



# Shire of Broome Capacity Audit

## Capacity Evaluation

Project Number 3602-71

**Cardno (Qld) Pty Ltd**  
ABN 57 051 074 992  
Level 11 Green Square North Tower  
515 St Paul's Terrace  
Fortitude Valley Qld 4006  
Locked Bag 4006 Fortitude Valley  
Queensland 4006 Australia  
Telephone: 07 3369 9822  
Facsimile: 07 3369 9722  
International: +61 7 3369 9822  
cardno@cardno.com.au  
www.cardno.com.au

Document Control: Capacity Evaluation					
Version	Date	Author		Reviewer	
		Name	Initials	Name	Initials
Version 2	July 2011	Stephen Walker		Tony Gilmour	

Research for this project was undertaken by Kerry Jones, Jenny Smithson and Stephen Walker of Cardno, and Tony Gilmour of Elton Consulting, between January and July 2011.

Cover photograph of Cable Beach, Broome, courtesy of Tony Gilmour.

"© 2011 Cardno (Qld) Pty Ltd All Rights Reserved. Copyright in the whole and every part of this document belongs to Cardno (Qld) Pty Ltd and may not be used, sold, transferred, copied or reproduced in whole or in part in any manner or form or in or on any media to any person without the prior written consent of Cardno (Qld) Pty Ltd."

## EXECUTIVE SUMMARY

### Background

The Shire of Broome is facing unprecedented change in its operating environment resulting largely from drivers outside of its control. The drivers are complex, with significant interaction between them. While a number of influences can be identified, the following drivers are the most significant:

- Development of the Browse Basin Liquefied Natural Gas (LNG) field;
- Transfer of the responsibility of service provision in Indigenous communities to the Shire of Broome;
- Signing of the Yawuru Native Title Agreement which has released significant land for development;
- Legislative changes and local government reform; and
- Broome North urban development.

The Shire of Broome has appointed Cardno in association with Elton Consulting to assess and identify the Shire's capacity requirements over the next ten years. This is to enable the Shire to mitigate the impacts of increased economic growth and increased demand for service delivery in its region.

This report presents findings from the capacity evaluation undertaken. Where capacity challenges have been identified, options to address these will be recommended and included in a Business Case, which forms the final output from this project.

### Overview of Findings

This Capacity Evaluation has found that the Shire of Broome is facing both immediate challenges as a result of these drivers and ongoing, long term challenges.

The immediate challenge is an urgent need for the Shire to have sufficient resources and funding to plan for change brought about mostly by the Browse LNG development and transfer of responsibility for service provision to Indigenous communities

The ongoing, longer term challenge is to deliver required mandatory services and the community's desired discretionary services at a financially sustainable level based on it changing rateable population.

### Methodology

The methodology employed to assess the capacity of the Shire of Broome to respond to and manage developments over the next ten years considers several key components of the interaction between local government and the community it serves. These are:

- *Stakeholder consultation* – views from State agencies, community groups and private organisations who are important stakeholders in the Shire's activities;
- *Assessment against the roles and responsibilities of local government* – a review of the Shire of Broome's ability to fulfil the roles and responsibilities expected of it; and
- *Service delivery assessment* – evaluation of the Shire's performance in providing necessary services, and additional services desired by the community.

The methodology is illustrated in Figure 1:

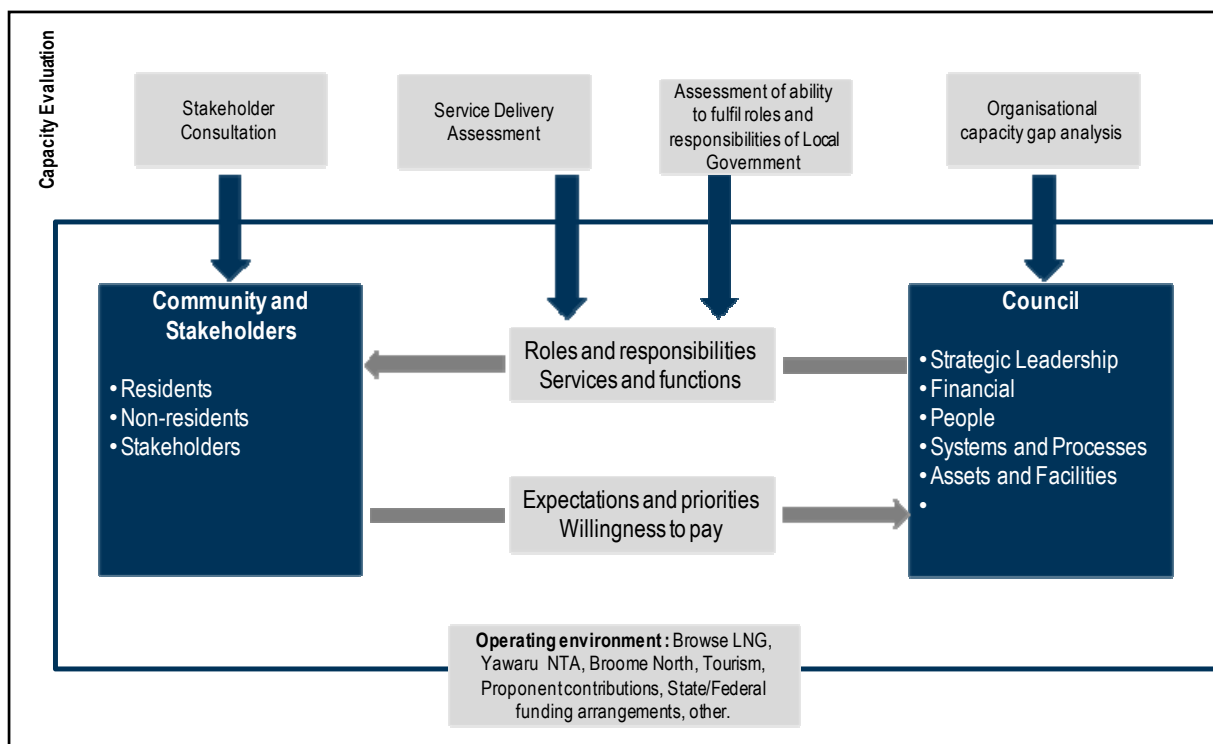


Figure 1: Capacity evaluation methodology

### Findings from stakeholder consultation

To assist in understanding the performance of the Shire and to provide context to its operating environment, stakeholders from State Government agencies, community interest groups and private operators were interviewed. The Stakeholders consulted included individuals from the following organisations:

- |   |                                    |                          |
|---|------------------------------------|--------------------------|
| ■ Broome Chamber of Commerce                          | ■ Department of Planning           | ■ LandCorp               |
| ■ Broome Port Authority                               | ■ Department of State Development  | ■ Nyamba Buru Yawuru Ltd |
| ■ Chamber of Minerals and Energy of Western Australia | ■ Kimberley Development Commission | ■ Tourism WA             |
| ■ Department of Housing and Works                     | ■ Kimberley Land Council           | ■ Woodside Energy Ltd    |

Based on the consultation undertaken with stakeholders, we conclude that:

- There is strong recognition by key State agencies of the pressure that the Shire of Broome is facing due to the establishment of the Browse Basin LNG industry and other developments.
- Government and private sector stakeholders are concerned to ensure the Shire of Broome has the capacity to facilitate the development of the James Price Point precinct.
- Developments in the Shire will increase pressure on Council's planning resources, and the Shire Council needs to complete its strategic planning framework to assist managing these developments.

- Some stakeholders believe that the Shire can do more to provide leadership to nurture community identity and economic development, and should engage more with the community to determine the social, cultural, community and physical infrastructure required for the future of Broome based on values shared by the community.
- Organisations that deal with the Shire on an operational basis have sound working relationships with Shire officers, though there is perhaps a need for the relationships to be more formally documented, for example through signing Memoranda of Understanding (MoUs).

### **Roles and responsibilities of local government**

To provide more definition to the less tangible aspects of the responsibilities of local government not set out in legislation, the Shire of Broome's activities were reviewed against 'Declaration on the role of Australian Local Government' of the Local Government Association of Australia. This declaration sets out the roles and responsibilities to which 'all Australian local governments should aspire to in their efforts to achieve a more effective democratic process and secure the environmental, social and economic wellbeing of their constituents'.

The review found that the Shire's ability to fulfil crucial roles and responsibilities expected of it will be impacted by the industrial developments occurring in the region over the next decade. The roles and responsibilities considered to be most critically impacted are:

- Ability to exercise local autonomy,
- Providing leadership and advocacy,
- Maintain local identity and civic pride, and
- Facilitating community development.

These conclusions are aligned with several conclusions drawn from the stakeholder consultation where it was noted that some believe the Shire should provide increased leadership and engage more with the community to determine the infrastructure required for the future of Broome based on the community's shared values.

### **Service delivery assessment**

Local government is required to deliver services to its community to meet legislative requirements and to fulfil community expectations. In its role as service provider, local government can be seen as a value chain that identifies service requirements, determines how best to provide these services, and then delivers these services.

An assessment of the Shire of Broome against this service delivery model was undertaken. However, a local government reform process is currently in process in Western Australia which includes initiatives aimed at improving aspects of local government service delivery therefore the assessment completed was broadly only to prevent overlaps with this reform process. The assessment identified the following initiatives for the Shire to pursue to improve service delivery:

- Review operating expenditure on discretionary services;
- Formalise levels of service; and
- Implement service delivery strategies.

## Organisational capacity gap analysis

The gap analysis in this report examines the Shire of Broome's organisational capacity in the face of changes in its operating environment over the next ten years. Capacity shortfalls have been identified due to both external drivers and the Shire's current operating practices. The identified capacity shortfalls are summarised below.

### *Strategic Leadership*

- The community expects the Shire to take a more proactive role to set the future direction of the Shire.
- The Shire requires significant current and short term resources to undertake the strategic planning and consultation identified in the James Price Point Strategic Assessment Report.
- The Shire needs to establish the community's desired level of service provision for discretionary services so that it is able to ensure that these services are financially sustainable into the future

### *People*

- Increased demand for the Shire's staff may lead to higher employment costs or a level of understaffing.
- A minority of operational departments have a work culture that could be improved. If it is not addressed, this culture may impact on the Shire's ability to deliver quality services and maintain its assets.
- The Shire lacks strategic resources in key areas that would help plan for the Shire's future, and have flow-on effects in reducing workload on operational staff. Furthermore, several operational areas are short-staffed and require additional resources to meet day to day demands.

### *Systems and processes*

- Some areas of the Shire experience difficulties with Synergysoft which impact on their effectiveness. The reasons for these problems need to be established, and solutions found.
- Few business areas have documented operating procedures.

### *Assets and facilities*

- The Shire needs to work to ensure that it maintains its in-house and externally sourced roads maintenance and construction skill base and receives adequate State funding.
- Establishing desired levels of service for the discretionary services provided by the Shire based on community priorities will provide a framework to manage costs.
- Upgrade or relocation of the works depot should be investigated as it will assist engineering operations to work more effectively and safely.
- The Shire has completed numerous studies into a new solid waste facility which will be required in the foreseeable future. A full time project officer should be devoted to this role to progress the required approvals.

### *Financial*

- Current trends point to a declining financial sustainability over the next few years which will continue trends seen over recent years.

Council has the potential to borrow further, though given the above decline in financial sustainability may not wish to borrow the full amount suggested by interest cover ratio calculations.

## Glossary

CEO	Chief Executive Officer
CPI	Consumer Price Index
DAP	Development Application Panel
DEC	Department of Environment and Conservation
EMS	Environmental Management Services
FIFO	Fly-in Fly-out
GIS	Geographic Information System
KPI	Key Performance Indicator
ILUA	Indigenous Land Use Agreements
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LPS	Local Planning Strategy
Mtpa	Million tonnes per annum
MoU	Memorandum of Understanding
MRWA	Main Roads WA
PwC	PricewaterhouseCoopers
RCG	Regional Collaborative Group
RNTBC	Registered Native Title Body Corporate
RTG	Regional Transition Group
SAR	Strategic Assessment Report
TPS	Town Planning Scheme
WA	Western Australia
WALGA	WA Local Government Association

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>II</b>
<b>GLOSSARY .....</b>	<b>VI</b>
<b>1 INTRODUCTION.....</b>	<b>9</b>
1.1 Project overview.....	9
1.2 Approach.....	9
<b>2 CAPACITY EVALUATION METHODOLOGY .....</b>	<b>11</b>
<b>3 EXTERNAL DRIVERS AND THEIR LONG TERM IMPACT ON THE SHIRE .....</b>	<b>12</b>
3.1 Overview .....	12
3.2 Browse Basin LNG development .....	12
3.3 Transfer of service provision in Indigenous communities to Council .....	17
3.4 Yawuru Native Title Agreement .....	20
3.5 Broome North residential development.....	22
3.6 Legislative and local government reform .....	24
<b>4 FINDINGS FROM STAKEHOLDER CONSULTATION.....</b>	<b>28</b>
4.1 Introduction .....	28
4.2 Interview summary .....	28
4.3 Conclusions .....	30
<b>5 FULFILLING THE ROLES AND RESPONSIBILITIES OF LOCAL GOVERNMENT .....</b>	<b>31</b>
5.1 Roles and Responsibilities of local government.....	31
5.2 Impact of drivers on the Shire's ability to fulfil local government roles.....	32
5.3 Conclusions .....	34
<b>6 SERVICE DELIVERY ASSESSMENT .....</b>	<b>35</b>
6.1 Local government service delivery model.....	35
6.2 Mandatory services and discretionary services .....	35
6.3 Commonwealth and State government financial sustainability reform.....	36
6.4 Conclusion .....	38
<b>7 ORGANISATIONAL CAPACITY GAP ANALYSIS .....</b>	<b>39</b>
7.1 Overview .....	39
7.2 Strategic leadership .....	40
7.3 People.....	40
7.4 Systems and processes.....	41
7.5 41	
7.6 Assets and facilities .....	42
7.7 Financial.....	42
7.8 Conclusions .....	47
<b>8 PRELIMINARY RECOMMENDATIONS TO ADDRESS CAPACITY SHORTFALLS.....</b>	<b>49</b>
8.1 Introduction .....	49
8.2 Preliminary recommendations.....	49

## LIST OF TABLES

Table 3-1: James Price Point development stages.....	14
Table 3-2: Likely impacts of James Price Point development on Shire of Broome (Development/operational phases).....	15
Table 3-3: Estimated population of Indigenous communities in Broome local government area .....	18
Table 3-4: Overview of Western Australia legislative and regulatory requirements.....	24
Table 5-1: Roles and responsibilities of local government.....	31
Table 5-2: Assessment of impact of drivers on Council capacity requirements.....	33
Table 6-1: Definition of mandatory and discretionary services .....	36
Table 7-1: Strategic leadership gap analysis .....	40
Table 7-2: People gap analysis.....	40
Table 7-3: Systems and processes gap analysis.....	41
Table 7-4: Assets and facilities gap analysis .....	42
Table 7-5: Key performance indicators .....	43
Table 8-1: Preliminary recommendations to address capacity shortfalls.....	49

## LIST OF FIGURES

Figure 1: Capacity evaluation methodology.....	iii
Figure 1-1: Overview of approach.....	9
Figure 1-2: Detailed approach .....	10
Figure 2-1: Capacity evaluation methodology.....	11
Figure 3-1: Location of Browse Basin .....	13
Figure 3-2: Sample of Indigenous local government annual operating costs (not including depreciation) .....	20
Figure 3-3: Location of Broome North development.....	23
Figure 6-1: Local government service delivery model .....	35
Figure 6-2: Breakdown of 2009/10 operating expenditure (\$M) .....	37
Figure 7-1: Organisation capacity gap analysis areas .....	39
Figure 7-2: Shire of Broome rates coverage 2005 – 2011 .....	45
Figure 7-3: Shire of Broome operating surplus 2005 – 2011 .....	45
Figure 7-4: Shire of Broome interest cover 2005 – 2011 .....	46

# 1 INTRODUCTION

## 1.1 PROJECT OVERVIEW

The Shire of Broome is facing significant and unprecedented changes in its operating environment over the short to medium term that will impact on its ability to deliver services and fulfil community expectations.

