



Structural Reform Position Statement

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Structural Reform

Structural reform is the most contemporary issue facing the WA local government industry which is currently considering and grappling with its various manifestations. Local government structural reform in the eastern states has generally followed the radical step of amalgamation of local councils. Amalgamations of WA local governments have also been suggested as an option and a few voluntary amalgamations have occurred over recent times. However there is no widespread support for amalgamations across the industry and certainly no drive for this from within the Capel community. This document sets out the Council's position on structural reform.

The Council of the Shire of Capel does not support amalgamation of the Shire with neighbouring local governments. Over the years the Council has had to continually defend its boundaries and fight off external calls for amalgamation. The Council holds the strong view that there are other more effective methods of structural reform that will ensure that the shire remains relevant to its community and financially sustainable.

Past calls for amalgamation from within the region have been about benefits of this for specific local governments. No comment has been made or any consideration given to the impact of this on Capel Shire residents. Small local governments are less likely to be the target of a political party. There is concern that amalgamation will result in a city-centric council which will become politicized and less functional. There would also be a greater likelihood of an increasing number of and more active precinct / lobby groups being established to pursue their own ends. Furthermore, there appears to be no documented evidence to indicate a large Council will prove to deliver services as effectively and efficiently as the current Shire of Capel.

Community of Interest

Local government in Capel is characterized by local representation, nurturing local identity, developing local corporate and community knowledge and finding effective local solutions to local issues while operating sustainably and delivering services efficiently and effectively.

The Shire comprises the five distinct communities of Boyanup, Capel, Dalyellup, Gelorup and Peppermint Grove Beach and their surrounding rural areas. Their community of interest is centered on their local area and residents relate strongly to that area even though they may work in or access some of their services from another area. The Council treats those communities as individual communities and is of the strong view that amalgamation would result in losing a local government that is local and responsive to the interests of those diverse communities.

It is known that local residents enjoy being part of a smaller community. At a recent community forum held in Dalyellup¹ those present did not support amalgamation and expressed their fear that their area would lose the attention of and be swallowed up in a larger council. Not only is there a risk that smaller communities would be forgotten about, rural residents in particular would be more adversely affected. The extent of any impact would depend on how amalgamation occurred and where boundaries might be drawn.

The rural areas of Capel and Boyanup are likely to retain their identity in the event of an amalgamation; however the identity of urban areas of Dalyellup, Gelorup and Peppermint Grove Beach would be lost in an expanded "Greater Bunbury". Social capital and a wealth of corporate knowledge within the community which has built up over years would also be lost. Larger Councils tend to centralize services and facilities and this too would be detrimental to smaller communities. Some duplication of services and facilities occurs across the Shire however these facilities are focal points of the community and have helped to create strong community of interest in each town.

Councillors in a smaller local government are better able to represent the community as they live there, are closer to the community and more representative of their needs. Personalized representation by elected members responsive to local communities is likely to be affected if amalgamation occurs with a several-fold increase in councillor: elector/residents ratios. Local representation is also an issue with potential for Capel residents to lose all local representation if amalgamation with a neighbour with a significantly larger elector base occurs. Despite the growth experienced by the Shire, local residents feel that they have access to their Council and there is a risk in amalgamation that this access may diminish.

Sustainability

"That Council:

... Make the determination that given its current and projected future growth that it considers that in the long term the Shire of Capel considers it is a sustainable Local Government in its own right ..." ²

The impetus for structural reform of local government has been the concern over the long term financial sustainability of a large number of councils with an Access Economics report³ undertaken in September 2006 as part of the WALGA SSS Study identifying 70 per cent of rural councils as being unsustainable on their own source revenue.

The Access Economics assessment for the Shire of Capel⁴ (based on 2004/05 financial data) indicated that the Shire in the main is sustainable on its own source revenue.

¹ Dalyellup Community Forum Meeting held on 9 April 2008

² Shire of Capel Ordinary Meeting 9 April 2008

³ Access Economics, *Local Government Finances in Western Australia*, June 2006, p58

⁴ Access Economics, *Financial Sustainability Tables and Charts – Capel (S)*, September 2006

In addition an analysis of the financial position of the City of Bunbury and the Shires of Capel, Dardanup and Harvey undertaken by Back for the Local Government Advisory Board in 2006 ⁵, noted for Shire of Capel:

“Strong performer with operating results. If depreciation charges are correct then this is one of the few local governments maintaining value of the asset base... Most of the net growth is due to contributed assets. The Shire is reducing its debt commitments and accumulating substantial reserves.”

