Wheatbelt
Shire of Cunderdin	Wheatbelt
Shire of Dowerin	Wheatbelt
Shire of Goomalling	Wheatbelt
Shire of Kellerberrin	Wheatbelt
Shire of Koorda	Wheatbelt
Shire of Kulin	Wheatbelt
Shire of Lake Grace	Wheatbelt
Shire of Merredin	Wheatbelt
Shire of Moora	Wheatbelt
Shire of Narembeen	Wheatbelt
Shire of Nungarin	Wheatbelt
Shire of Pingelly	Wheatbelt
Shire of Quairading	Wheatbelt
Shire of Toodyay	Wheatbelt
Shire of Trayning	Wheatbelt
Shire of Wagin	Wheatbelt
Shire of Westonia	Wheatbelt
Shire of Williams	Wheatbelt
Shire of Wyalkatchem	Wheatbelt
Shire of York	Wheatbelt

Full list of all submissions received as part of the Review of the Country Local Government Fund

Organisation	*Region*	*Organisation*	*Region*
City of Albany	Great Southern	Shire of Perenjori	Mid West
City of Bunbury	South-West	Shire of Pingelly	Wheatbelt
City of Kalgoorlie-Boulder	Goldfields-Esperance	Shire of Plantagenet	Great Southern
City of Mandurah	Peel	Shire of Quairading	Wheatbelt
Shire of Ashburton	Pilbara	Shire of Roebourne	Pilbara
Shire of Beverley	Wheatbelt	Shire of Toodyay	Wheatbelt
Shire of Bridgetown-Greenbushes	South West	Shire of Trayning	Wheatbelt
Shire of Brookton	Wheatbelt	Shire of Wagin	Wheatbelt
Shire of Broome	Kimberley	Shire of Westonia	Wheatbelt
Shire of Broomehill-Tambellup	Great Southern	Shire of Williams	Wheatbelt
Shire of Capel	South West	Shire of Wiluna	Mid West
Shire of Collie	South West	Shire of Wyalkatchem	Wheatbelt
Shire of Cranbrook	Great Southern	Shire of Wyndham-East Kimberley	Kimberley
Shire of Cue	Mid West	Shire of York	Wheatbelt
Shire of Cunderdin	Wheatbelt	Gascyone Development Commission	Gascoyne
Shire of Dardanup	South West	Goldfields Esperance Development Commission	Goldfields-Esperance
Shire of Derby-West Kimberley	Kimberley	Great Southern Development Commission	Great Southern
Shire of Donnybrook-Balingup	South West	Kimberley Development Commission	Kimberley
Shire of Dowerin	Wheatbelt	Mid West Development Commission	Mid West
Shire of East Pilbara	Pilbara	Peel Development Commission	Peel
Shire of Esperance	Goldfields-Esperance	South West Development Commission	South West
Shire of Goomalling	Wheatbelt	Wheatbelt Development Commission	Wheatbelt
Shire of Halls Creek	Kimberley	Western Australian Planning Commission	
Shire of Jerramungup	Great Southern	Regional Development Council (RDCo)	
Shire of Kellerberrin	Wheatbelt	Regional Development Australia Pilbara	Pilbara
Shire of Koorda	Wheatbelt	Pilbara Regional Council (PRC)	Pilbara
Shire of Kulin	Wheatbelt	GVROC (Goldfields)	Goldfields-Esperance
Shire of Lake Grace	Wheatbelt	SEAVROC South East Avon	Wheatbelt
Shire of Manjimup	South West	WEROC – Wheatbelt East	Wheatbelt
Shire of Merredin	Wheatbelt	(Federal) Minister for Regional Australia, Regional Development and Local Government	
Shire of Mingenew	Mid West	John Castrilli MLA Minister for Local Government	
Shire of Moora	Wheatbelt	Western Australian Local Government Association	
Shire of Morawa	Mid West	Hon Mark McGowan MLA Shadow Minister for Regional Development	
Shire of Mount Magnet	Mid West	Department of Regional Development and Lands	
Shire of Murray	Peel	Department of Local Government	
Shire of Narembeen	Wheatbelt	Chambers of Minerals and Energy Western Australia	
Shire of Nungarin	Wheatbelt	Kimberley Zone of WALGA	Kimberley

Number of group consultation meetings attended as part of the Review into the CLGF

Organisation	*Region*	*Organisation Attendees*	*Date*
Local Government Managers Australia (Western Australia)		Various	5/11/2011
Avon Midland Country Zone	Wheatbelt	Chittering, Dalwallinu, Dandaragan, Gingin, Goomalling, Moora, Northam, Toodyay, Victoria Plains, Wongan-Balidu and York	23/09/2011
Peel Country Zone	Peel	Boddington, Mandurah, Murray and Waroona	21/10/2011
Great Eastern Country Zone	Wheatbelt	Bruce Rock, Cunderdin, Dowerin Kellerberrin, Kondinin, Koorda, Merredin, Mount Marshall, Mukinbudin, Narembeen, Nungarin, Tammin, Trayning, Westonia, Wyalkatchem and Yilgarn	24/11/2011
Central Country Zone	Wheatbelt	Beverley,Brookton, Corrigan, Cuballing, Dumbleyung, Kulin, Lake Grace, Narrogin Shire, Narrogin Town, Pingelly, Quairading, Wagin, Wandering, West Arthur, Wickepin and Williams	30/09/2011
Kimberley Country Zone	Kimberley	Broome, Christmas Island, Derby-West Kimberley, Halls Creek and Wyndham-East Kimberley	3/10/2011
Goldfields Esperance Country Zone	Goldfield-Esperance	Coolgardie, Dundas, Esperance, Kalgoorlie-Boulder, Laverton, Leonora, Menzies, Ngaanyatjarraku, Ravensthorpe and Wiluna	25/11/2011
Northern Country Zone	Mid West	Carnamah, Chapman Valley, Coorow, Greater Geraldton, Irwin, Mingenew, Morawa, Northhampton, Perenjori and Three Springs	28/11/2011
Total 8			