The most substantial drivers that will impact on the Shire over the next 10 years are:

- Development of the Browse Basin Liquefied Natural Gas (LNG) field in the Indian Ocean north west of Broome. The development proposes the establishment of on-shore processing facilities at James Price Point, 60 kilometres north of Broome. Construction is likely to commence in 2012 and continue until 2017 with a maximum workforce of around 6,000 persons. It is estimated that a permanent workforce of between 400 and 600 will be accommodated in the region;
- Transfer of the responsibility for service provision in Indigenous communities to local government following the signing of the Bilateral Agreement on Indigenous Affairs in June 2006 between the Government of Western Australia and the Australian Government; and
- Yawuru Native Title Agreement – which has released significant land for development, including up to 5000 residential lots of land at Broome North being developed by LandCorp.

The Browse Basin LNG development and the transfer of service provision for Indigenous communities are being driven by the State Government but require Council to react to, plan for and address the resulting impacts.

The purpose of this report is to assess the Shire's capacity to meet the challenges it faces over the short to medium term and to identify likely capacity shortfalls. Options for addressing the observed capacity shortfalls will be identified. This Capacity Evaluation considers the Shire's operations over a timeframe of 10 years.

## 1.2 APPROACH

The approach taken to completing this project is shown Figures 1-1 and 1-2 below. This report is the output from Phase 3 of the project to evaluate capacity requirements.



Figure 1-1: Overview of approach

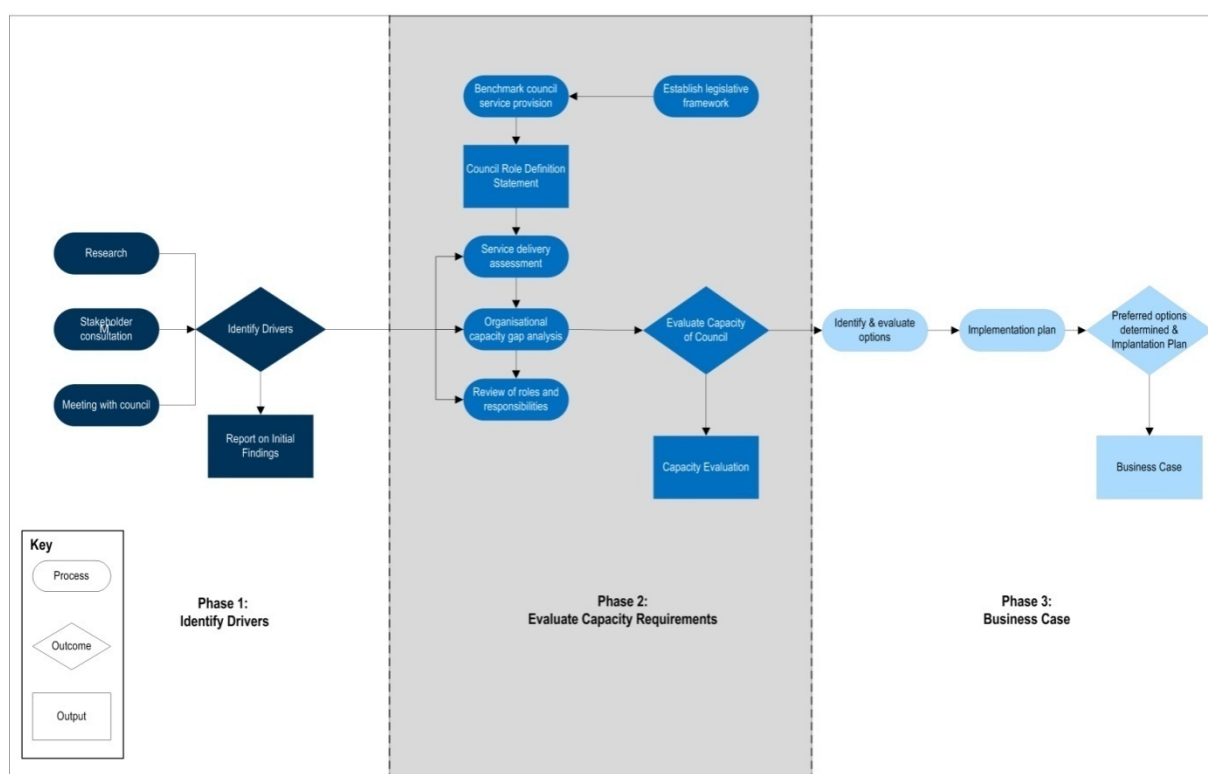


Figure 1-2: Detailed approach

The final stage of this Capacity Audit project will be to prepare a business case that promotes initiatives to address the capacity challenges faced by the Shire and identified in this document.

## 2 CAPACITY EVALUATION METHODOLOGY

The methodology employed to assess the capacity of the Shire of Broome to respond to and manage developments over the next ten years is shown in Figure 2-1. This methodology considers several key components of the interaction between local government and the community it serves.

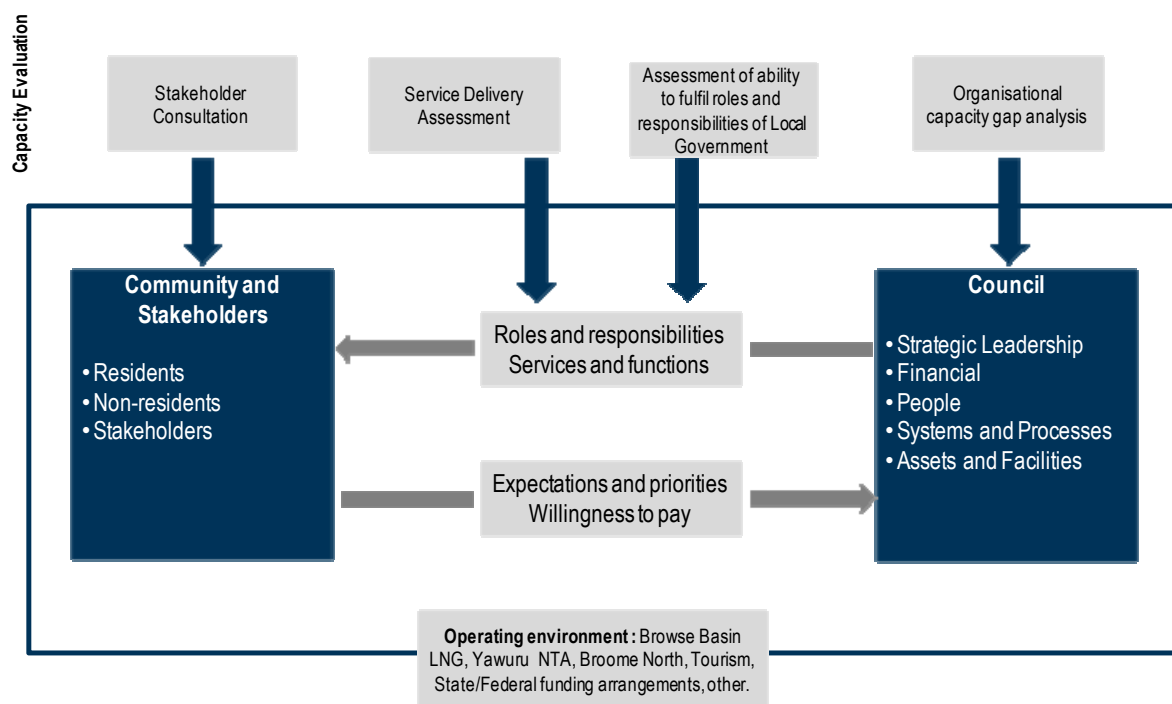


Figure 2-1: Capacity evaluation methodology

The first three components of the methodology test the *output* of the Shire of Broome against the purpose of local government to provide good government. These three output-focused components of the Capacity Evaluation, shown as the boxes along the top of Figure 2-1, are:

- **Stakeholder consultation** – views from State agencies, community groups and private organisations who are important stakeholders in the Shire’s activities;
- **Assessment against the roles and responsibilities of local government** – a review of the Shire of Broome’s ability to fulfil the roles and responsibilities expected of it; and
- **Service delivery assessment** – evaluation of the Shire’s performance in providing necessary services, and additional services desired by the community.

Finally, the Shire’s organisational capacity will be considered. That is, whether the Shire has sufficient *inputs* to achieve its objectives given the development likely to occur over the next ten years. The inputs considered are broadly aligned with the Australian Business Excellence Framework and include – strategic leadership, people, assets and facilities, systems and processes and finances.

The use of multiple complementary approaches to assessing the capacity of the Shire of Broome assists in developing conclusions that reflect the complexity of the Shire’s operating environment.

## 3 EXTERNAL DRIVERS AND THEIR LONG TERM IMPACT ON THE SHIRE

### 3.1 OVERVIEW

The Shire of Broome is facing unprecedented change in its operating environment resulting largely from drivers outside of its control. The drivers are complex, with significant interaction between them. While a number of influences can be identified, the following key drivers have been identified as being the most significant:

- Development of the Browse Basin LNG field;
- Transfer of the responsibility of service provision in Indigenous communities to the Shire of Broome;
- Signing of the Yawuru Native Title Agreement which has released significant land for development;
- Legislative changes and local government reform; and
- Broome North residential development.

These key drivers are described in more detail in Section 3.2 below, along with their likely impact on the Shire of Broome's operations.

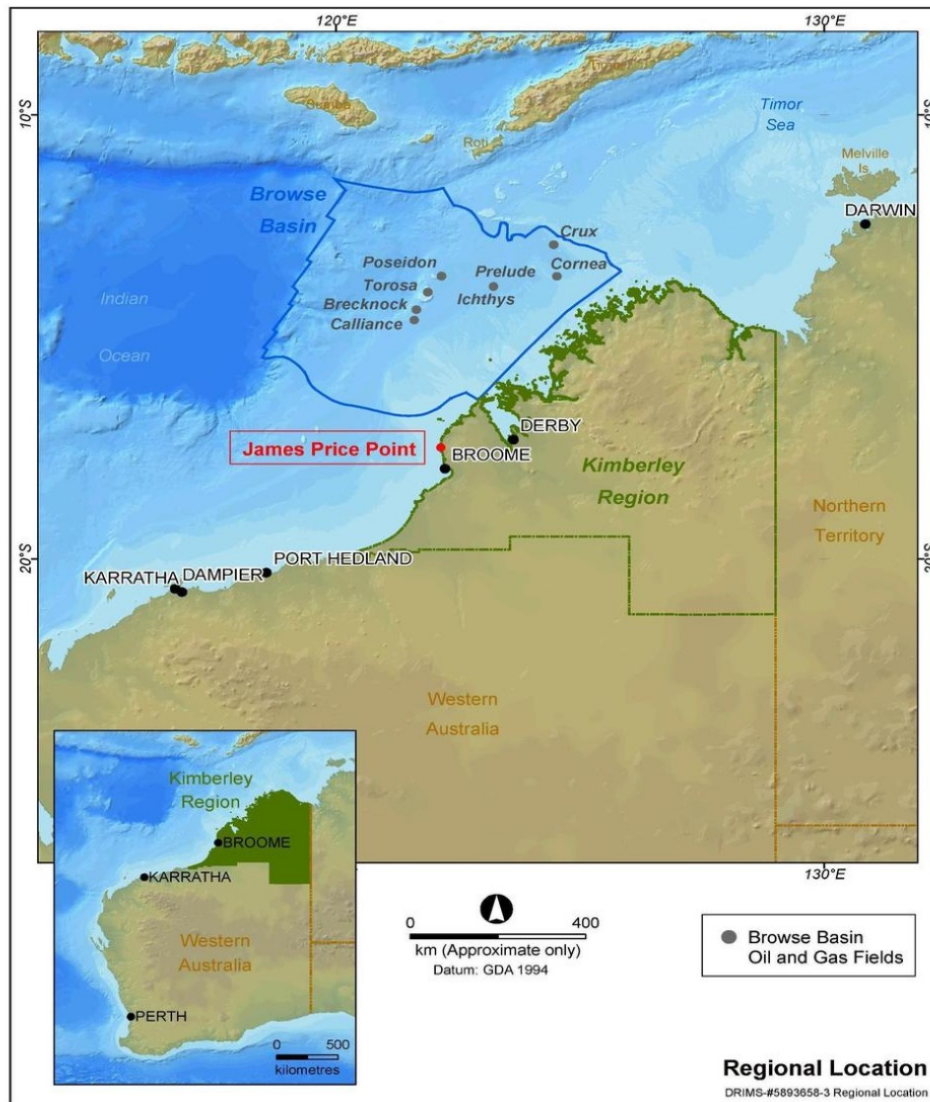
### 3.2 BROWSE BASIN LNG DEVELOPMENT

#### 3.2.1 Background

Browse Basin is an area located in the Indian Ocean northwest of the Kimberley region (see Figure 3-1). The basin is reported to be able to support production of up to 35 – 50 Million tonnes per annum (Mtpa) of LNG. The State Government of Western Australia has proposed to develop an onshore LNG precinct to process natural gas from the Browse Basin gas fields, which would be located on a greenfield site on the south-western extremity of the Dampier Peninsula, approximately 60 kilometres north of Broome. The precinct would be close to James Price Point and would be operated to process gas and associated products with an LNG production capacity of up to 50Mtpa.

The Department of State Development has recently released a Strategic Assessment Report for public comment which provides a high level assessment including social factors of the proposed development of the Precinct. Individual project proponents will also need to complete strategic assessments for their specific developments at James Price Point.

With the signing of the Goolarabooloo-Jabirr Jabirr Native Title Agreement in May 2011, a significant obstacle to the development of the on-shore facilities at James Price Point has been overcome. The Native Title Agreement relates to an area of 3,500 hectares encompassing the project site designated by the State Government. While the completion of this Native Title Agreement is an important precursor to development at James Price Point, significant State and Commonwealth approvals are still to be granted.



**Figure 3-1: Location of Browse Basin**

Source: Browse Basin Strategic Assessment Report, Department of State Development

### 3.2.2 Proposed Facilities

Natural gas from Browse Basin will be piped from the gas field through an undersea pipeline to onshore liquefaction plants. These plants will consist of gas processing 'trains', which produce LNG, condensate (light oil) and Liquefied Petroleum Gas (LPG) products; storage tanks to collect the LNG after processing, condensate tanks and LPG storage tanks.