The Shire continues to be in a strong financial position accumulating substantial cash reserves and with low levels of debt which have been reduced over recent years to allow manageable future borrowings to occur to meet the infrastructure needs of new growth areas. The Shire generally has facilities in all areas that will accommodate future growth in the short to medium term. Current indicators show a low risk of unsustainability and that the Shire will continue to be financially sustainable into the future.

An amalgamated local government would be subject to the financial constraints of a larger local government (and the existing constraints of existing neighbouring local governments). There is a real risk that cash reserves created through prudent fiscal management could be lost or not maintained by a newly established council.

A rural-based lifestyle close to Bunbury is a strong attraction for home buyers choosing to buy in Capel. They can enjoy this lifestyle with rates significantly lower than neighbouring shires and receive the services and facilities provided efficiently by a sustainable local government.

There are no valid sustainability arguments to amalgamate. Amalgamation of local governments does not necessarily improve sustainability and any amalgamation of Capel with an unsustainable neighbouring council could mean that the newly formed local government would be unsustainable.

The reality is that very few local governments across Australia would be sustainable on their own source revenue. All require funding support from the Australian Government and their respective State Governments. Such funding support is essential given a wide range of and ever increasing devolution of roles from the Federal and State Governments to local government and the industry needs to lobby for a reasonable share of the tax take to assist with funding its services.

The City of Bunbury is moving towards full development of its residential areas with only limited opportunities for further growth. Past calls for amalgamation have come from some in the City seeking to acquire the strong growth and revenue base from Dalyellup and Gelorup areas. If these areas are merged into a Greater Bunbury area the remaining areas of the Shire will be adversely impacted financially.

⁵ Back, *An Analysis of the Financial Position of Western Australian Local Government*, February 2006.

The problem of limited revenue sources would continue to exist under a newly created local government as alternatives are limited. While rates could be increased, that is not necessarily equitable. Financial assistance grants will actually decrease over time. Some additional revenue may be obtained through providing services to other local governments. A fixed share of Federal taxes is also essential for the industry.

Regional Facilities

Any argument including use of Bunbury facilities by residents of neighbouring shires as part of the rationale for amalgamation is tenuous at best. Funding support for the development of many of these facilities was provided by the Federal and State Governments because of their regional role. There is no suggestion that metropolitan councils should amalgamate because residents may cross over into an adjoining local government and use their facilities.

Financial viability of regional facilities is assisted through use by the wider regional community. They would struggle to operate without that regional support. Good management and programming of facilities and the implementation of user pays principles will assist their viability.

Even seeking financial contributions towards operating expenses based on population is difficult to support given the cross-boundary use of all facilities by residents and tourists. Capel experiences significant use of part of their coastal areas by non residents and tourists who make little if any contribution towards the upkeep of those areas. Capel Shire residents could also use facilities in the neighbouring Busselton and Donnybrook-Balingup Shires. The suggestion of subsidies from Capel towards operating losses of facilities in other areas because some of their clientele may be from Capel Shire is difficult to quantify and one that those who already pay user fees are likely to find difficult to accept.

Capel experiences a lot of non-resident users hiring Capel Shire halls and facilities because they are either not available in the Bunbury area or the cost of hire is cheaper in the Capel Shire. There is also a risk that local consideration of fee structures in recognition of community support, voluntary and club contributions to facilities would be lost with amalgamation.

Structural Reform Alternatives

There are a number of acceptable alternatives to amalgamation including:

- Resource sharing
- Strategic collaborative partnerships
- Establishing Regional Councils to deliver services

Capel currently participates in a number of resource sharing projects on a neighbouring and/or regional basis including; domestic kerb-side waste collection, domestic recycling service, HACC, Regional Risk Coordinator, Human Resources Officer, Disability Access & Inclusion Plan and the Access Tourism Project. Further resource sharing can occur where opportunities arise.