Number of one on one consultation meetings attended as part of the Review into the CLGF

Organisation	*Organisation Attendees*	*Date*
Peel Development Commission	Chair and CEO of Peel RDC	11/10/2011
Regional Development Australia Kimberley	Chairs and Members	4/10/2011
Minister for Local Government	Hon John Castrilli MLA	12/12/2011
Western Australian Local Government Association	Tony Brown-Executive Manager Governance and Strategy Wayne Scheggia - Deputy Chair	21/11/2011
Office of Auditor General (OAG)	Colin Murphy- Auditor General Colin Campbell – Deputy Auditor General	22/09/2011
Office of Auditor General (OAG)	Colin Campbell, A Morrissey,	25/10/2011
Parliamentary Secretary to the Minister for Regional Development	Hon Wendy Duncan MLC	19/10/2011
Shadow Minister for State Development, Regional Development, Housing	Hon Mark McGowan MLA Shadow Minister for Regional Development	26/09/2011
Department of Local Government	Jenny Mathews Director General, Wendy Murray Executive Director, Strategic Policy and Local Government Reform, Tony Dean- Strategic Policy	17/10/2011
Chambers of Minerals and Energy Western Australia	Damian Callachor, Director	9/11/2011
Total 10		

Summary

- 178 Submission invitation letters sent out to organisations and individuals
- 74 Submissions received as follows:
    - 51 Local Governments
    - 9 Regional Development Commissions and the Regional Development Council
    - 3 Regional Associations
    - 3 ROCs
    - 3 Ministerial
    - 5 Other
- 18 Consultation meetings:
    - 10 One to One
    - 8 Group

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Appendix 5: CLGF Statistical data

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

COUNTRY LOCAL GOVERNMENT FUND: SNAPSHOT DATA[536]
As provided by RDL on 8 December 2011
General

	08/09	10/11	11/12	TOTAL
Number Of	(#)	(#)	(#)	
Country Local Governments	110	109	109	
Regional Groupings	n/a	32	N/A	
Total Allocation	($)	($)	($)	($)
Individual Local Governments	97,500,000	64,530,155	54,300,000	216,330,155
Regional Groupings	n/a	35,786,298	54,300,000	90,086,298
Total Disbursed	($)	($)	($)	($)
Individual Local Governments	97,746,374	59,259,050	0	157,005,424
Regional Groupings	n/a	32,596,183	0	32,596,183
Total Amount of Projects	(#)	(#)	(#)	(#)
Individual Local Governments	625	445	N/A	1,070
Regional Groupings	n/a	54	N/A	54
Total Value of Projects	($)	($)	($)	($)
Individual Local Governments	187,583,402	114,699,266	N/A	302,282,668
Regional Groupings	n/a	144,396,477	N/A	144,396,477
Number of Completed Projects	(#)	(#)	(#)	(#)
Individual Local Governments	590	0	N/A	590
Regional Groupings	n/a	0	N/A	0
Total Allocations Acquitted	($)	($)	($)	($)
Individual Local Governments	81,974,542	0	0	81,974,542
Regional Groupings	n/a	0	0	0

NB: Funding in 2009/10 was provided for Forward Capital Works Plans
n/a = Not Applicable; N/A = Not Available