The precinct will also include a port area, consisting of jetties and berths for LNG, LPG and condensate tankers and a materials off-take facility for landing heavy equipment and supplies, and providing berths for tug boat operations.

In addition, a range of infrastructure, such as a water supply network, wastewater treatment facility, roads, offices and a construction camp, are also proposed to be developed to service the precinct. The detail of the infrastructure to be located on site, or to provide access to the site, is still to be confirmed.

At full operational capacity, it is estimated that the precinct will have:

- Eight 200,000m<sup>3</sup> LNG storage tanks;
- Four 120,000m<sup>3</sup> condensate tanks; and
- Four 60,000m<sup>3</sup> LPG storage tanks.

### 3.2.3 Staging of the Development

If the development proceeds, the precinct will be built in stages expanding as demand for additional processing capacity arises. It is anticipated that there will initially be a minimum of two gas processing operating plants, co-located in the precinct, with shared common-user service corridors, lay-down areas and ancillary service facilities. The precinct when fully developed will process up to 50Mtpa, and is expected to have a life span of at least 40 years<sup>1</sup>. In the initial phase, the precinct will be developed to service an initial 12Mtpa to 15Mtpa. This initial development would comprise between one and three gas processing trains, while full development would include up to fourteen processing trains.

It is expected that the establishment of the initial LNG plants will take approximately four to six years. A summary of the phases of the plant construction is provided in Table 3-1.

**Table 3-1: James Price Point development stages**

<b>Site Preparation</b>	<ul style="list-style-type: none"> <li>› Access roads</li> <li>› Construction camp and temporary facilities</li> <li>› Clearing, levelling and excavation</li> <li>› Electricity and related fuel storage</li> <li>› Water and related water treatment and storage</li> <li>› Concrete batching plants</li> <li>› Settling and slab construction</li> <li>› Construction dock</li> </ul>
<b>Secondary plant facilities</b>	<ul style="list-style-type: none"> <li>› Gas turbine electricity generator</li> <li>› Warehouses and laboratory</li> <li>› Administration building</li> <li>› Permanent housing</li> <li>› Staff amenities</li> <li>› Sewerage and waste treatment facilities</li> </ul>

<sup>1</sup> Browse LNG Precinct Strategic Assessment Report, Department of State Development Western Australia. Volume 1, page 20.

<b>Processing modules construction and assembly</b>	<ul style="list-style-type: none"> <li>› Feed gas receiving area, liquid separation, gas metering and pressure reduction</li> <li>› Safety systems and ground flares</li> <li>› Acid gas removal</li> <li>› Gas dehydration and carbon adsorption units</li> <li>› Refrigeration and liquefaction machinery</li> <li>› LNG, LPG and residual LNG storage tanks</li> <li>› Refrigerant storage</li> <li>› Ship loading pumps and piping</li> </ul>
<b>Ship docking facilities</b>	<ul style="list-style-type: none"> <li>› Channel dredging and other marine works</li> <li>› Piled concrete breakwater protecting shore</li> <li>› Jetty, platforms, trestle, tanker berth</li> <li>› Loading arms, utility docks</li> <li>› Tug boat berths</li> </ul>

Source: Browse LNG Precinct Strategic Assessment Report, Department of State Development Western Australia. Volume 1, page 21.

### 3.2.4 Impact of the Browse Basin LGN development on the Shire of Broome

The James Price Point LNG facility will have significant and varied impacts on the Broome region and the Shire. There will be significant changes in employment and Shire demographics, with a significant increase in median working age, numbers of male workers and Fly-in Fly-out (FIFO) itinerant workforce. These changes will impact on the services provided by Council.

There will be an increase in private sector activities to provide products and services to the LNG Facility, or in support of the corresponding population growth as a result of the development. The increase in population will increase demand for both Council and State Government services. Table 3-2 shows the findings from a review of the impact of the development on the Shire.

**Table 3-2: Likely impacts of James Price Point development on Shire of Broome (Development/operational phases)**

Impact	Issues of Relevance to the Shire of Broome
General environmental impacts such as vegetation clearing, water runoff, sediment deposition etc.	The development could reduce areas of environmental value in the Shire and increase the Shire's environmental management responsibilities, such as that associated with increased weed infestation of public reserves etc.
Altered fire regimes	These could impact on the Shire's ranger service areas and volunteer bushfire resources particularly on the Dampier Peninsula. On a positive note it is proposed that the Precinct have its own fire fighting facilities which could improve the ability to control fires on the Peninsula.
Improvements in road network to service the Precinct will lead to greater access to areas with current limited access, increasing visitations	This will increase demand on the Council to provide services such as public toilets, improve road connections, increased ranger services to monitor illegal camping etc. However, there is also the potential to secure road upgrades at no cost to Council and to improve the safety of existing Peninsula roads.

Impact	Issues of Relevance to the Shire of Broome
Noise, atmospheric emissions, light spill and vibrations have potential for offsite impacts – also potential visual impact	The Council will need to consider and potentially regulate future land uses for development adjacent to the Precinct to minimise adverse impacts.
Groundwater Abstraction – if abstraction was required for the Precinct	This could impact on the availability of water for other users and uses impacting on the Council as a user but also as a regulator of other uses that may be impacted by groundwater reduction, changes in quality etc.
Local population increases	Has potential significant adverse impacts across all service areas – summarised by demand for more infrastructure and services (particularly social support services), reduced availability of housing for staff, etc. On a positive side, if the population is permanent, this will increase the potential rate base and employee source.
Increased demand for labour	Will increase salaries in the Shire and require Council to be competitive to attract and retain staff in many service areas – and to have to fund this. On the positive side, the labour pool for certain service sector workers (such as administration and clerical workers) could increase with the partners of permanent workers potentially moving to Broome and looking for employment.
Use of infrastructure and services associated with increased activity	This could be throughout the Shire but in particular in Broome, on the Dampier Peninsula, in and around the Broome Port, and of Broome Airport. Upgrading or maintenance of infrastructure could be a significant cost item over time.
Impact on Tourism through loss of access to areas, conflicting demand for accommodation, staff and services, etc.	Tourism is a key part of Broome's economy and any adverse impact on it will impact on the rate of tourist development in the Shire thus impacting on the Council through reduction in future potential differential rates, etc.
Increased demand for sport and recreational activities including fishing	The Shire will need to cater for additional demand for recreational facilities including boat ramps, etc. There appears to be no analysis of the potential tourism interest created by the Precinct or how this could be capitalised on.
Waste Management – with increased demand for waste management facilities	It is proposed that waste generated in the Precinct will be retained and/or disposed of in the Precinct. However, there will be demand generated by the additional permanent population and industrial and commercial development associated with the project, which would impact on Council waste facilities. The need for a new municipal landfill site in the foreseeable future is already an issue for the Council.
Impact on Indigenous populations	This is the subject of specific detailed assessment but in summary includes increases in the Indigenous population coming to the Shire looking for work and placing increasing stress on existing poor quality living conditions and unemployment levels. The impact on the communities within the Peninsula, and the associated services, is a consideration for the Council.
Increased salaries and cost of living and housing prices	Will impact on the ability of the Council to compete with LNG companies for skilled labour and to retain staff at an affordable rate. Higher salaries will also increase the cost of living. Demand for housing is likely to continue to exceed supply.

Impact	Issues of Relevance to the Shire of Broome
Provision of services to the Precinct	Whilst all trunk infrastructure services will be provided to the Precinct, there is potential to impact on downstream services and facilities including those operated, or relied upon, by the Council.

Source: Browse LNG Precinct Strategic Assessment Report: Implications for Shire of Broome Arising from Social Impact Assessment Component – Cardno, March 2011.

The impacts detailed above largely occur in the development and operational phases of the Browse Basin precinct. However, there is additional significant impact on the Shire currently and in the short to medium term in preparing, reviewing, contributing to and consulting on State strategic plans and mitigation strategies related to the development. For example, responding to the Strategic Assessment Report and providing information to the community.

The Strategic Assessment Report proposes several further investigations and mitigation strategies to be led by the Shire of Broome, or for which the Shire Council is a key stakeholder and/or contributor.

While this development is still to be formally confirmed, some impacts on the community are already being felt, for example through property speculation and increased demand for industrial land to support service industries.

### 3.3 TRANSFER OF SERVICE PROVISION IN INDIGENOUS COMMUNITIES TO COUNCIL

#### 3.3.1 Background

In 2006 the Government of Western Australia and the Commonwealth Government signed a *Bilateral Agreement on Indigenous Affairs*. This Agreement commits each government to increased effort in Indigenous Affairs, and includes a provision for local governments to take responsibility for providing local government services for Indigenous communities.

The Western Australia State Government aims to transfer responsibility for service provision to Indigenous communities to local government in a staged manner between 2014 and 2016. To determine the scope of the services to be provided to the communities, and the associated costs, the State Government is currently funding local governments to undertake investigations into the Indigenous community infrastructure located in their operating areas and the level of services currently provided.

The Shire of Broome is currently undertaking this scoping and costing investigation.

#### 3.3.2 Broome Indigenous communities summary

It is difficult to confirm the number and size of Indigenous communities in the Broome local government area because of movement of people between settlements. It is suggested that there are between 80 and 90 communities, although a significant number are small and have fewer than ten residents.

The Western Australia Department of Health conducted a survey in 2008 which identified 62 communities in the Broome local government area<sup>2</sup>. The largest community was Bidyadanga with a population of approximately 800 persons, while Bardi (Ardyaloon) (400), Beagle Bay (270) and Djarindjin (260) are the other communities with population with more than 100 residents. The population in each community identified by this survey is summarised in Table 3-3.

**Table 3-3: Estimated population of Indigenous communities in Broome local government area**

Community/Outstation	Population	Community/Outstation	Population
Bardi (Ardyaloon)	400	Julgunn	8
Beagle Bay	270	La Djarr Bay	27
Bells Point	2	Lombadina	55
Bidyadanga	800	Loongabid	15
Billard	72	Malaburra	7
Bindurk	8	Mallingbar	56
Bobieding	16	Mercedes Cove	6
Brunbrunganjal	19	Mia Maya	2
Budgarjook	20	Middle Lagoon	9
Bulgin	7	Morard	9
Burrjuk	5	Mudjarri	5
Bygunn	1	Mudhunn	8
Carnot Springs	2	Munget	10
Chile Creek	4	Murphy Creek	1
Cockatoo	5	Neem	10
Djaradjung	6	Ngadalargin	2
Djarindjin	260	Ngamakoon	30
Djibbinj	9	Nillir Irbanjin	61
Djugaragyn	8	Nillygan	14
Djulburr	2	Norman Creek	9
Embulgun	29	Nudugun	8
Frazier Downs	5	Nunju Yallet	5
Gnylmarung	15	Nygah Nygah	4
Goolarabooloo	63	Nyumwah	10
Goolarrgon	1	Red Shells	3
Goombargin	7	Rollah	8
Gullaweed	15	Tappers Inlet	12
Gulumonon	20	Wanamulnyndong	20
Gumbarnum/Gumbarnan	15	Whulich	4
Gurrbalgun	17	Yandarinya	14
Jabir Jabir	6	Yawuru	7

<sup>2</sup> Environmental Health Needs of Aboriginal Communities in Western Australia: The 2008 Survey and its Findings. Government of Western Australia (Department of Health, Department of Indigenous Affairs). Retrieved from: [http://www.public.health.wa.gov.au/3/1066/1/environmental\\_health\\_needs\\_survey\\_ehns\\_report\\_.pm](http://www.public.health.wa.gov.au/3/1066/1/environmental_health_needs_survey_ehns_report_.pm)

### 3.3.3 Impact of the transfer of service provision in Indigenous communities on the Shire of Broome

A separate study has commenced to quantify the impact of the transfer of responsibility for service provision to Indigenous communities from various State and Commonwealth agencies to the Shire of Broome Council. This study will quantify the existing infrastructure in the communities and determine the future likely costs of supporting this infrastructure and providing services.

In this initial phase of planning and preparing for the transfer of service provision responsibility, the following activities are likely to need to be undertaken by the Shire of Broome (in addition to the scoping and costing study which is currently underway):

- Consulting with Indigenous communities and stakeholders, particularly existing service providers;
- Determining the governance arrangements for management of the communities, service provision levels and an appropriate service delivery model. This is likely to require the appointment by Council of an Integration Manager;
- Reviewing existing community spatial plans to determine the adequacy of planning and engineering and to identify environmental constraints; and
- Capital expenditure on infrastructure assets to bring them to compliance level. Additionally, land purchases will be required to create road reserves, easements, etc.

Following transfer of service provision responsibility, the Shire of Broome will need to address the following impacts:

- Increased operating expenditure will be needed to fund service provision which will not be supported by rates recovery, requiring recurrent State government subsidies. The State has indicated that it will provide these necessary subsidies, though details have not been agreed. Funding for asset renewal and replacement will also need to be discussed and agreed;
- There will be liability to pay for cultural heritage approvals from the Traditional Owners prior to undertaking works and sourcing materials. This is a new impact on the Council that is created by the transfer of responsibility; and
- Additional staff and administration will need to be employed by the Council. This will have secondary impact, through increased demand on Shire facilities such as office space, use of the works depot and demands on the IT infrastructure.

The most significant financial impact of the transfer of service provision responsibility is funding the ongoing operating costs for Council services in the Indigenous communities. It is difficult to estimate the quantum of annual costs as there are many factors to account for including the nature and scope of the services provided, the geographic spread of communities and the existing capacity of the Shire in relation to services provided outside the township.

To provide an approximate assessment of the potential annual operating costs in the Shire of Broome, the operating costs of Indigenous local governments across Australia have been analysed as a function of population served (see Figure 3-2). This high level analysis indicates that the annual operating cost of serving the Indigenous communities in the Shire of Broome will be of the order of \$10-25 million, based on an estimated population of 2,000 persons. For comparison, the total annual operating costs of the Shire in 2009/10 were \$23.8 million. These figures make no allowance for depreciation.