A common need should be the catalyst for local councils joining together and common will to deliver effective and efficient services established. Heads of Agreement with like-minded councils will establish that will and a desire to implement strategic partnerships.

The Shire of Capel is a partner in the Bunbury Wellington Group of Councils recently commissioned Resource Sharing project implemented to identify further resource sharing options and supports that project. Services being investigated include:

- Emergency Management
- Building conditions and forms and fees across each of the participating Councils
- Development standards, conditions and forms and fees
- Planning conditions, forms and fees
- Inspectorial services (swimming pools, food premises, buildings)
- Graffiti removal
- Payroll
- Rating services
- On line building licence and permit applications
- Joint Tendering for concrete footpaths, street sweeping, weed spraying
- Cadetships and traineeships – pool of recruits.

Establishing a regional council as the vehicle to deliver key services should also be investigated. A regional council is not another level of government but an avenue to deliver selected services more efficiently.

Roads and associated infrastructure are a major component of all local governments' services. A regional council could provide road construction, reconstruction and maintenance services to local governments across the region. More efficient utilization of plant and equipment and the benefits of greater bulk buying of road materials through commercial tendering and purchasing practices could achieve significant savings in this area. Local governments' willingness to participate would be essential for a regional council which would need sufficient critical mass to be successful.

Service delivery through resource sharing and regional councils may be limited by skills shortages, scheduling of works to meet competing needs and distance issues. However these are management issues that could be easily addressed. Either model would ensure that decisions are still made at the local level by the elected Council.

Outsourcing of some services (contracting work out) may be a more efficient means of doing business. However, the Council would need to be selective and ensure that the level of service meets community expectations.

In the short-term strategic partnerships through resource sharing would be undertaken. The establishment of a regional council would occur in the longer term as local governments' agreement, selection of particular services to be undertaken and funding arrangements would need to be finalised through a Heads of Agreement and contractual arrangements.

Labour and Skill Shortages

Local government is a complex and diverse industry and its ability to deliver services to and meet the expanding needs of its community, depends on its ability to attract skilled and professional staff. There are difficulties in attracting suitable staff across the whole industry and Capel is not immune from this. The Western Australian resources boom has created some problems with local government competing with the mining industry for labour.

While Capel can be affected by skill shortages, it has experienced a low turnover of staff (just 2% to 3% per annum) compared with a reported turnover of 24.55% measured across 82 Western Australian local governments⁶. Capel's success has occurred through retaining staff in a good work environment with strong job satisfaction and providing flexibility in work / life balance arrangements for staff. This includes part-time options of a 4-day week, 9-day fortnight and work from home arrangements.

Remuneration strategies include competitive wage packages, higher education subsidies to encourage skills development and an annual nominal bonus. A staff attraction / retention strategy is currently being developed to ensure that the Shire can remain competitive and be seen as an employer of choice. This could include promoting the Shire for its lifestyle benefits as a coastal community, promoting the benefits of working for the Shire at industry events and expos and exploring traineeships and cadetships.

Amalgamation does not solve the skills shortage. It may provide some advantages with combining skill sets in large groups but this is not a strong argument for amalgamation as resource sharing can address this. Some staff positions would be directly affected and staff move on with additional costs in the short-term and the likelihood of loss of corporate knowledge accumulated over many years.

⁶ Local Government Workplace Solutions, *2007 Local Government Remuneration Survey*, p31

Conclusion

The Shire of Capel is sustainable and in a strong financial position with significant cash reserves and low manageable debt achieved through prudent financial management. The Shire operates in an efficient and effective way through a strong culture of service delivery underpinned by trust between and in partnership with supportive and knowledgeable elected members and a professional and committed workforce.

The Shire will continue to identify ways to improve its service delivery through resource sharing and collaborative partnerships with others to ensure that value for money is achieved and a high standard of service is maintained.

There are no valid arguments for, or benefits in amalgamation for residents of Capel Shire. On the contrary, there are likely to be significant disbenefits in amalgamation including the loss of local representation, loss of local identity and corporate and community knowledge, disruption in a committed and professional workforce and a viable and sustainable local authority replaced with a larger, less efficient and unsustainable one.

Amalgamation of the Shire of Capel with any neighbouring local governments is therefore not supported by the current Council and any moves to implement this will be strongly resisted.