536 CLGF: Snapshot data as provided by RDL as a supplementary submission to the CLGF review on 8 December 2011

Categorisation of Projects

Infrastructure Type

	08/09			10/11			TOTAL		
	P (#)	C ($)	TV ($)	P (#)	C ($)	TV ($)	P (#)	C ($)	TV ($)
Lands Individual Local Governments Regional Groupings	2 n/a	4,450 n/a	6,672 n/a	1 1	19,500 442,175	N/A 653,380	3 1	23,950 442,175	6,672 653,380
Buildings Individual Local Governments Regional Groupings	319 n/a	5,716,870 n/a	119,884,92 1/a	273 37	41,725,569 23,854,160	N/A 76,599,932	592 37	96,442,439 23,854,160	119,884,921 76,599,932
Roads Individual Local Governments Regional Groupings	92 n/a	15,466,216 n/a	20,381,930 n/a	95 7	9,439,802 1,815,356	N/A 5,684,179	187 7	24,906,018 1,815,356	20,381,930 5,684,179
Drainage Individual Local Governments Regional Groupings	8 n/a	2,171,076 n/a	3,726,998 n/a	5 0	746,023 0	N/A 0	13 0	2,917,099 0	3,726,998 0
Parks, Gardens and Reserves Individual Local Governments Regional Groupings	144 n/a	15,848,448 n/a	30,482,695 n/a	39 7	3,878,968 5,925,219	N/A 59,453,696	183 7	19,727,416 5,925,219	30,482,695 59,453,696
Footpaths & Cycleways Individual Local Governments Regional Groupings	47 n/a	7,149,737 n/a	7,354,751 n/a	23 0	2,553,694 0	N/A 0	70 0	9,703,431 0	7,354,751 0
Airports Individual Local Governments Regional Groupings	9 n/a	1,856,951 n/a	5,236,890 n/a	6 2	711,494 559,273	N/A 2,005,290	15 2	2,568,445 559,273	5,236,890 2,005,290
Sewerage Individual Local Governments Regional Groupings	4 n/a	532,626 n/a	**508,545** n/a	3 0	184,000 0	N/A 0	7 0	716,626 0	508,545 0
INDIVIDUAL Totals	**625**	**97,746,374**	**187,583,40 2**	**445**	**59,259,050**	**114,699,266**	**1,070**	**157,005,424**	**302,282,668**
GROUPS Totals	**n/a**	**n/a**	**n/a**	**54**	**32,596,183**	**144,396,477**	**54**	**32,596,183**	**144,396,477**

P = Projects; C = Amount of CLGF; TV = Total Value of Projects

RDL Comments (Shaded Box)

- $508,545 =Total project cost is less than CLGF allocation. As recorded in acquittal some projects went over cost price.
- $114,699,266 = It can not be broken down as the total cost of each itemised allocation is not provided by all local governments. RDL only requests the allocation for CLGF.

Project Type

	08/09			10/11			TOTAL		
	P (#)	C ($)	TV ($)	P (#)	C ($)	TV ($)	P (#)	C ($)	TV ($)
Agriculture									
Individual Local Governments	3	215,786	172,519	1	75,000	N/A	**4**	290,786	172,519
Regional Groupings	n/a	n/a	n/a	1	442,175	653,380	**1**	442,175	653,380
Economic Development									
Individual Local Governments	27	3,411,347	5,371,745	17	2,655,796	N/A	44	6,067,143	5,371,745
Regional Groupings	n/a	n/a	n/a	4	3,510,924	5,622,395	4	3,510,924	5,622,395
Cultural and Community									
Individual Local Governments	198	26,199,039	44,387,500	173	18,565,008	N/A	371	44,764,047	44.387,500
Regional Groupings	n/a	n/a	n/a	17	11,860,532	44,597,548	17	11,860,532	44,597,548
Education									
Individual Local Governments	0	0	0	0	0	0	0	0	0
Regional Groupings	n/a	n/a	n/a	0	0	0	0	0	0
Utilities, Power and Water									
Individual Local Governments	20	3,642,923	5,604,846	25	1,892,485	N/A	45	5,535,408	5,604,846
Regional Groupings	n/a	n/a	n/a	4	1,749,244	3,939,036	4	1,749,244	3,939,036
Health									
Individual Local Governments	9	1,931,045	7,077,693	4	402,968	N/A	13	2,334,013	7,077,693
Regional Groupings	n/a	n/a	n/a	3	922,720	2,349,585	3	922,720	2,349,585
Housing									
Individual Local Governments	46	15,970,694	28,537,023	22	6,558,345	N/A	68	22,529,039	28,537,023
Regional Groupings	n/a	n/a	n/a	4	4,617,404	16,681,220	4	4,617,404	16,681,220
Communications									
Individual Local Governments	3	65,464	186,976	3	185,992	N/A	6	131,456	186,976
Regional Groupings	n/a	n/a	n/a	1	46,000	256,000	1	46,000	256,000
Recreation and Environment									
Individual Local Governments	192	25,968,211	61,957,469	68	15,394,081	N/A	260	41,362,292	61,957,469
Regional Groupings	n/a	n/a	n/a	5	2,183,744	7,860,711	5	2,183,744	7,860,711
Tourism									
Individual Local Governments	44	5,893,636	15,852,233	35	3,756,776	N/A	79	9,650,412	15,852,233
Regional Groupings	n/a	n/a	n/a	8	5,448,084	56,752,423	8	5,448,084	56,752,423
Transport									
Individual Local Governments	82	13,730,226	17,435,398	97	9,772,599	N/A	179	23,502,825	17,435,398
Regional Groupings	n/a	n/a	n/a	7	1,815,356	5,684,179	7	1,815,356	5,684,179
Mining									
Individual Local Governments	1	718,005	1,000,000	0	0	0	1	718,005	1,000,000
Regional Groupings	n/a	n/a	n/a	0	0	0	0	0	0

RDL Comments (Shaded Box)

- Total cost of projects are not always provided to RDL therefore total value of projects is not always recorded.