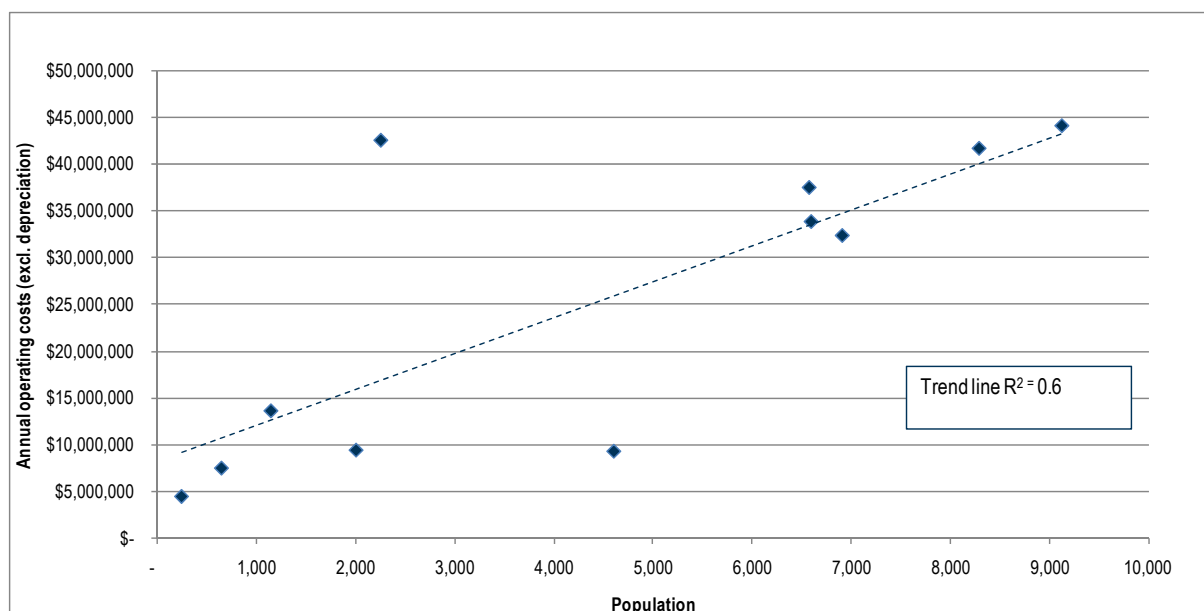


Figure 3-2: Sample of Indigenous local government annual operating costs (not including depreciation)

### 3.4 YAWURU NATIVE TITLE AGREEMENT

The 2006 Rubibi (Yawuru) Native Title determination grants Native Title rights over an area of approximately 5,297 square kilometres of land and sea in the Kimberley Region (which includes the Broome township) to the Yawuru community. Subsequent to this determination, and following lengthy negotiations, in 2010 the Yawuru and Commonwealth Government representatives finalised two key agreements which provide security for the future of the Yawuru community, and unimpeded development of land in and around Broome for the next 25 years. The Indigenous Land Use Agreements (ILUAs) 'give expression to the determination of Native Title by the Federal Court of Australia and... allow for the future development of Broome whilst also recognising and protecting Indigenous heritage and the environment and providing compensation to the Yawuru Community for the loss and impairment of Native Title rights and interests'.<sup>3</sup>

The *Yawuru Area Agreement ILUA* and the *Yawuru Prescribed Body Corporate ILUA* resolve issues arising from the Native Title determination. Perhaps most importantly, these Agreements effectively release Government from any liability for further compensation in relation to those claims, and resolve heritage issues affecting land required for future development in and around Broome, thereby making land available for new housing construction.

Nyamba Buru Yawuru Ltd (a body corporate under the Corporations Act) is the organisation formed to receive and manage the assets and monies granted to the Yawuru people following the determination of Native Title in

<sup>3</sup> Yawuru Area Agreement Land Use Agreement – Broome (2010)

August 2010. Nyamba Buru Yawuru Ltd acts on behalf of the Yawuru Registered Native Title Body Corporate (RNTBC). A Prescribed Body Corporate under the Native Title Act 1993 (Cth), is a corporation established by Native Title holders to represent them and manage their Native Title rights and interests that have been determined to exist.

Through the Agreements, land has been freed for future development including:

- Residential development (490 hectares);
- Tourism development (28 hectares);
- Heavy and light industry (400 hectares);
- A future airport development (957 hectares); and
- A further 100 hectares of determined exclusive Native Title land adjoining Coconut Wells.

The specific freehold interests granted include:

- **Yawuru Area ILUA Transfer of Freehold Title**

Native Title is surrendered and extinguished as per Schedule 4 (of the Yawuru Area ILUA) which includes land referred to as 12 Mile Land, Chapple Street Land, Fairway Drive North, and Wattle Downs Land. A number of parcels of land will be transferred in fee simple to Nyamba Buru Yawuru, at which time the Native Title rights and interests for each parcel of land transferred are surrendered and extinguished.

- **Yawuru Prescribed Body Corporate ILUA Transfer of Freehold Title**

The PBC ILUA (Schedule 5) provides for the transfer of unconditional freehold title by the State to Nyamba Buru Yawuru. Land to be transferred includes land along Bernard Way, Dora Street, Palmer Road, Cable Beach Road East, Broome Road Heavy Industrial Land, Coconut Wells, Cable Beach Road West, Gubinge Road, Roebuck Estate and Fairway Drive (North).

As Native Title holders, the Yawuru people have the right to compensation. In exchange for the extinguishing of Native Title and providing the government with the above mentioned land, the Yawuru are to receive monetary benefits in the vicinity of \$55 million, and about \$140 million in land. The compensation comprises:

- Transitional funding (\$1 million on execution of the ILUAs);
- Yawuru capacity building (\$1 million on registration of the Area Agreement);
- Yawuru Corporation funding (\$10 million over five years);
- Economic development (\$15 million over three years);
- Cultural preservation fund (\$3 million over three years);
- Social housing fund (\$20 million over three years);
- Cultural management plan for the conservation estate (\$500,000 on registration of the Area Agreement); and
- Joint management funding for the conservation estate (this will go to the Department of Environment and Conservation (DEC)) (\$5.5 million over five years).

Additionally, the Yawuru will receive land to the value of \$140.6 million for the purposes of development and cultural heritage, as well as perpetual leases for two 5 hectares parcels of land on Thangoo Pastoral lease to be

set aside for camping areas, and a conservation estate will be established using conditional freehold areas and jointly managed reserves.

### 3.4.1 Impact of the Yawuru Native Title Agreement on the Shire of Broome

As a signatory to the Yawuru Native Title Agreement, the Shire of Broome is well informed of the detail and extent of the land transfers outlined in the ILUAs. The Agreements are important to the Shire as they have been designed to allow the future development of Broome township, where previously development was constrained by shortage of freehold land.

The Yawuru Native Title Agreement will impact on the Shire in the following ways:

- Planning and building approvals (and subdivision referrals) will be processed by the Shire Council for the residential, commercial and industrial developments sponsored by Nyamba Buru Yawuru Ltd. Some areas of their land may also need re-zoning or Structure Plan approvals;
- The Shire's planning officers will need to support Nyamba Buru Yawuru Ltd, particularly on strategic planning issues for land outside the current township area; and
- There will be increased assets under Shire management, including parks, roads, street lighting, street furniture, stormwater and drainage as a result of developments carried out on Yawuru land. These assets will create a demand on Council resources for their operation, maintenance and renewal.

The additional demands on the Shire's capacity detailed above will be offset in part by increased rates revenue from properties developed on Yawuru land.

## 3.5 BROOME NORTH RESIDENTIAL DEVELOPMENT

### 3.5.1 Background

Broome North is a 700 hectares residential zone to the north of the existing Broome township that is in the early stages of development. The gross sub-dividable area is 592 hectares which will be supported by 52 hectares of public open space. The project will provide the majority of Broome's medium to long-term residential land supply, and is estimated to ultimately house up to 13,000 people. In addition to residential land, the development will provide land for retail/commercial development, light industrial development, tourism, schools, public open space, parks and community facilities.

The State Government's land development agency, LandCorp, is responsible for land and infrastructure development at Broome North. LandCorp's role is to masterplan the development and oversee the necessary planning approvals.

Council has been involved in the planning process for Broome North. Pursuant to the Shire of Broome Town Planning Scheme, the Shire of Broome required LandCorp to prepare a Local Development Plan before approving the Broome North Development. Broome North is located approximately 4 kilometres north of the existing Broome town site as shown in Figure 3-3. The site is to the east of Cable Beach and to the north of the airport and the Roebuck Bay Estate.



**Figure 3-3: Location of Broome North development**

### 3.5.2 Staging of Development

The first residential land in Broome North was released early in 2011. This comprised 77 residential lots in the Waranyjarri Estate. An on-line registration of interest approach was used to manage this release.

While the stated aim of the Broome North development is to meet the medium to long term housing needs in Broome, LandCorp has not committed to a timetable for releasing land to the public. LandCorp note that releases will be dependent 'on market conditions' and 'is expected to take more than 20 years'<sup>4</sup>.

LandCorp's current position as the most substantial holder of developable land in Broome means that, in addition to its stated approach of releasing land in response to market conditions, it is able to help create those market conditions to which it will respond to. However, this near monopoly position is likely to change as more residential land becomes available through the Yawuru Native Title Agreement.

<sup>4</sup> <http://www.landcorp.com.au/project/broomenorth/feature/?nid=4&type=90#>

### 3.5.3 Impact of Broome North on the Shire of Broome

The development of Broome North will have the following impacts on the Shire of Broome:

- Planning and building approvals (and sub-division referrals) will be need to be processed by Shire Council staff for the residential and commercial land releases over the project's life span. However, the likely volume of approvals is not anticipated to be significantly higher than the approximately 150 lots currently processed by the Shire each year;
- Increased assets such as parks, roads, street lighting, street furniture, stormwater and drainage will come under the management of the Shire –. These assets create demand on Shire resources for their operation, maintenance and renewal; and
- There will be increased service requirements for rubbish collection, occupancy certification etc.

The additional demands on the Shire's capacity relating to infrastructure management and service provision will be offset in part by increased rates revenue. However, under the Western Australian Land Authority Act 1992, LandCorp does not have to pay rates on the land it holds, with rates only being payable once lots are created. Therefore, where land is developed but not sold to a private owner, no rates will be being paid to Council.

Negotiations are currently in progress regarding the level of contributions LandCorp will make to the Shire to fund community facilities. Initially, the Shire had estimated that the required contribution would be in the order of \$50million. However, LandCorp has proposed a much lower figure of \$20 million.

## 3.6 LEGISLATIVE AND LOCAL GOVERNMENT REFORM

### 3.6.1 Overview of legislative and regulatory requirements

As is the norm across Australia, local government in Western Australia has been created by State Government legislation. The Local Government Act 1995 and its pursuant regulations and guidelines set out the roles and responsibilities of local governments. In addition to the Local Government Act 1995, there are numerous other acts and regulations that are relevant to the daily functions and administration of a local government. Table 3-4 details the major pieces of State legislation that local governments are required to act in accordance with.

**Table 3-4: Overview of Western Australia legislative and regulatory requirements**

Legislation / Regulation	Description
<i>Local Government Act 1995</i>	<ul style="list-style-type: none"> <li>➤ An act administered by the Department of Local Government to provide for a system of local government. It outlines the functions of the local government, administrative procedures, reporting and planning requirements.</li> <li>➤ The Local Government Act is supplemented by the following Local Government Regulations: <ul style="list-style-type: none"> <li>■ Local Government (Administration) Regulations 1996</li> <li>■ Local Government (Audit) Regulations 1996</li> <li>■ Local Government (Constitution) Regulations 1998</li> <li>■ Local Government (Elections) Regulations 1997</li> <li>■ Local Government (Financial Management) Regulations 1996</li> <li>■ Local Government (Functions and General) Regulations 1996</li> </ul> </li> </ul>

Legislation / Regulation	Description
	<ul style="list-style-type: none"> <li>Local Government (Long Service Leave) Regulations 1977</li> <li>Local Government (Parking for Disabled Persons) Regulations 1988</li> <li>Local Government (Rules of Conduct) Regulations 2007</li> <li>Local Government (Uniform Local Provisions) Regulations 1996.</li> </ul>
<i>Emergency Management Act 2005</i>	<ul style="list-style-type: none"> <li>An Act to provide for prompt and coordinated organisation of emergency management in the State, and for related purposes.</li> </ul>
<i>Environmental Protection Act 1986</i>	<ul style="list-style-type: none"> <li>An Act to provide for an Environmental Protection Authority, for the prevention, control and abatement of pollution and environmental harm, for the conservation, preservation, protection, enhancement and management of the environment and for matters incidental to or connected with the foregoing.</li> </ul>
<i>Heritage of Western Australia Act 1990</i>	<ul style="list-style-type: none"> <li>An Act administered to provide for and encourage the conservation of places that have significant cultural heritage to the State and establishes the Heritage Council of Western Australia.</li> </ul>
<i>Health Act 1911</i>	<ul style="list-style-type: none"> <li>This existing Act is being replaced with the Public Health Bill currently before Western Australia's parliament. This Bill has an objective to 'protect and promote public health as well as prevent illness and injury'.</li> </ul>
<i>Food Act 2008</i>	<ul style="list-style-type: none"> <li>The Food Act 2009 is the principal piece of legislation regulating the sale of food in Western Australia and provides food safety regulation over the entire food supply chain. The Act applies to everyone involved in the sale of food in WA.</li> <li>Under the Food Regulations 2009, local governments are responsible for the administration and enforcement of the Food Act.</li> </ul>
<i>Building Bill 2011</i>	<ul style="list-style-type: none"> <li>The Building Bill is likely to come into force as the Building Act 2011 in mid 2011. This act will replace the Building Regulations 1989 and parts of the Local Government (Miscellaneous Provisions) Act 1960.</li> <li>The Act will confirm the responsibility of local governments as the authority for issuing building permits</li> <li>However, the Act will allow privately registered building surveyors to certify design compliance.</li> </ul>
<i>Occupational Health and Safety Act 1984</i>	<ul style="list-style-type: none"> <li>An Act to promote and improve standards for occupational safety and health, to establish the Commission for Occupational Safety and Health, to provide for a tribunal for the determination of certain matters and claims, to facilitate the coordination of the administration of the laws relating to occupational safety and health and for incidental and other purposes.</li> </ul>
<i>Planning and Development Act 2005</i>	<ul style="list-style-type: none"> <li>The Planning and Development Act is the principle town planning legislation in Western Australia and is an enabling piece of legislation.</li> </ul>

In addition to the statutory requirements, the functions of a local government are also guided by national codes and standards, such as Australian Standards and the Building Code of Australia. There are also local laws, policies and statutory planning documents, which are administered by the Shire.

### 3.6.2 Local government reform

In February 2009, the State Government released a local government reform strategy with the aim of implementing structural change and also improving business planning practices in local government. The Department of Local Government identified the reform as an opportunity 'to establish a stronger, more viable

structure that better reflects the needs of our changing communities and our growing, modern and diverse State<sup>5</sup>.

The four key objectives of the reform are to:

- Amalgamate local government areas, where possible and appropriate;
- Reduce the number of Councillors to a maximum of ten per Council;
- Encourage a greater focus on regional long-term planning; and
- Strengthen the ability of local governments to deliver services to their communities.

While the reform process is voluntary, State Government encourages local governments to investigate the relevance and appropriateness of an amalgamation with their neighbouring Councils, to form either a Regional Transition Group (RTG) or Regional Collaborative Group (RCG).

### 3.6.3 Kimberley Regional Collaborative Group

The Shire of Broome entered into an agreement to form a RCG with the Shires of Derby-West Kimberley, Halls Creek and Wyndham-East Kimberley on 2 September 2010 to work collectively to achieve regional goals across the Kimberley region.

The purpose of an RCG is to identify opportunities to collaborate and share core functions and services with neighbouring local governments without transitioning to an amalgamated Council. Functions and services could potentially include:

- Corporate services, including records, rating, finance, information technology, human resources and payroll, workforce planning;
- Strategic planning;
- Local laws, town planning schemes, integrated strategic planning (asset, financial and strategic community planning);
- Environmental health, natural resource management, building and development approvals;
- Economic development;
- Community planning (including engagement and representation);
- Road infrastructure and transport planning;
- Waste management; and
- Infrastructure planning and asset management.

The Kimberley RCG is currently in the process of documenting a business plan for submission to the Department of Local Government which will assess whether a shared service arrangement would be beneficial to the region.

---

<sup>5</sup> Regional Collaboration Group Information Sheet. Department of Local Government, Western Australia. Available at: <http://dlg.wa.gov.au/OpenFile.ashx?Mode=446E37686749376A356D684D2B6E6D6D4D6E555273773D3D&ContentID=70322F56346446684D31453D>

### 3.6.4 Legislative reform

The following items of legislation important to the operation of the Shire of Broome are currently undergoing change:

- Health Act 1911 - this existing Act is currently being replaced with the Public Health Bill currently before Western Australia's parliament;
- (New) Building Act 2011 - the Building Bill is likely to come in to force as the Building Act 2011 in mid 2011. This act will replace the Building Regulations 1989 and parts of the Local Government (Miscellaneous Provisions) Act 1960. The Act will confirm the responsibility of local governments as the authority for issuing building permits. However, the Act will allow privately registered building surveyors to certify design compliance; and
- Development Application Panel (DAP) Regulation 2011 – which will establish regional panels for assessing significant planning applications.

### 3.6.5 Regional Cities Alliance

The Regional Cities Alliance is a State and local government initiative to draw attention to regional cities in Western Australia which have to differing extents been seen as of secondary importance to the Perth metropolitan centre. The Regional Cities Alliance is currently formalised by a Memorandum of Understanding between the cities of Geraldton, Bunbury, Albany and Kalgoorlie-Boulder. The State government has indicated that it intends to include Broome within this alliance in the near future. The Alliance aims to work collaboratively with the State government to achieve favourable outcomes for the regional cities.

### 3.6.6 Impact of legislative and local government reform on the Shire of Broome

Legislative and local government reform will have the following impacts on the Shire of Broome:

- There will be an immediate and short to medium term requirement to commit resources to the Kimberley RCG. Given the nature of the Group's work, this commitment is required largely from the Shire's executive;
- The revised Food Act and Health Act requires mandatory action from Council. In the short term, this is likely to create a resource challenge, particularly for staff and vehicles. Over the medium to long term, the challenge is likely to be a disproportionate increase in commercial premises compared to the resident/rateable population driven by the Browse LNG development. This disproportionate increase in regulated premises to rateable population is likely to be a financial burden to the Shire. The Shire has already completed a large amount of work implementing the new Food Act;
- The implications of the Building Act are uncertain. The Shire must maintain its building certification capability but there is opportunity to receive support from the private sector. However, it is uncertain whether the private sector will adequately be able to provide this service in the Shire;
- There is a potential transfer of responsibility for delivery of certain services to the Kimberley RCG. However, Council has indicated that discussion in the Group to date had identified few opportunities for shared service delivery; and
- The impact of the establishment of Development Assessment Panels is uncertain, but is likely to include more comprehensive reporting and coordination requirements.

## 4 FINDINGS FROM STAKEHOLDER CONSULTATION

### 4.1 INTRODUCTION

To provide a balanced view of the Shire of Broome's performance, stakeholders important to the Shire's day to day operation and future direction were interviewed. The stakeholders included representatives from State Government agencies, community interest groups and private operators. The Stakeholders consulted were:

- Broome Chamber of Commerce – Tony Proctor;
- Broome Port Authority – Sean Mulhall;
- Chamber of Minerals and Energy of Western Australia – Reg Howard-Smith;
- Department of Housing and Works – Shayne Hills;
- Department of Planning – David Saunders, Phil Woodward, Jackie Holm Robyn Barrow, and Cate Gustavasson;
- Department of State Development – Peter Baldwin and Gail McGowan;
- Kimberley Development Commission – Kelvin Barr;
- Kimberley Land Council – Nolan Hunter;
- LandCorp – Hilary Woodley;
- Nyamba Buru Yawuru Ltd – Peter Yu and John Roberts;
- Tourism WA – Gary Taylor; and
- Woodside Energy Ltd – Greg Paten and Tim Walster.

The majority of stakeholders were interviewed in person. Where this was not possible, interviews were conducted by telephone.

No consultation direct with the community was completed as part of this project.

### 4.2 INTERVIEW SUMMARY

This section is a summary of the key findings from the consultation with the stakeholders. Further details have been included in the Report on Initial Findings.

#### *Strategic planning*

There is strong recognition by key State agencies of the pressure that the Shire of Broome is facing due to the establishment of the Browse Basin LNG industry and other developments. Because of these pressures, the State agencies we spoke to believe that it is important that Council improves its strategic planning function and gains community input and acceptance of its long term plans. For example, it was stated that the Shire requires a 5-10 year 'road map' that sets out the intended direction of Council given these external pressures. It was also considered important that there is community buy-in to Council's strategic direction.

The Department of State Development is responsible for establishing the strategic framework for, and assisting the development of, the Browse LNG Precinct at James Price Point within the Shire of Broome. This includes

preparing a Strategic Assessment Report (SAR) of the project, which examines the potential impacts of the project, including on the Shire. The Department of State Development is concerned to ensure the Shire of Broome has the capacity to facilitate the precinct's development. However, the Shire has indicated that it does not believe that the Strategic Assessment Report fully accounts for the likely impact of the development on its operations.

#### *Planning approvals*

The Shire has strong involvement with the Department of Planning as the Department is required to determine all subdivision applications and structure plans in the Shire, but following prior approval by, or referral to, the Council. The Department of Planning is also responsible for preparing strategic planning studies for the Kimberley, for assessing amendments to the Shire's existing Town Planning Scheme (TPS) and for updating the new TPS5 which is being preceded by a series of policy documents including a Local Planning Strategy (LPS).

The Department of Planning noted during interviews that the Council requires further work to formally implement its LPS, and that the strategy needs to address planning issues beyond the township. The Department of Planning also commented that the development of Yawauru land, Broome North's expansion and the start of work at James Price Point will increase pressure on Council's planning resources. This is irrespective of the fact that the model for progressing planning approvals at James Price Point is yet to be finalised.

#### *Housing affordability*

The region suffers from a lack of affordable housing, and the affordability position has worsened over recent years with both purchase and rental markets being very expensive. There is a long waiting list for public housing of between two and five years.

Stakeholders consider housing affordability to be a key issue in the Shire, though note that to date connections between Council and the public and community housing providers have been informal. Senior officers from the Department of Housing and Works meet with Council officials from time to time. However, there is no formal Memorandum of Understanding (MoU) between Council and the Department.

#### *Leadership role*

Some stakeholder organisations stated that they see a key area for the Council is to provide strong leadership to maintain the identity of the town and region, and promote economic development, in face of the significant likely impacts of the development of the Browse Basin. For example, the Chamber of Commerce believe the Shire should provide leadership on economic development in the region, though without displacing private enterprise. Tourism is a key area where the Chamber believes greater direction can be provided by Council to provide and enhance tourist experiences that make greater reference to the town's historic past.

It was also noted by stakeholders that the Shire should take a proactive role in engaging the community to determine the social, cultural, community and physical infrastructure required for the future of Broome based on values shared by the community. This was a particular concern of the Native Title holders, who through their substantial landholding, will play a major role in Broome's future growth.

While Council's traditional service provision and leadership role has largely been confined to Broome township, stakeholders commented that in future this would need to cover the whole of the Shire. This may require closer partnership working with Kimberley Land Council.

### *Stakeholder relations*

Organisations that undertake business with the Shire, for example the Broome Port Authority, LandCorp and Woodside, report that they have sound working relationships with Shire officials. However, it was noted that as development progresses, for example, as James Price Point enters its construction phase, increased pressure will be placed on these relationships. It was noted that early, regular and clear communication between the Shire Council and other parties would help minimise any potential issues.

The view was expressed that certain of these operational relationships could be improved through a formalised agreement on roles and responsibilities. For example, the Broome Port Authority has areas of responsibility for managing intertidal lands that overlaps with the Shire's responsibilities. The Broome Port Authority believes it would be beneficial for the parties to develop a formal MoU which clarifies a protocol to be followed when their roles and responsibilities overlap.

An MOU (called a Statement of Roles and Responsibilities) between the Shire, the Western Australian Planning Commission, the Department of Planning and LandCorp was used to progress the initial planning phases of Broome North. This type of agreement could potentially be used between Council and other key stakeholders in the Shire, for example the Department of Housing and Works

## **4.3 CONCLUSIONS**

Based on the consultation undertaken with key stakeholders, we conclude that:

- There is strong recognition by key State agencies of the pressure that the Shire of Broome is facing due to the establishment of the Browse Basin LNG industry and other developments;
- Government and private sector stakeholders are concerned to ensure the Shire of Broome has the capacity to facilitate the development of the James Price Point precinct;
- Developments in the Shire will increase pressure on Council's planning resources, and the Shire Council needs to complete its strategic planning framework to assist managing these developments;
- Some stakeholders believe that the Shire can do more to provide leadership to nurture community identity and economic development, and should engage more with the community to determine the social, cultural, community and physical infrastructure required for the future of Broome based on values shared by the community; and
- Organisations that deal with the Shire on an operational basis have sound working relationships with Shire officers, though there is perhaps a need for the relationships to be more formally document, for example through signing MoUs.

## 5 FULFILLING THE ROLES AND RESPONSIBILITIES OF LOCAL GOVERNMENT

### 5.1 ROLES AND RESPONSIBILITIES OF LOCAL GOVERNMENT

The *Local Government Act 1995 (Western Australia)* sets out the general function of local government in Western Australia to be 'to provide for the good government of persons in its district'. The Act states that the functions of local government are derived from both legislated requirements and the executive's assessment of priorities.

To provide more definition to the less tangible aspects of the responsibilities of local government not set out in legislation, the Australian Local Government Association made a 'Declaration on the role of Australian Local Government' in late 1997. This declaration sets out the roles and responsibilities to which 'all Australian local governments should aspire to in their efforts to achieve a more effective democratic process and secure the environmental, social and economic wellbeing of their constituents'. These roles and responsibilities are set out in Table 5-1.

**Table 5-1: Roles and responsibilities of local government**

Roles and responsibilities	Description
<i>Must be a partner in the federal system</i>	Local government is a necessary participating partner in the Australian system of democratically elected, representative government in accordance with the view expressed without dissent at the Australian Constitution Convention in Hobart, 1996
<i>Will be responsive and accountable to the local community</i>	Local government is elected by the local community to respond to its aspirations and concerns, and to meet its needs within available resources. Local government must be electorally accountable to the local community, and manage its affairs in a transparent way.
<i>Will provide good local governance</i>	Local government seeks to provide good governance for its community by being fully informed on local issues; by considering all aspects of environment, social and economic wellbeing through effective strategic and corporate planning based on extensive community consultation; and by balancing competing claims and interests openly, fairly and sympathetically. Local government will, without fear or favour, uphold the highest standards set by legislation and public policy or formulated having regard to local community values.
<i>Must exercise local autonomy</i>	As an elected sphere of government, Local government must be free to exercise its own powers and to apply relevant Commonwealth and State/Territory laws in a manner which reflects local needs and circumstances. To this end, its revenue base should be enhanced and not be subject to arbitrary limitations by other governments. Local government should not be required to act as an agent of the Commonwealth or states/territories unless it chooses to do so, and contractual conditions have been mutually agreed through negotiation.
<i>Will provide leadership and advocacy</i>	Local government will lead and inform the local community on issues affecting it, and will advocate and represent community interests to other spheres of government and in wider forums. Local government will provide a strong and united voice at State/Territory and national levels for the common concerns and aspirations of local communities.
<i>Will promote active citizenship at the local level</i>	Local government will encourage non-discriminatory participation of all citizens in building democratic communities which share power and ensure a more equitable allocation of community resources.

Roles and responsibilities	Description
<i>Will foster local identity and civic pride</i>	Through effective leadership, local government will provide a focus for local identity and civic pride, including a caring attitude to others and to the local environment, whether natural or built. It will strive to encourage community participation in civic affairs, and community contributions to local projects and programs.
<i>will secure community cohesion</i>	Local government will promote tolerant and cohesive communities, based on respect of the values of others, irrespective of race, creed or cultural heritage.
<i>Will ensure local services delivery</i>	Local government will provide, or ensure the provisions of, programs and services required to meet local community needs. These must be affordable and delivered equitably, efficiently and effectively. Local revenues and resources must be supplemented by external resources, including Commonwealth of State/Territory grants, when appropriate.
<i>Will facilitate community development</i>	Local government will seek to ensure the balanced physical, social and economic development of its local communities.
<i>Will foster regional cooperation</i>	Local government will cooperate at a regional scale to address issues affecting adjoining communities, and to provide a basis for effective inter-government relations. This will include appropriate resource sharing and joint activities amongst Councils
<i>Will adapt to change</i>	Local government undertakes to keep pace with the changing circumstances of local communities and its broader operation environment. It commits to the application of benchmarking, continuous improvement and quality assurance systems in order to attain best practice standards and ensure the best possible outcomes for the communities it serves.




## 5.2 IMPACT OF DRIVERS ON THE SHIRE'S ABILITY TO FULFIL LOCAL GOVERNMENT ROLES


The key drivers in the Shire of Broome's operating environment have been described in Section 3. The impact of these drivers on the ability of the Shire to fulfil the roles and responsibilities expected of it has been evaluated, focusing on the following specific roles and responsibilities:

- Must exercise local autonomy;
- Will provide leadership and advocacy;
- Will foster local identity and civic pride; and
- Will facilitate community development.

These four areas were selected from Table 5-1 as it is considered these aspects will most critically be impacted by the developments in the Shire over the next decade. The results of the evaluation are presented in Table 5-2.

Table 5-2: Assessment of impact of drivers on Council capacity requirements

Roles and responsibilities	Impact of drivers on Council capacity requirements	Evidence supporting evaluation
<i>Must exercise local autonomy</i>		<p>The ability for the Shire to act with local autonomy will be impacted by the State supported development at Browse Basin. The development will increase demand for Shire services which may not be matched by a commensurate increase in the rateable population.</p> <p>Additionally, the fact that LandCorp does not contribute rates to the Shire of Broome despite being responsible for a development that will accommodate a population equivalent to the existing population of Broome will mean that the Shire will require additional capacity to act with autonomy.</p>
<i>Will provide leadership and advocacy</i>		<p>The Browse Basin development has created considerable demand from the community on the Shire for information on the proposal and its likely impact on the region. The Shire has found it challenging to keep pace with this demand for information, particularly in the initial stages of the development. This requirement for timely and appropriate information is a clear drain on the Shire's resources and is a driver for additional capacity.</p> <p>Beyond the need to provide information, the Browse Basin development has led the community to turn to the Shire to provide leadership to respond to the impacts of the development. Providing leadership is complicated by the need to understand the complex reaction of the community, which has no clear majority in favour or against the development. Regardless of the community position, the State support of the development means that it is unlikely to not proceed, making the Shire's position to advocate for the nuanced views of the community more difficult.</p>
<i>Will foster local identity and civic pride</i>		<p>Broome has undergone significant change in recent decades as different industries, notably pearling and tourism, have risen and fallen in importance, consequently lending differing complexions to local identity. However, the Browse Basin LNG development is likely to far exceed the impact of these previous factors on local identity. Broome has not previously been a resource town, and has attracted residents partly for this reason.</p> <p>Growth in the resource sector will alter Broome's local identity, through:</p> <ul style="list-style-type: none"> <li>■ Fly-in/fly-out employees participating in the local economy but not associating with the local identity or feeling civic pride. This may lead to a 'dilution' of identity;</li> <li>■ Potential for an 'us' and 'them' mentality as evidenced in other Australian resource towns (such as the banning of high visibility clothing in public places). This is unlikely to be contained by the fact that the development is isolated from the township.</li> <li>■ There will be increasing wage differentials for differing occupations, leading to a two-tier employment structure differentiated between higher-paid resource staff and lower paid workers in other sectors; and</li> <li>■ New permanent residents will most probably have differing values to the existing community.</li> </ul> <p>These impacts on the identity of the local community create a strong need for Council to understand the community's shared values so that it may respond to promote these values through its actions.</p>

Roles and responsibilities	Impact of drivers on Council capacity requirements	Evidence supporting evaluation
<i>Will facilitate community development</i>		Balancing physical, social and economic development will become more of a challenge for the Shire of Broome, particularly due to the Browse Basin development which creates additional demand on Council's development planning resources, e.g. strategic town planning, development control and building control.