Asset Type

	08/09			10/11			TOTAL		
	P (#)	C ($)	TV ($)	P (#)	C ($)	TV ($)	P (#)	C ($)	TV ($)
Creation									
Individual Local Governments	185	40,961,945	87,821,106	119	29,211,603	N/A	304	70,173,548	87,821,106
Regional Groupings	n/a	n/a	n/a	41	24,288,073	123,447,906	41	24,288,073	123,447,906
Renewal									
Individual Local Governments	440	56,784,430	99,762,296	326	30,047,447	N/A	766	86,831,877	99,762,296
Regional Groupings	n/a	n/a	n/a	13	8,308,110	20,948,571	13	8,308,110	20,948,571

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Appendix 6: Department of Local Government-Strategic policy and structural reform Expenditure report for RforR and CLGF grants for 2009-2010 , 2010-2011 , 2011-2012

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

ATTACHMENT 1[537]

Department of Local Government - Strategic Policy and Structural Reform
Expenditure Report for R4R and CLGF grants for 2009-2010 , 2010-2011 and 2011-2012

A Structural Reform - Royalties for Regions (R4R)

		Region	2009-2010 Actual	2010-2011 Actual	2011-2012 Allocation
1	**Voluntary Amalgamations**				
1.1	Geraldton Greenough / Mullewa	Mid West	1,850,000	1,150,000	
1.2	Mingenew / Morawa / Three Springs / Perenjori	Mid West	550,000	30,000	236,585
1.3	Yilgarn / Westonia	Wheat Belt	50,000	450,000	
1.4	Brookton / Pingelly	Wheat Belt			625,000
1.5	Narrogin / Cuballing / Wickepin	Wheat Belt			1,000,000
1.6	Mt Marshall / Koorda / Trayning	Wheat Belt			750,000
1.7	Beverley / Cunderdin / Quairading / Tammin / York	Wheat Belt			1,250,000
Sub- Total V Amalgamations			**2,450,000**	**1,630,000**	**3,861,585**
2	**Regional Collaborative Group**				
2.1	Carnarvon / Exmouth / Shark Bay	Gascoyne	120,000		
2.2	Wyndham-East Kimberley / Broome/Derby-West Kimberley / Halls Creek	Kimberley	170,000		
2.3	Ashburton / East Pilbara / Roebourne / Port Headland	Pilbara	170,000		
2.4	RCG Project Officers - PRC	Pilbara		100,000	
2.5	RCG Project Officers - Kimberley	Kimberley		100,000	
2.6	PRC Implementation	Pilbara		112,000	
Sub- Total RCGs			**460,000**	**312,000**	**-**
Total Structural Reform - Royalties for Region			**2,910,000**	**1,942,000**	**3,861,585**
B	**Capacity Building - Country Local Government Fund (CLGF)**				
3	E-connect			**65,100**	
4	Master Classes			**27,000**	
5	**Strategic Planning**				
5.1	Carnarvon / Exmouth / Shark Bay	Gascoyne		70,000	
5.2	Geraldton Greenough / Mullewa	Mid West		70,000	
5.3	Mingenew / Morawa / Three Springs / Perenjori	Mid West		90,000	
5.4	Murchison / Upper Gascoyne	Gascoyne		60,000	20,000
5.6	Ashburton / East Pilbara / Roebourne / Port Headland	Pilbara		90,000	
5.7	Brookton / Pingelly	Wheat Belt		80,000	
5.8	Mt Marshall / Koorda / Trayning	Wheat Belt		60,000	20,000
5.9	Narrogin (S)	Wheat Belt		90,000	
5.10	Yilgarn / Westonia	Wheat Belt		70,000	
5.11	Beverley / Cunderdin / Quairading / Tammin / York	Wheat Belt		110,000	
5.12	Dandaragan	Wheat Belt		50,000	
5.13	Bridgetown-Greenbushes	South-West		45,000	
5.14	Boddington	Peel		45,000	
5.15	Goldfields (GVROC 10 Local Governments)	Goldfields - Esperance			200,000
5.16	Wyndham-East Kimberley / Broome/Derby-West Kimberley / Halls Creek	Kimberley			90,000
5.17	Broomehill-Tambellup	Great Southern			45,000
5.18	Plantagenet	Great Southern			45,000
5.19	Coorow	Mid West			45,000
5.20	Irwin	Mid West			45,000
5.21	Katanning	Great Southern			45,000
5.22	Kellerberrin	Wheat Belt			50,000
5.23	Manjimup	South-West			45,000
5.24	Merredin	Wheat Belt			50,000
5.25	Northam	Wheat Belt			45,000
5.26	Moora	Wheat Belt			45,000
5.27	Wagin	Wheat Belt			45,000
5.28	Wongan-Ballidu	Wheat Belt			45,000
5.29	Boyup Brook	South-West			45,000
Sub-Total Strategic Planning			**-**	**930,000**	**925,000**
6	**Asset Management**				
6.1	Wyndham-East Kimberley / Broome/Derby-West Kimberley / Halls Creek	Kimberley		64,000	100,000
6.3	Murchison / Upper Gascoyne	Gascoyne		147,500	
6.4	Ashburton / East Pilbara / Roebourne / Port Headland	Pilbara		164,000	
6.5	Mt Marshall / Koorda / Trayning	Wheat Belt		145,500	
6.6	Narrogin / Cuballing / Wickepin	Wheat Belt		164,000	
6.7	Geraldton Greenough / Mullewa	Mid West	130,000		
6.8	Mingenew / Morawa / Three Springs / Perenjori	Mid West	130,000		
6.9	Brookton / Pingelly	Wheat Belt	100,000		
6.10	Beverley / Cunderdin / Quairading / Tammin / York	Wheat Belt	130,000		
6.11	Carnarvon / Exmouth / Shark Bay	Gascoyne	140,000		
6.12	Bridgetown-Greenbushes	South-West			80,000
6.13	Bunbury	South-West			60,000
6.14	Kellerberrin	Wheat Belt			80,000