### 5.3 CONCLUSIONS

This capacity evaluation confirms that the Shire's ability to fulfil crucial roles and responsibilities expected of it will be impacted by the industrial development occurring in the region over the next decade. The roles and responsibilities considered to be most critically impacted are:

- Ability to exercise local autonomy,
- Providing leadership and advocacy,
- Fostering local identity and civic pride, and
- Facilitating community development.

These conclusions are aligned with a number of the conclusions drawn from the stakeholder consultation where it was noted that some stakeholders believe that the Shire should provide increased leadership and engage more with the community to determine the infrastructure required for the future of Broome based on the community's shared values.

## 6 SERVICE DELIVERY ASSESSMENT

### 6.1 LOCAL GOVERNMENT SERVICE DELIVERY MODEL

In addition to meeting the roles and responsibilities outlined in Section 5, local government is required to deliver services to its community to meet legislative requirements and to fulfil community expectations. In its role as service provider, local government can be seen as a value chain that identifies service requirements, determines how best to provide these services, and then delivers these services. The local government service delivery model is detailed in Figure 6-1.

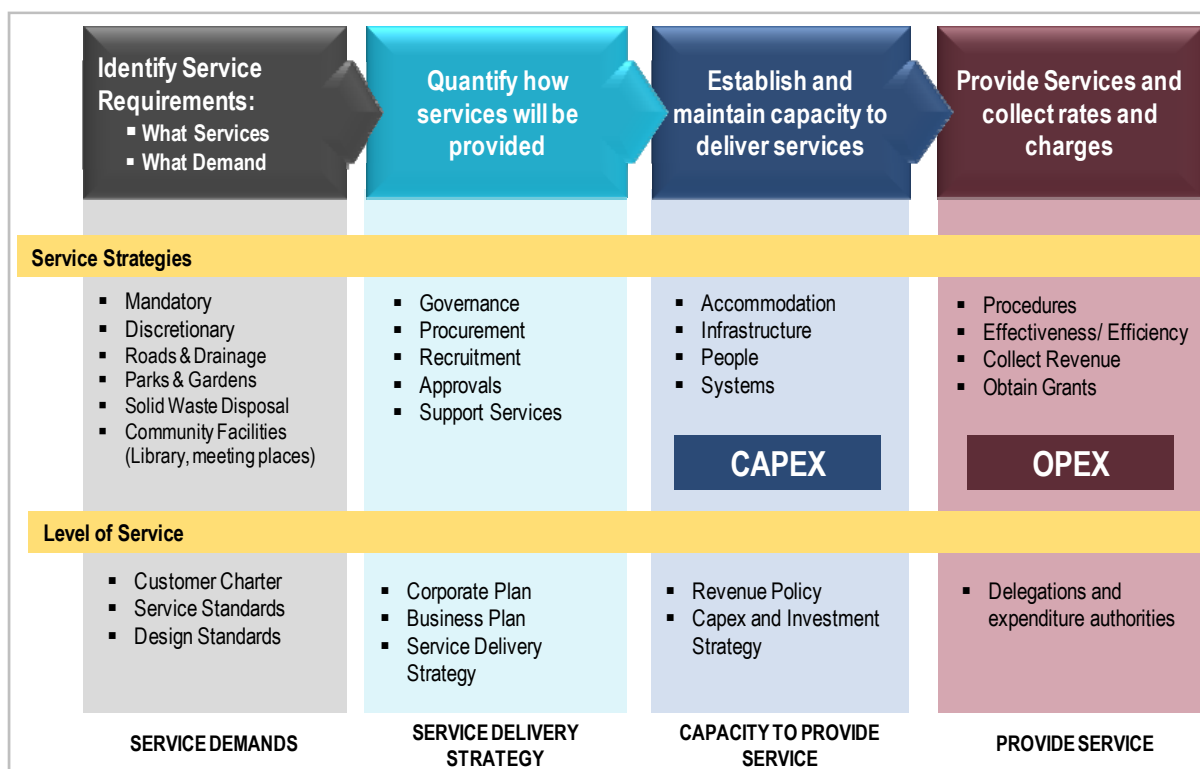


Figure 6-1: Local government service delivery model

This framework for service delivery by local government highlights that local government must first establish which services it will provide, and the demand for these services, before determining the staffing and other capacity it needs to provide these services.

### 6.2 MANDATORY SERVICES AND DISCRETIONARY SERVICES

In identifying services that local government provide, it is useful to distinguish between those services that are mandatory and those which are at the discretion of the executive. Within the range of mandatory services, there is a further distinction between services that are operational in nature, and those which have a strategic focus. The definition of each type of service is detailed in Table 6-1.

**Table 6-1: Definition of mandatory and discretionary services**

Local government service type		Definition
<b>Mandatory</b>	<b>Operational</b>	Mandatory operational services are those services for which Council has a statutory obligation to provide and which enable the day to day functioning of Council.
	<b>Strategic</b>	Mandatory strategic services are those services for which Council has a statutory obligation to provide and which are focused on long term initiatives that set the direction in which Council
<b>Discretionary</b>		Discretionary services are those which Council has no statutory obligation to provide but does so usually to meet community expectations.

This distinction between mandatory and discretionary services is intended to highlight the differing requirements on local government to justify its business priorities. For mandatory services, both operational and strategic, there is a legislated requirement that means that local government must act in these areas. As there is no such legislated requirement with respect to discretionary services, there is an onus on local government to demonstrate that the types and level of these services provided is justified by community expectations.

There is a current initiative driven by the Commonwealth and State governments to promote financial sustainability for local government. This reform process is discussed in more detail following.

### 6.3 COMMONWEALTH AND STATE GOVERNMENT FINANCIAL SUSTAINABILITY REFORM

In conjunction with the Council of Australian Governments, the Local Government and Planning Ministers' Council agreed to the implementation across all states and territories of a National Framework for Sustainability for local governments. The seven elements of a National Framework for implementation by local government are:

- Development of an asset management policy;
- Strategy and planning;
- Governance and management arrangements;
- Defining levels of service;
- Data and systems;
- Skills and processes; and
- Evaluation.

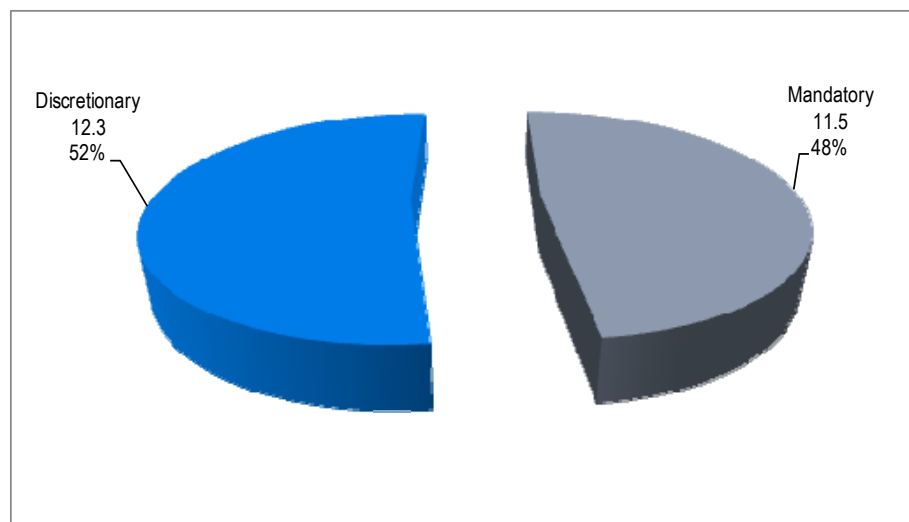
The WA Department of Local Government is supporting this initiative through its ongoing local government reform process. The key element relevant to financial sustainability is the Integrated Strategic Planning stream. Under this initiative, the Department of Local Government is supporting local governments to improve their approach to strategic planning, including financial planning and asset management. A number of initiatives aimed at increasing the strategic and operational capacity of local governments are now underway.

Given the breadth of work that the Shire of Broome is about to undertake in conjunction with the Kimberley Regional Collaborative Group, it is premature to make a detailed assessment of its performance in delivering enhanced local government services. Therefore, only broad observations will be made here.

### Service funding

A broad assessment of the operating costs of the Shire of Broome indicates that around half is currently spent on discretionary services (see

Figure 6-2). While this figure in part reflects the Shire's reduced proportion of roads in its overall asset base compared to other councils, it suggests that re-assessing the level of discretionary services provided may deliver



cost savings

**Figure 6-2: Breakdown of 2009/10 operating expenditure (\$M)**

### Levels of service

The Shire of Broome is yet to formalise service standards for all of its services, with only levels of service for parks and gardens articulated to date. Service standards should be based on community consultation and financial evaluation so that community expectations can be addressed within the bounds of financial sustainability.

The benefits to the Shire of formulating levels of service across its operations include:

- Engagement of the community;
- Improved understanding by the community of the cost of service provision and the cost of service provision to varying levels;
- A basis for justifying budget increases or decreases based on the community's desired level of service provision; and
- An increased ability to benchmark the Shire's operations by using level of service to normalise costs.

The Broome North Social Context Paper (2009) provides a useful summary of levels of service in different areas that were considered in the planning of development in that neighbourhood.

### Service delivery planning

The Shire is yet to prepare service delivery strategies for each of its service areas. Service delivery strategies are a high level statement of the approach taken to achieve service delivery. Plans and annual budgets for the service areas support the strategy. Completing these strategies is likely to provide efficiencies to the Shire of Broome as better use is made of available resources.

## 6.4 CONCLUSION

This broad assessment has sought to identify areas where the Shire of Broome may be able to operate more effectively by improving its management of service delivery. The key initiatives identified are:

- Review of operating expenditure on discretionary services;
- Formalise levels of service; and
- Implement service delivery strategies.

The Shire has already recognised the need to pursue some of these initiatives and has supporting actions in the recently released Strategic Plan 2011-2016. Also, through the local government reform process, the Shire is currently working with the Kimberly RCG (which includes the Shires of Derby-West Kimberley, Halls Creek and Wyndham-East Kimberley) to prepare a Regional Business Plan. This will identify the resources currently used by each Shire for service delivery in its region, and identify opportunities for achieving efficiencies through shared services. This plan is likely to make further recommendations in the area of service delivery.

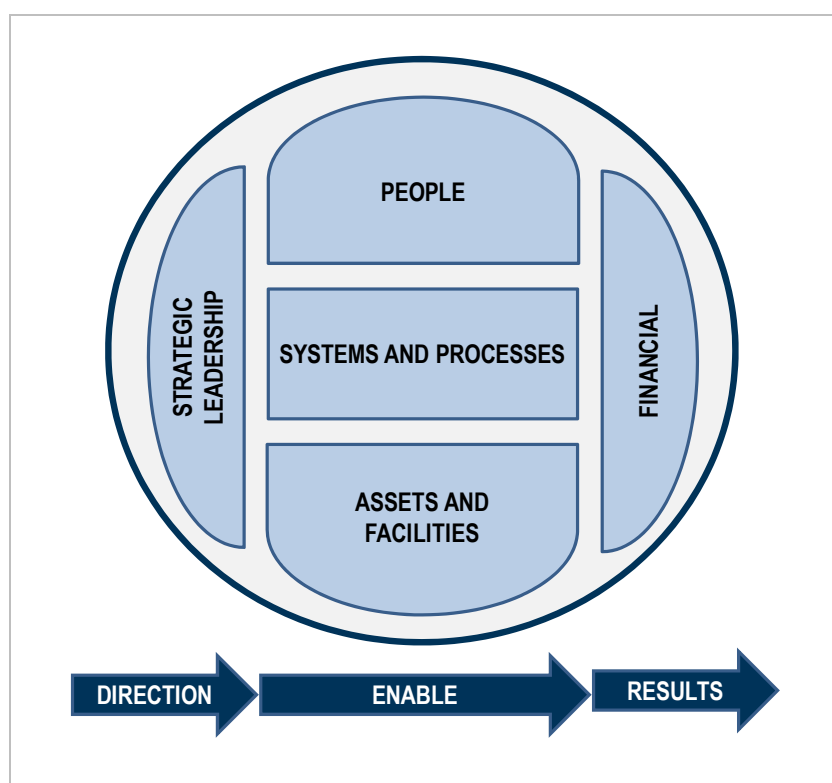
## 7 ORGANISATIONAL CAPACITY GAP ANALYSIS

### 7.1 OVERVIEW

An organisational capacity gap analysis of the Shire of Broome has been undertaken to understand the areas in which the Shire has insufficient resources to meet the future challenges it faces. These challenges have been described earlier in this report, and include the development of the Browse Basin LNG field and the transfer of responsibility for provision of services in Indigenous communities.

The methodology employed in this report focuses on the organisational areas of strategic leadership, people, systems and processes, assets and facilities, and financial as shown in

Figure 7-1. In this approach, strategic leadership is fundamental as it sets the direction of the organisation. This direction is enabled by the people employed by the organisation, the systems and processes in places and the assets and facilities owned by the organisation. Results have been narrowly defined as financial performance for this study.



**Figure 7-1: Organisation capacity gap analysis areas**

The gap analysis is based on interviews with staff, evaluation of operating practices and review of available data. The findings are tabulated in the following sections.

## 7.2 STRATEGIC LEADERSHIP

The findings of the gap analysis in the area of strategic leadership are detailed in Table 7-1.

**Table 7-1: Strategic leadership gap analysis**

Observation	Capacity implication
Stakeholder consultation identified that the community expects the Shire to take a more proactive role to set a future direction. For example, with respect to tourism and economic development.	The community's desire for the Shire to be more proactive in setting strategic direction needs to be responded to.
The ability of the Shire to display strategic leadership is significantly impacted by the Browse Basin LNG development. That here is no clear community majority for or against the development makes the Shire's role more complex given that the State supports the development.	The Browse Basin LNG development places significant demands on the Shire's strategic leadership resources as it responds to and participates in the planning process.
The James Price Point Strategic Assessment Report identifies a substantial number of strategic planning and consultation requirements that the Shire is a key stakeholder in, or to be author of.	The Shire requires significant current and short term resources to undertake the strategic planning and consultation identified in the Strategic Assessment Report.
Council has recognised the need to separate strategic leadership from operational management and is addressing through a restructure which has created a Deputy CEO role and office. The Deputy CEO will be responsible for operational management.  The Shire is also undertaking its own investigations, for example through this Capacity Audit, to better understand the future challenges it faces and to position itself to better respond to them.	If successful, this initiative will provide more capacity to the Shire to set strategic leadership, by freeing the CEO from some operational decisions.
The Shire has not established the community's expectations and willingness to pay for discretionary services other than parks and gardens.	The Shire needs to establish the community's desired level of service provision for discretionary services so that it is able to ensure that these services are financially sustainable into the future.

## 7.3 PEOPLE

The findings of the organisational review in the area of people are detailed in Table 7-2.

**Table 7-2: People gap analysis**

Observation	Capacity implication
The Browse Basin development will create increased demand for the Shire's staff to join private sector organisations.	Increased demand for the Shire's staff may lead to higher employment costs or a level of understaffing. To provide some resilience against the resource sector growth, the Shire needs to understand what attracts employees to it and motivates them to stay.

Observation	Capacity implication
The Shire has enjoyed relative staff stability in recent years, with the number of positions unfilled less than in previous times. However, it is particularly susceptible to fluctuations in resourcing due to the proximity of resource developments.	As noted above, the Shire needs to better understand the drivers for attracting and retaining staff.
Some areas in the Shire's organisation have a work culture that can be improved. The Shire has identified this problem and is addressing it.	If it is not addressed, this work culture may impact on the Shire's ability to deliver quality services and maintain its assets.
The Shire lacks strategic resources in key areas that would help plan for the Shire's future, and have flow-on effects in reducing workload of operational staff.	<p>The following additional strategic positions are recommended to the Shire:</p> <ul style="list-style-type: none"> <li>› Economic development officer;</li> <li>› Communications officer; and</li> <li>› New landfill planning project officer.</li> </ul> <p>Note that these strategic roles are in addition to any staff required specifically to respond to the studies suggested in the James Price Point Strategic Assessment Report.</p>
Several operational areas are short-staffed and require additional resources to meet day to day demands.	<p>The following operational positions are recommended to the Shire:</p> <ul style="list-style-type: none"> <li>› Environmental Health Officer</li> <li>› Staff to implement the Environmental Management System</li> <li>› Administrative support to the technical department.</li> </ul>

## 7.4 SYSTEMS AND PROCESSES

Findings of the organisational gap analysis in the area of systems and processes are detailed in Table 7-3.

**Table 7-3: Systems and processes gap analysis**

Observation	Capacity implication
A geographic information system (GIS) is a recognised need and the Shire is currently implementing this system.	Implementation of a GIS is likely to result in operating efficiencies.
Some areas of Council have notable problems with Synergysoft.	<p>It needs to be established if the problems experienced by staff with Synergysoft are due to lack of alignment with business processes, system functionality or lack of training.</p> <p>By understanding this underlying cause, the appropriate initiative to address capacity shortfalls in this area can be implemented.</p>
Across all operating areas there is a lack of documented business operating procedures.	Missing or incomplete business operating procedures impact operating continuity and efficiency.

## 7.5 ASSETS AND FACILITIES

The findings in the area of assets and facilities are detailed in Table 7-4.

**Table 7-4: Assets and facilities gap analysis**

Observation	Capacity implication
<p>Roads, along with buildings, are the Shire's most significant asset groups. There is risk to maintaining these assets due to:</p> <ul style="list-style-type: none"> <li>› Potential loss of State road grants;</li> <li>› Cost to service increases due to competition with the LNG industry, and</li> <li>› Loss of in-house skills, also due to competition with LNG industry.</li> </ul> <p>These risks are balanced by the potential for additional State or proponent funded infrastructure upgrades</p>	<p>The Shire needs to work to ensure that it maintains its in-house and externally sourced skill base, and receives adequate State funding.</p>
<p>The Shire has substantial commitment to discretionary facilities including Broome Recreation and Aquatic Centre, parks and gardens, the library, and the soon to be complete civic centre. These facilities require significant funding for operating expenditure and maintenance.</p>	<p>Establishing desired levels of service based on community priorities will provide a framework in which costs on these discretionary services can be managed.</p>
<p>The works depot is not fit for purpose</p>	<p>Upgrade or relocation of the depot should be investigated as it will assist engineering operations to work more effectively.</p>
<p>Vehicle availability is not sufficient in some operational areas</p>	<p>Vehicle availability may be addressed through better use of existing vehicles or providing additional vehicles.</p>
<p>The Shire solid waste facility is near capacity and its closure will be brought forward by the James Price Point development.</p>	<p>The Shire has completed numerous studies into a new solid waste facility. Obtaining approvals and coordinating investigations is time consuming and a full time project officer should be devoted to this role.</p>

## 7.6 FINANCIAL

For the financial area, rather than completing a gap analysis as for the other organisational areas, the Shire's financial sustainability has been reviewed using common metrics and comparison with other local governments.

The ability of the Shire of Broome to deliver the additional services identified in this report to cope with the likely increase in economic development in the Shire depends on the availability of funding. This section benchmarks the Shire's current financial sustainability against accepted norms, then considers the impact the extra expenditure will have on sustainability going forward.

### 7.6.1 Financial sustainability metrics

In 2006 PricewaterhouseCoopers' (PwC) produced the 'National financial sustainability study of local government' on behalf of the Australian Local Government Association. The report assessed the current and longer term viability of local government across the country, and identified issues impacting on their

sustainability. Based on data collected directly and from earlier reports on several hundred councils, PwC concluded that up to 30% of Australian councils may not be sustainable. This was due to factors including:

- Input prices increases exceeding the average rate of revenue growth from rates. Most costs have been rising at CPI plus 2%-3%, often driven by higher staff remuneration levels.
- An expansion in the range of Council services, with higher quality provision expected.
- Expenditure on infrastructure renewals falling behind required levels, leading to a back-log of required spending to maintain assets - an estimated \$14.5 billion nationally. In a separate study 'Local government finances in Western Australia' in 2006, the WA Local Government Association (WALGA) estimated the infrastructure backlog in WA to be \$1.75 billion, or 14% of the total value of councils' non-financial assets.

The reports concluded that part of the problem has been cost shifting, where local governments are expected to provide a service which is either unfunded or only partially funded by the State or Commonwealth. PwC note as a key finding of their report:

*'... some councils often spend scarce resources attempting to address service and infrastructure gaps that are actually regional or State issues. Both State and local government need to better recognise where such issues are beyond the capacity and resources of an individual council. Such issues are better solved with resources and input from other regional councils, local government associations, and State and Australian levels of government' (PwC summary report, p.5).*

There is no consistently agreed definition of 'financial sustainability', and often the required level of detail for a more comprehensive financial analysis is missing. PwC suggest:

*'The financial sustainability of a council is determined by its ability to manage expected financial requirements and financial risks and shocks over the long term without the use of disruptive revenue or expenditure measures which is determined by (1) healthy finances in the current period and long term outlook based on the continuation of the council's present spending and funding policies and given likely economic and demographic developments, and (2) ensuring infrastructure renewals/replacement expenditure matches forward looking asset management plan expenditure needs' (PwC full report, p.96).*

The above definition suggests the Shire of Broome faces potential financial sustainability issues on two accounts. First, as a result of the already identified economic and demographic changes that will come as a result of the growth of the region's resource sector, and lead to increase demand on Council services. Second, consequences flowing from the need to both bring council assets up to standard in the township, and provide Council services to Indigenous communities in the Shire.

PwC developed five Key Performance Indicators (KPIs), based on data included in the published annual reports of councils, which could be used as a proxy for financial sustainability. These are shown in Table 7-5 below, which includes a benchmark figure and the results of data collection by PwC for financial year 2004-2005 from 100 representative councils across Australia. The sample councils range considerably in size, capacity and location (urban, suburban, regional and remote). Therefore comparisons using the PwC benchmarks need to be treated with caution and used as a general indication only.

**Table 7-5: Key performance indicators**

KPI metric	PwC benchmark	PwC national findings	Broome Council based on
------------	---------------	-----------------------	-------------------------

		based on 2006 report	year to June 2010
<b>Operating surplus</b> (as a proportion of total operating revenue)	Councils should ideally be in surplus, though if in deficit the deficit should not exceed 10% of revenue	10% surplus (for councils in surplus) (16% of councils were below the benchmark, i.e. >10% in deficit)	14% surplus Exceeds benchmark
<b>Interest cover</b> (amount of income available to pay interest)	Minimum 3 times interest cover	Not stated (36% of councils were below the benchmark)	24 times Exceeds benchmark
<b>Sustainability ratio</b> (capital expenditure divided by depreciation)	Should be greater than 1	1.8 (8% of councils were below the benchmark)	1.4 Exceeds benchmark
<b>Current ratio</b> (current assets divided by current liabilities)	Should be greater than 1	2.6 (21% of councils were below the benchmark)	3.3 Exceeds benchmark
<b>Rates coverage</b> (proportion of total expenses covered by income from rates)	Minimum 40%	48% (40% of councils were below the benchmark)	55% Exceeds benchmark

Of the five KPIs developed by PwC, the two most challenging for councils in their study were rates coverage (with 40% of the sample failing to achieve benchmark levels), and interest cover (with 36% below target levels). In general, councils were less likely to face problems with the other three benchmarks of operating surplus, sustainability ratio and current ratio.

### 7.6.2 Broome Council's financial sustainability

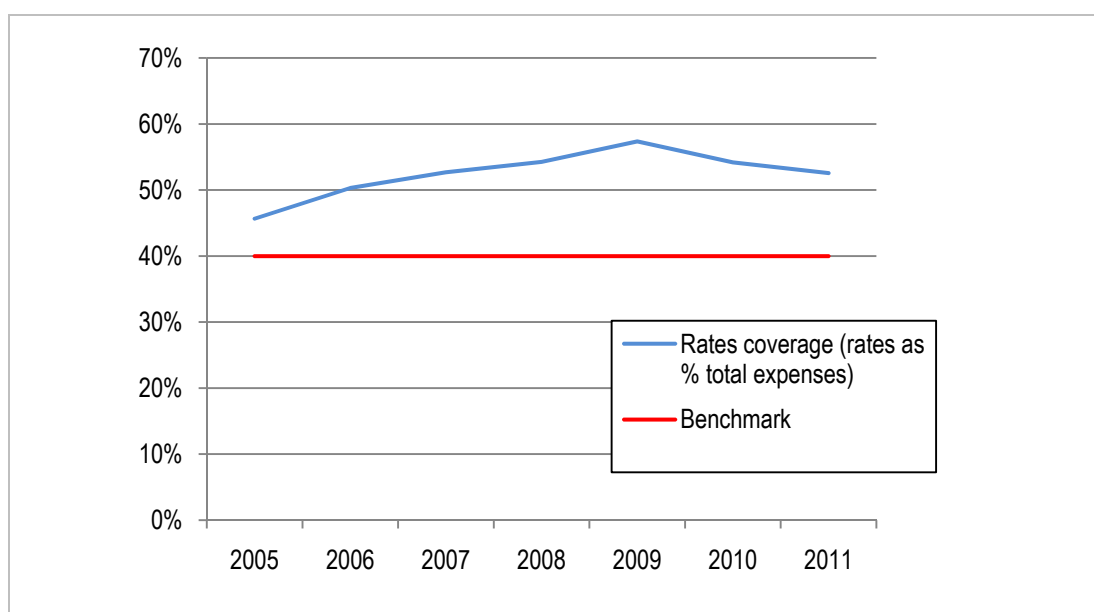
Council's annual report for 2009-2010 has been used to generate results to compare with PwC data in the above table. Although the benchmarks should remain valid over time, the two right hand columns in the above table cannot be directly compared as they relate to different accounting periods.

As at June 2010 the Shire of Broome Council met all of PwC's benchmarks and can therefore be described as being financially sustainable. Of note is that Council has a far higher level of interest cover than benchmark, and there is good rates coverage with over half of expenditure funded by rate income. However, the position is more complicated in that there are both definitional problems in deriving the ratios, and Council's financial position has fluctuated over the past few years.

Council's financial sustainability over time can be assessed using three of the PwC benchmarked KPIs:

#### Rates coverage.

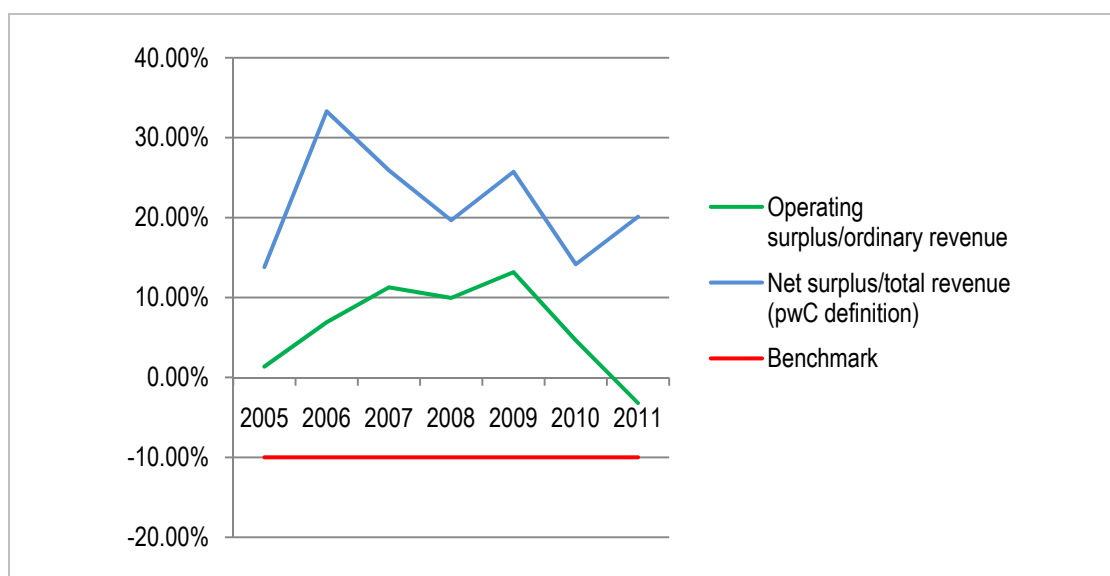
Figure 7-2 shows that, while the ratio has consistently exceeded the benchmark figure of 40%, it has fallen from a highpoint of 57% in 2007-2008 to 52% as budgeted for 2010-2011.



**Figure 7-2: Shire of Broome rates coverage 2005 – 2011**

The decline in rates coverage is despite significant increases in the level of rates charged. Based on the ratio of total rateable income divided by total properties (including properties with both general rates and minimum rates), the amount per property has increased by two thirds over five years – from \$1,423 in 2005-2006 to \$2,265 in 2010-2011. Given this level of increase in rates will probably not be sustainable into the future, and at a time when total costs look set to increase faster than CPI, the Shire's rates coverage will probably continue to fall over the next few years.