537 Attachment 1: part of the Minister for Local Government, Heritage, Citizenship and Multicultural Interests, Submission as part of the Review, dated 26 Sept 2011

	6 Asset Management Continued:	Region	2009-2010	2010-2011	2011-2012
6.15	Moora	Wheat Belt			70,000
6.16	Northam	Wheat Belt			70,000
6.17	Wongan-Ballidu	Wheat Belt			80,000
6.18	Donnybrook-Balingup	South-West			70,000
Sub-Total Asset Management			**630,000**	**685,000**	**610,000**
7	**Aboriginal Communities Scoping and Costing**	**Region**			
7.3	Broome	Kimberley		120,000	
7.4	Derby-West Kimberley	Kimberley		120,000	
7.5	Halls Creek	Kimberley		120,000	
7.6	Wyndham-East Kimberley	Kimberley		120,000	
7.8	Upper Gascoyne / Carnarvon	Gascoyne	35,000		
7.9	Menzies	Goldfields - Esperance	40,000		
7.10	Kalgoorlie-Boulder (Plus 6 other Local Governments)	Goldfields - Esperance	210,000		
7.11	Mullewa	Mid West	30,000		
7.12	Northampton	Mid West	30,000		
7.15	Murchison	Mid West	30,000		
7.16	Ashburton / East Pilbara / Roebourne / Port Headland	Pilbara	180,000		
Sub-Total Indigenous Communities			**555,000**	**480,000**	**-**
8	**Financial Planning**				
8.1	Geraldton Greenough / Mullewa	Mid West		50,000	
8.2	Yilgarn / Westonia	Wheat Belt		50,000	
8.3	Mt Marshall / Koorda / Trayning	Wheat Belt		75,000	
8.4	Narrogin / Cuballing / Wickepin	Wheat Belt		100,000	
8.5	Brookton / Pingelly	Wheat Belt		50,000	
8.6	Beverley / Cunderdin / Quairading / Tammin / York	Wheat Belt		125,000	
8.7	Ashburton	Pilbara		30,000	
8.8	East Pilbara	Pilbara		30,000	
8.9	Port Hedland	Pilbara		30,000	
8.10	Roebourne	Pilbara		30,000	
8.11	Wyndham-East Kimberley / Broome/Derby-West Kimberley / Halls Creek	Kimberley		120,000	
8.12	Carnarvon / Exmouth / Shark Bay	Gascoyne		85,000	
8.13	Goldfields (GVROC 10 Local Governments)	Goldfields - Esperance		270,000	
8.14	Murchison / Upper Gascoyne	Gascoyne		60,000	
8.15	Boddington	Peel		25,000	
8.16	Broomehill-Tambellup	Great Southern		25,000	
8.17	Boyup Brook	South-West		25,000	
8.18	Bridgetown-Greenbushes	South-West		25,000	
8.19	Bunbury	South-West		25,000	
8.20	Coorow	Mid West		25,000	
8.21	Dandaragan	Wheat Belt		25,000	
8.22	Donnybrook-Balingup	South-West		25,000	
8.23	Irwin	Mid West		25,000	
8.24	Katanning	Great Southern		25,000	
8.25	Kellerberrin	Wheat Belt		25,000	
8.26	Manjimup	South-West		25,000	
8.27	Merredin	Wheat Belt		25,000	
8.28	Moora	Wheat Belt		25,000	
8.29	Murray	Peel		25,000	
8.3	Northam	Wheat Belt		25,000	
8.31	Plantagenet	Great Southern		25,000	
8.32	Wagin	Wheat Belt		25,000	
8.33	Wongan-Ballidu	Wheat Belt		25,000	
8.34	Mingenew	Mid West		25,000	
8.35	Morawa	Mid West		25,000	
8.36	Three Springs	Mid West		25,000	
Sub-Total Financial Planning			**-**	**1,655,000**	**-**
11	**Reform Submission**				
11.1	Laverton	Goldfields - Esperance	10,000		
11.2	Leonora	Goldfields - Esperance	10,000		
11.3	Menzies	Goldfields - Esperance	10,000		
11.4	Kent	Great Southern	4,158		
11.5	Woodanilling	Great Southern	63,763		
11.6	Geraldton Greenough	Mid West	75,000		
11.7	Coorow	Mid West	10,000		
11.8	Mingenew	Mid West	40,000		
11.9	Murray	Peel	10,000		
11.10	Warren Blackwood Strategic Alliance (4 Local Governments)	South-West	75,000		
11.11	Albany	Great Southern	10,000		
11.12	Harvey	South-West	10,000		
11.13	Collie	South-West	10,000		

11	Reform Submission Continued:	Region	2009-2010	2010-2011	2011-2012
11.14	Bunbury	South-West	10,000		
11.15	Tammin	Wheat Belt	10,000		
11.16	Northam	Wheat Belt	10,000		
11.17	Kondinin	Wheat Belt	10,000		
11.18	Corrigin	Wheat Belt	10,000		
11.19	Wongan-Ballidu	Wheat Belt	10,000		
11.20	Kulin	Wheat Belt	10,000		
11.21	Moora	Wheat Belt	10,000		
11.22	Lake Grace	Wheat Belt	10,000		
11.23	Koorda/Wyalkatchem	Wheat Belt	20,000		
11.24	Beverley	Wheat Belt	1,744		
11.25	Brookton	Wheat Belt	1,744		
11.26	Cunderdin	Wheat Belt	1,744		
11.27	Narembeen	Wheat Belt	10,000		
11.28	ACIL Tasman - Economic Perspective Study		16,154		
Sub-Total Reform Submission			**479,306**	**-**	
Total Capacity Building - Country Local Government Fund			**1,664,306**	**3,842,100**	**1,535,000**
C	**Staff , Supplies and Support Services**		498,893	465,000	390,000
Grand Totals R4R and CLGF			**5,073,199**	**6,249,100**	**5,786,585**

Notes:

1 **Funding by project and by region**

1.1	**Funding By Project**	2009-2010	2010-2011	2011-2012
	Voluntary Amalgamations	2,450,000	1,630,000	3,861,585
	Regional Collaborative Group	460,000	312,000	-
	Strategic Planning -	-	930,000	925,000
	Asset Management	630,000	685,000	610,000
	Aboriginal Communities Scoping and Costing	555,000	480,000	-
	Financial Planning	-	1,655,000	-
	Reform Submission	479,306	-	-
	LGMA Grants	-	92,100	-
	Staff , Supplies and Support Services	498,893	465,000	390,000
		5,073,199	**6,249,100**	**5,786,585**

1.2	**Funding By Region - Direct Grants**		2009-2010	2010-2011	2011-2012
	Gascoyne		295,000	422,500	20,000
	Goldfields - Esperance		280,000	270,000	200,000
	Great Southern		77,921	75,000	135,000
	Kimberley		170,000	764,000	190,000
	Mid west		2,875,000	1,515,000	326,585
	Peel		10,000	95,000	-
	Pilbara		350,000	586,000	-
	South-West		105,000	170,000	300,000
	Wheat Belt		395,231	1,794,500	4,225,000
		Sub- Total	**4,558,152**	**5,692,000**	**5,396,585**
	Not allocated to a particular Region		**2009-2010**	**2010-2011**	**2011-2012**
	Master Classes			27,000	
	E-connect			65,100	
	ACIL Tasman - Economic Perspective Study		16,154		
	Staff , Supplies and Support Services		498,893	465,000	390,000
		Sub- Total	**515,047**	**557,100**	**390,000**
		Total	**5,073,199**	**6,249,100**	**5,786,585**

2 Project Descriptions

Project	Description
Voluntary Amalgamations	Funding to assist with the planning and implementation of voluntary amalgamations.
Regional Collaborative Group	Funding for local governments in regional areas where vast distances between towns means that amalgamation is not a priority, to work together on a Regional Business Plan to consider whether a shared service arrangement would benefit their communities.
Strategic Planning	Funding to assist local governments to produce a Strategic Community Plan and enhance Strategic Planning capability through officer and elected member training.
Asset Management	Funding to assist local governments to produce Asset Management Plans and enhance Asset Management through officer and elected member training.
Aboriginal Communities Scoping and Costing	Funding to assist Local Governments in Western Australia to identify and quantify estimated costs
Financial Planning	Funding to assist local governments to produce Long Term Financial Plans and enhance Long Term Financial Planning through officer and elected member training.
Reform Submission	Funding to assist with the costs of developing a local government's reform submission, addressing the key criteria of amalgamation/boundary adjustment, representation, regional groupings, reform transition timeline and contain a community consultation component.
ACIL Tasman - Economic Perspective Study	Funding to engage specialist expertise to undertake comparative assessment of the long term organisational and governance efficiencies that can be realised from various structural reform options for local government in Western Australia.
Master Classes	Funded a training program for senior local government officers in delivering Integrated Planning.
E-connect	Funded an online 'e-book' training program for delivering Integrated Planning.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