**Operating surplus.** This ratio can be calculated by taking either operating surplus (before non-operating grants) as a proportion of ordinary revenue, or net surplus as a proportion of total income which includes both operating and non-operating grants. PwC use the former approach. Figure 7-3 details the Shire of Broome's performance against both measures in recent years.

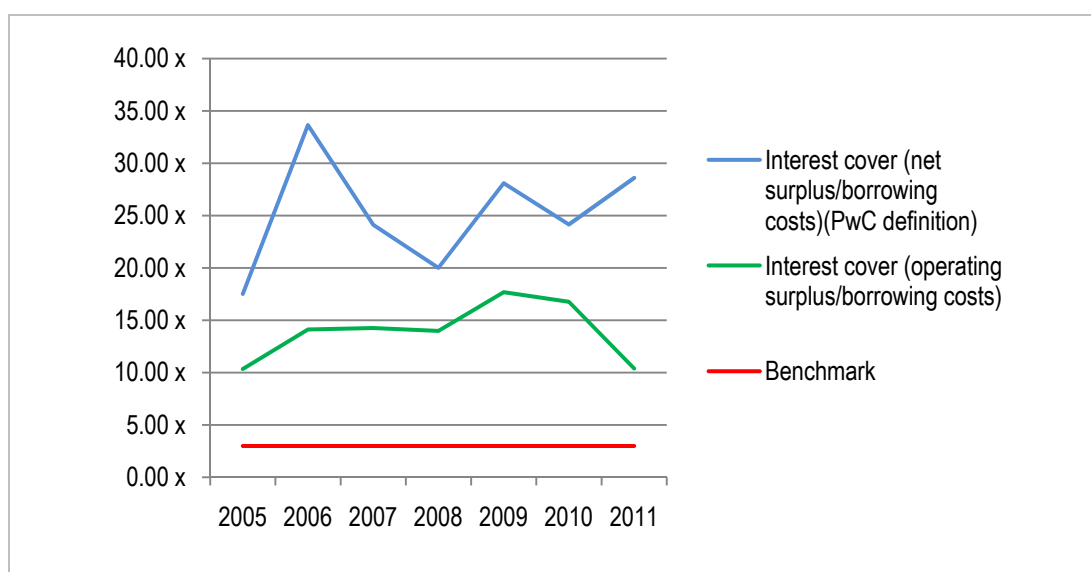


**Figure 7-3: Shire of Broome operating surplus 2005 – 2011**

Whichever calculation method is used, Council have exceeded the benchmark target of having no more than a 10% deficit throughout the period shown in the above chart. However, there are two important pointers. First,

using both definitions, there is a downward trend in operating surplus in the period since financial year 2006-2007. Second, the 2010-2011 budget is for an operating *deficit* of \$0.8 million. In view of the drivers of income and costs described above, there is a likelihood that this annual operating deficit will increase. Potentially therefore, using a more conservative definition than PwC, there will be an operating deficit in excess of the benchmark10%.

**Interest cover.** In Figure 7-4, interest cover is calculated by taking a particular income figure (either operating surplus or net surplus) and adding back interest and depreciation. The more conservative figure, based on operating surplus, has been on a downward trend since 2008-2009 and currently stands at just over 10 times in the 2010-2011 budget.



**Figure 7-4: Shire of Broome interest cover 2005 – 2011**

Interest cover based on operating surplus comfortably exceeds the 3 times benchmark set by PwC, suggesting the Council is ‘under-borrowed’ – i.e. it would be able to borrow more funds while still meeting prudent guidelines. However, the downward trend in interest cover indicates that the amount of extra borrowing might diminish over the next few years.

Based on Council’s 2010-2011 budget, financial modelling suggests that interest payable could rise from \$410,000 pa to \$1.4 million while still maintaining an interest cover ratio (based on operating surplus) of over 3 times. Assuming a notional interest rate of 9%, Council could increase their borrowing by \$10.1 million, bringing total debt to just over \$15 million.

There are a number of strategic and prudential reasons why Council may not wish to push borrowing to the full level feasible based on the interest cover ratio. However, using PwC’s identified KPIs – but adopting a more prudent income basis (operating surplus rather than net surplus) – on current service levels, Council could borrow more while remaining financially sustainable.

### 7.6.3 Renewals funding

Despite the Shire of Broome’s apparent relatively strong financial position, the Shire has underspent on asset renewals in the recent past. The Shire estimates that the gap in renewals funding is approximately \$600,000 per annum. This figure is significant as it equates to around 3% of the Shire’s annual operating budget (in addition to

ongoing renewals funding). Therefore, the Shire's performance on the metrics described is misleading and a more accurate picture will result over the next few years as renewals funding is increased.

#### 7.6.4 Conclusions from financial area

Based on using PwC's approach to understanding Council's financial sustainability, the following points emerge:

- Council is currently financially sustainable on all five measures, and comfortably so.
- Current trends point to a declining financial sustainability over the next few years which will continue trends seen since 2007-2008. The most likely KPI to be a problem is operating surplus as a proportion of operating income.
- Council has the potential to borrow further, though given the above decline in financial sustainability may not wish to borrow the full amount suggested by interest cover ratio calculations.
- Despite this apparently strong financial position, the shire has a significant renewals gap that it will need to fund over the next 10 years. A more accurate picture of the Shire's financial position will result over the next few years as renewals funding is increased.

### 7.7 CONCLUSIONS

This gap analysis has examined the Shire of Broome's organisational capacity in the face of changes in its operating environment over the next ten years. Capacity shortfalls have been identified due to both external drivers and the Shire's current operating practices. The capacity shortfalls identified are summarised below.

#### *Strategic Leadership*

- The community expects the Shire to take a more proactive role to set the future direction of the Shire.
- The Shire's ability to set the direction of the Shire is impacted by the Browse Basin LNG development which has substantial and complex impacts on the Shire, complicated by the fact that there is no clear majority for or against the development within the community.
- The Shire requires significant current and short term resources to undertake the strategic planning and consultation identified in the James Price Point Strategic Assessment Report.
- The Shire has recently created a Deputy CEO position and office to focus on operational management. If successful, this initiative will provide more capacity to the Shire to set strategic leadership, by freeing the CEO from some operational decisions.
- The Shire needs to establish the community's desired level of service provision for discretionary services so that it is able to ensure that these services are financially sustainable into the future

#### *People*

- Increased demand for the Shire's staff may lead to higher employment costs or a level of understaffing. To provide some resilience against the resource sector, the Shire needs to understand what attracts employees to it and motivates them to stay.
- A minority of operational departments have a work culture that could be improved. If it is not addressed, this culture may impact on the Shire's ability to deliver quality services and maintain its assets.
- The Shire lacks strategic resources in key areas that would help plan for the Shire's future, and have flow-on effects in reducing workload on operational staff. The following new positions are

recommended: an Economic Development Officer, a Communications Officer, and new Landfill Planning Project Officer

- Several operational areas are short-staffed and require additional resources to meet day to day demands. The following positions are recommended: Environmental Health Officer, staff to implement the Environmental Management System, and administrative support.

#### *Systems and processes*

- The Shire is currently implementing GIS. This is likely to result in operating efficiencies.
- Some areas of the Shire experience difficulties with Synergysoft which impact on their effectiveness. It needs to be established if the problems experienced by staff with Synergysoft are due to lack of alignment with business processes, system functionality or a lack of training, so that appropriate remedial actions can be implemented.
- Few business areas have documented operating procedures. Missing or incomplete business operating procedures impact operating continuity and efficiency.

#### *Assets and facilities*

- The Shire needs to work to ensure that it maintains its in-house and externally sourced roads maintenance and construction skill base and receives adequate State funding.
- Establishing desired levels of service for the discretionary services provided by the Shire based on community priorities will provide a framework in which costs on these discretionary services can be managed.
- Upgrading or relocation of the works depot should be investigated as it will assist engineering operations to work more effectively.
- Some business areas do not have adequate access to vehicles. Vehicle availability may be addressed through better use of existing vehicles.
- The Shire has completed numerous studies into a new solid waste facility. Obtaining approvals and coordinating investigations is time consuming and a full time project officer should be devoted to this role.

#### *Financial*

- Council is currently financially sustainable based on industry accepted metrics, although its sustainability is compromised by underfunding of asset renewals.
- Current trends point to a declining financial sustainability over the next few years which will continue trends seen since 2007-2008. The most likely KPI to be a problem is operating surplus as a proportion of operating income.
- Council has the potential to borrow further, though given the above decline in financial sustainability may not wish to borrow the full amount suggested by interest cover ratio calculations.

## 8 PRELIMINARY RECOMMENDATIONS TO ADDRESS CAPACITY SHORTFALLS

### 8.1 INTRODUCTION

The main purpose of this Capacity Evaluation has been to detail the challenges that the Shire of Broome faces over the next decade and to quantify their likely impact on the Shire. However, the overall aim of the Capacity Audit project is to identify appropriate options to address the capacity challenges the Shire faces. A workshop attended by the project team and Shire of Broome staff was held on 11 April 2011 where recommendations were identified and preliminary evaluation of their suitability undertaken. These recommendations will be taken forward into the business case which forms the final output from this project.

### 8.2 PRELIMINARY RECOMMENDATIONS

The preliminary recommendations identified by the project team and the Shire of Broome are listed in Table 8-1, organised by driver.

Importantly, the potential source of funding for the initiatives has been identified based on the factors underlying the capacity shortfall. For example, where the capacity shortfall is due to State sponsored (e.g. Browse Basin LNG) or State/Commonwealth sponsored (transfer of service provision responsibilities in Indigenous communities) development, it is not equitable that the initiatives required to address the challenges are funded out of the Shire's normal revenues streams.

The Shire has also identified numerous initiatives to improve its operating efficiency and effectiveness which it intends to self fund. These should help create a strong and flexible organisational able to respond to a changing operating environment over the next decade.

**Table 8-1: Preliminary recommendations to address capacity shortfalls**

Drivers and challenge	Solutions	Potential funding source
<i>Browse Basin</i>		
Significant current and short term resources required to undertake the strategic planning and consultation identified as being required for the Browse Basin development	Several current to short term contract positions required to plan for the Shire's future given the significant impact of the Browse Basin development. To address: <ul style="list-style-type: none"> <li>› Communications;</li> <li>› LNG Development liaison; and</li> <li>› Social and cultural impacts (sense of place, affordability, labour force restructure).</li> </ul>	State funded contract positions until first project proponent approved  When proponent confirmed, position funded by proponent if still required
	Funding for the Shire's input into and management of SAR identified management strategies beyond the capabilities of the LNG development liaison person (e.g. detailed economic modelling)	State funded
	Marketing and communication initiatives such as advertising, newsletters, dedicated website	State funded

Drivers and challenge	Solutions	Potential funding source
	Dedicated project manager to progress the development of the new landfill. May be consultant or contract position	State funded due to accelerated program
Long term increase in demand for Council services not matched by increase in rateable base	Recreational facilities for the Dampier Peninsula, based on issues arising from SAR report	Proponent funded
	Additional ranger services for the Dampier Peninsula. Investigate partnering with Kimberley Land Council and/or Traditional Owners and other agencies	Proponent funded
Staff retention	Council investigating housing initiatives to offset staff cost, such as development of the McMahon Estate	In progress. State and Shire initiative
	Commit resources to understand what contributes to staff satisfaction. Measure, monitor and reward accordingly. Understanding this will provide some insurance against the resource sector	Shire
<i>Service provision to Indigenous communities</i>		
Transfer of service provision	Scope and cost audit (in progress)	State / Commonwealth
	Consultation with Indigenous communities and stakeholders, for example existing service providers	State / Commonwealth
	Determine governance arrangements for management of communities and service provision. Integration manager position required	State / Commonwealth
	Review community layout plans to determine adequacy	State / Commonwealth
	Capital expenditure to bring assets to compliance. Land purchases to create road reserves, easements, etc.	State / Commonwealth
Ongoing service provision (likely to be from 2014)	Cultural heritage approvals from Traditional Owners to undertake works and source materials, e.g. gravel (new requirement created by transfer)	State / Commonwealth
	Guaranteed ongoing operating expenditure. Agreed arrangements for asset renewal and replacement.	State / Commonwealth
	Directorate and support staff and necessary accommodation for staff. May be a 'town manager' model	State / Commonwealth
<i>Growth Driven capacity gap and regulatory changes</i>		
Need to identify, respond to and manage community expectations	Long term need for Council Communication Officer (in addition to Browse Basin LNG specific resource) to assist with strategy development and information provision for all Shire areas	Shire funded

Drivers and challenge	Solutions	Potential funding source
Long term financial sustainability of service delivery (mandatory and discretionary)	Need for Council to engage the community to determine its priorities for service provision from assets and the desired level of service for non State/industry funded drivers. Aligns with State and Commonwealth strategic reform initiatives	Department of Local Government funding available but Shire likely to need to co-fund
	Develop service delivery strategies for each service area (including options for increased cost recovery and alternative revenue streams for discretionary services)	Shire funded
Changing social demographics and need to maintain a sense of place	Long term need for Shire Economic Development Officer	Shire funded (note that position should look to maximise Shire income from non-rates sources). Possible Kimberley Development Commission Department of State Development funding available
Compliance with Food and Health Act.	Additional Environmental Health resources required to meet mandatory requirements. Also, increasing need driven by Browse Basin development and transfer of Indigenous communities	Where need is linked to Indigenous communities service provision – State/Commonwealth Proponent funded for LNG precinct
Compliance with Environmental Management Services (EMS)	Implementation staff for EMS (2 outdoor staff positions). EMS also needs to be throughout all Council operations if adopted	Shire
Yawuru and Town Planning Scheme (TPS) 5 strategic studies and the Local Planning Strategy	Strategic planning officer and consultant funded studies	Shire (recovery through developer contributions). Department of Planning Regional Manager may have funding available for TPS5
Broome North developments demand for services by new community	Determine and implement developer contributions (potential consultant position)	LandCorp
Miscellaneous	A dedicated resource for each division to document operating procedures. Or consultant. Drive initiative through all levels of Council.	Shire
	Align Synergysoft with Council operating procedures. Work with IT service provider	Shire
	Upgrade or relocate depot. Consider relocation and development of existing site.	Shire
	Review fleet utilisation to provide more accessibility for officers having to undertake site inspections	Shire

Drivers and challenge	Solutions	Potential funding source
	Human Resources, Occupational Health & Safety, risk management, customer services, administration, etc. support for increased staff (especially if significant staff increase due to Indigenous communities transfer)	Proportionate to increases Indigenous services transfer
	Increased administrative support across all directorates. Consider along with executive support. To realise efficiencies by working smarter. For example, personal assistants for Directors, administration officers to support professional staff. Possible one full time equivalent staff member per directorate	Shire
Developing and maintaining skills and capability to replace and renew roads	Seek work as provider of services to Main Roads WA (MRWA) contractor to maintain skill base	Shire
	Position Council as sub-contractor to MRWA for Cape Leveque Road and other precinct access and internal roads construction. Works and plant hire	Shire