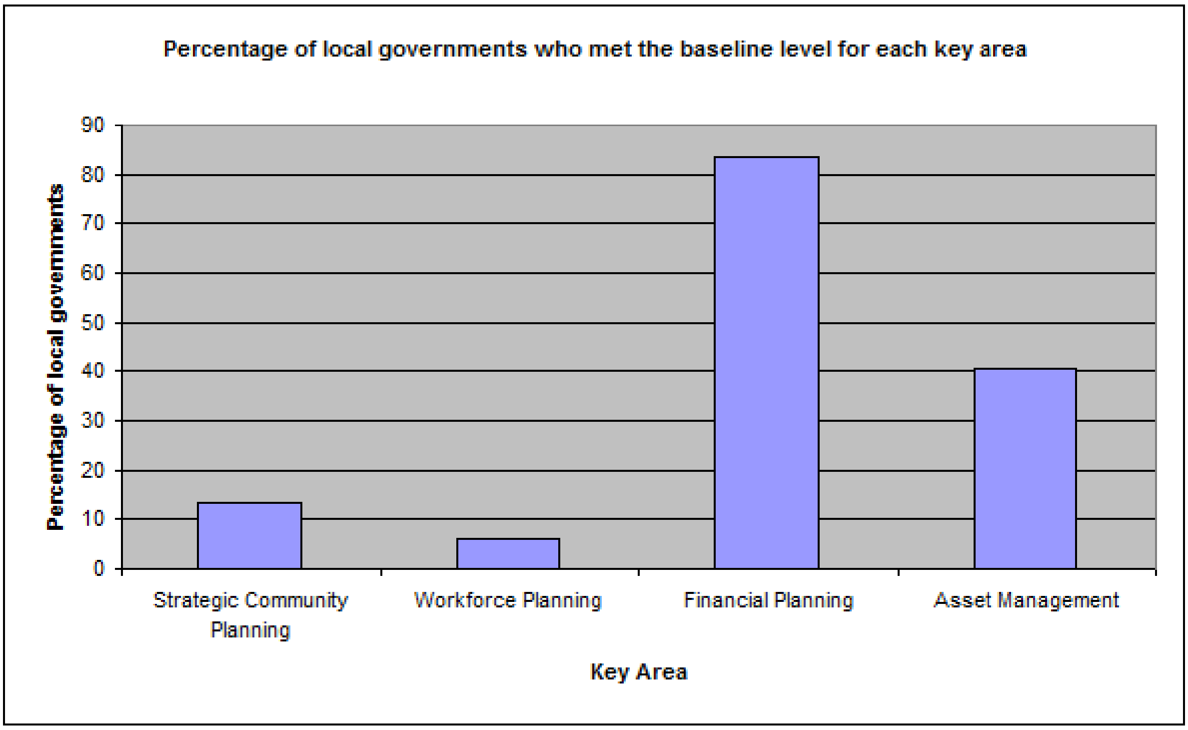
Appendix 7: Department of Local Government - Capability Index 2010/2011

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

ATTACHMENT 2[538]

CAPABILITY INDEX 2010/2011

The Department of Local Government carried out a survey to establish the baseline measure against the capability index across the four areas of integrated planning, that is, strategic community planning, asset management, workforce planning and financial management. The results of the survey showed that the baseline activity across all four areas within the sector was 33.6%. This consisted of: 13.6% local governments met the baseline level for strategic community planning, 5.9% met workforce planning base level, 83.6% met financial planning baseline level and 40.7% met the baseline level for asset management. Please see graph below.



538 Attachment 2; part of the Minister for Local Government, Heritage, Citizenship and Multicultural Interests submission

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Appendix 8: Local government performance measurement framework - Rural baseline survey results 2011

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

ATTACHMENT:[539]

Local Government Performance Measurement Framework

Rural Baseline Survey Results - 2011

Background

The State Government has implemented a Local Government Reform Program with the aim of creating stronger, more sustainable local governments into the future. A Performance Measurement Framework has been developed to identify both sector-wide and individual local government improvements in delivering community services and meeting community needs. Performance measures were developed in the four key capacity building components of the Integrated Planning reform program: Strategic Community Planning, Workforce Planning, Financial Planning and Asset Management.

In 2011, a baseline level for each measure was established and local governments were asked to provide information in response to these measures. The data from all local governments was aggregated to form the first sector-wide Capability Index. This shows the proportion of local governments at or above the baseline level on all four areas that were measured, and will assist individual local governments to identify to what extent and where they are meeting the minimum level.

It is acknowledged that in some areas local governments will have higher levels of capability. As the overall goal is to promote ongoing improvement and high performing local governments, more detailed performance levels will be developed in the next few years. Local governments will be able to identify their level of performance and set their own performance improvement goals. As local governments come on stream at these higher levels this data will also be collected and aggregated. Individual local government data is not accessible to any other parties.

The Integrated Planning support program is in place now to assist local governments achieve compliance with the Integrated Planning Framework that comes into effect on 1 July 2013. These first year results were expected to be low, given that the baseline survey forms the starting point for ongoing improvement and a guide to where specific support is required.

539 Attachment: part of the DLG submission.

Rural[540] Response Rates

- **85%** (93/110) of Rural local governments responded to and completed the baseline survey. The overall completion rate for all local governments was **86%**.
- **69%** (64/93) of Rural local governments preferred to complete and return the survey via email. This compared to **73%** of all local governments who returned the survey via this method.

Baseline Standard

A local government was deemed to be at baseline level if it satisfactorily met criteria within the four key capacity building areas.

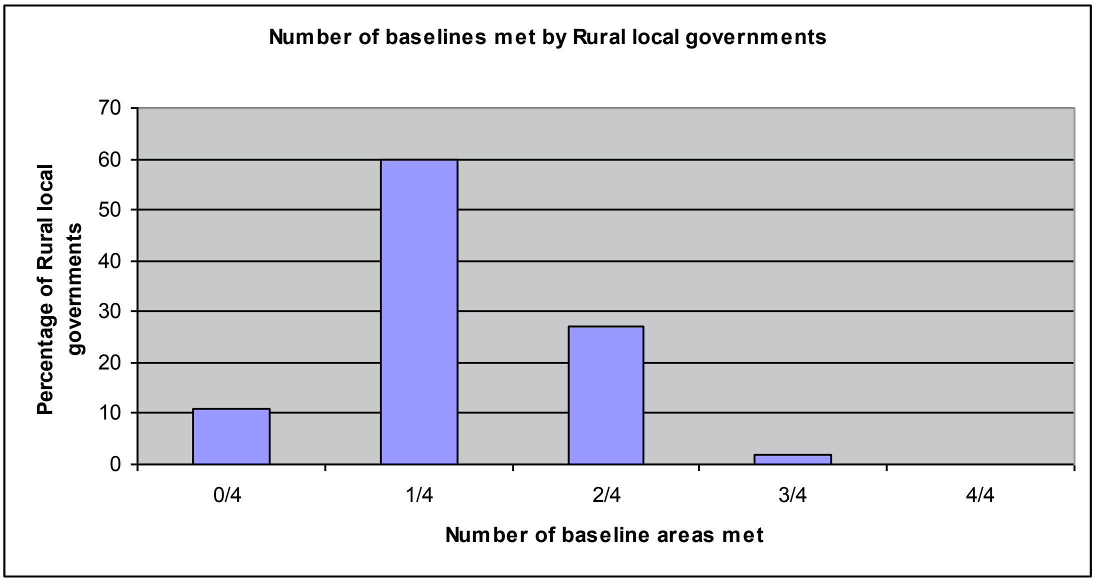
The criteria are that:

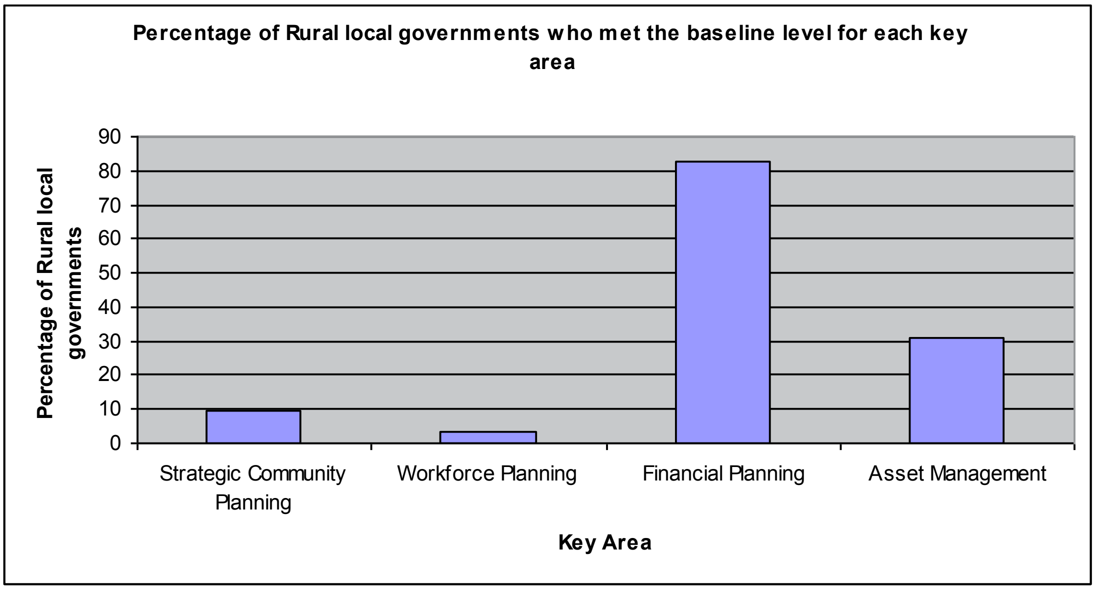
- the **Strategic Community Plan** has a 10 year timeframe, states community aspirations, vision and objectives, was adopted by an absolute majority of Council and developed with community input;
- the **Workforce Plan** identifies the current workforce profile and organisational structure, identifies gaps between the current workforce profile and the organisational requirements, identifies organisational activities to foster and develop workforce and is budgeted for;
- the **Financial Plan** must show the local government having an Operating Surplus Ratio greater than 0; and
- the **Asset Management** baseline requires the local government to be able to calculate the asset consumption ratio, that is depreciated replacement cost (DRC) of assets (Written down value) divided by current replacements costs (CRC) of depreciable assets, expressed as a percentage.

Summary of Results

- 0 Rural local governments met all four baseline levels.
- 2 (2%) Rural local governments met three of four baseline levels.
- 30 (27%) Rural local governments met two of four baseline levels.
- 66 (60%) Rural local governments met one of four baseline levels.
- 12 (11%) Rural local governments met no baseline levels.
- 9 (10%) Rural local governments met the baseline level for Strategic Community Planning.
- 3 (3%) Rural local governments met the baseline level for Workforce Planning.
- 91 (83%) Rural local governments met the baseline level for Financial Planning.
- 29 (31%) Rural local governments met the baseline level for Asset Management.
- The percentage of baseline activity across the sector for rural local governments is 30%. That is, for all four areas across every rural local government, just under a third of the baseline levels are being met. This compares to 34% of baseline activity being performed across every local government in the state.

540 Includes 110 rural area local governments.


Number of baselines met by Rural local governments
Percentage of Rural local governments
70
60
50
40
30
20
10
0
0/4
1/4
2/4
3/4
4/4
Number of baseline areas met


Percentage of Rural local governments who met the baseline level for each key area
Percentage of Rural local governments
90
80
70
60
50
40
30
20
10
0
Strategic Community Planning
Workforce Planning
Financial Planning
Asset Management
Key Area

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Western Australian Regional Development Trust

PO Box 1143
West Perth WA 6872

Tel: (08) 6552 4498
Fax: (08) 6552 4417
Web: www.rdl.wa.gov.au