

Q AND A FOR MEMBER COUNCILLORS

NEWROC REGIONAL SUBSIDIARY

1. What is a Regional Subsidiary?

In 2016, the Local Government Act 1995 was amended to allow two or more local governments to establish a statutory corporation known as a regional subsidiary.

2. Are there any Regional Subsidiary's in Western Australia?

There are no subsidiaries established to-date due to the compliance obligations in the current regulations. WALGA and the NEWROC have been advocating to amend the regulations to balance regulatory oversight with flexibility.

3. When will the NEWROC form a Regional Subsidiary?

The State Government is currently poised to make amendments to the Local Government Act 1995. The NEWROC have advocated for changes to the Act to enable the NEWROC to form a Regional Subsidiary as the current Act and regulations are not suitable. The NEWROC anticipates that changes to the Act will take place in the second half of 2022. If the changes are sufficient, the NEWROC will be prepared and will subsequently submit its Regional Subsidiary Charter to the Minister.

4. Why does the NEWROC want to form a Regional Subsidiary?

A regional subsidiary is designed to be a convenient way for local governments to pool their resources and cooperate more closely.

In addition to increasing the efficiency of existing services, a regional subsidiary may increase the viability of new services which local governments want to provide. It may also form a mechanism for groups of local governments to come together to deal with region-specific issues.

A regional subsidiary is:

- similar to a Voluntary Regional Association of Councils (VROC), but is more binding on the participants
- similar to a regional council but has more flexibility and fewer reporting requirements.

The regional subsidiary is predominantly governed by its Charter, which can be individually tailored to suit the subsidiary's activities and role in the community. Under its current voluntary organisation of Councils structure, the NEWROC experiences the following challenges:

- A lead local government is required for projects, shared resources and grant applications which is additional administration for the lead local government as well as compliance and financial management
- MoU guides the voluntary ROC but requires good faith as its underlying principle

- No legal entity to apply for grants
- Chair and CEO positions rotate every two years with a 'host' Council
- Regional shared equipment requires a 'host' Council to purchase the asset and for it to be shown on their asset management register
- NEWROC initiatives and projects are limited by the MoU and 'host' Council commitments

5. What can a Regional Subsidiary do?

Examples of what a regional subsidiary can potentially be formed to carry out include:

- service provision
- community support
- facility management
- shared office services
- standardised procurement and tender processes
- local road management
- regional advocacy
- tourism
- local implementation of State or federal initiatives
- community events and engagement.

The NEWROC would like to establish a Regional Subsidiary to undertake projects in energy, waste, tourism and other strategic priorities. The NEWROC Regional Subsidiary would like to work towards these objectives:

- a) Provide a means for the Constituent Councils, to assess the possibilities and methodology of facilitating a range of projects, services and facilities on a regional basis under the themes of advocacy, community, economy, environment and governance, without the rationalisation of jobs
- b) Promote, initiate, undertake, manage and facilitate under the themes of advocacy, community, economic, environment and governance
- c) Provide a means for the constituent Councils to attract specialist skills and create employment opportunities across the members
- d) To take an active interest in all matters affecting the communities of the constituent Councils with the view to improving, promoting and protecting them
- e) To develop, encourage, promote, foster and maintain consultation and cooperation and to strengthen the representation and status of local government when dealing with other governments, private enterprise and the community;

6. What work has been undertaken by the NEWROC to get to this point?

The NEWROC has undertaken the following activities:

- Assessment of various governance models available and relevant to the NEWROC in order to progress strategic priorities (incorporated association / regional subsidiary)
- Internal workshopping by the NEWROC members on the benefits and costs of a regional subsidiary including the development of draft charter and communications plan
- Correspondence to Minister Templeman and in person meeting with him in March 2019
- NEWROC representation to the Department of Local Government in 2019 to discuss the regulations and present our position

- NEWROC representation to Minister Carey and senior policy advisors on two occasions (late 2021)
- Meetings with DLGSC senior policy advisors in 2021 and 2022
- Closely working with WALGA throughout the process – advice, guidance and updates

7. Who will be the members of the NEWROC Regional Subsidiary and will NEWROC in its current structure continue to exist?

Members of the Regional Subsidiary will be the Participant Councils - Shires of Dowerin, Koorda, Trayning, Wyalkatchem, Mt Marshall, Mukinbudin and Nungarin.

Members of the Regional Subsidiary will be the Participant Councils and they will nominate either a CEO or Councillor to be on the Board of the Regional Subsidiary.

NEWROC in its current form (MoU) will dissolve and transition into a Regional Subsidiary.

8. Before the NEWROC forms a regional subsidiary, what is required?

1. Preparing and advertising a business plan in each Shire of the NEWROC for comment by the communities
2. Responding to submissions / comments from the communities of the NEWROC
3. Drafting a Charter for the subsidiary
4. Submitting the Charter and business plan to the Minister for approval

9. How much will it cost to form a NEWROC Regional Subsidiary?

It is anticipated there will be minimal cost to form a Regional Subsidiary apart from the time by the Participant Council CEOs, Presidents and NEWROC Executive Officer.

The preparation of a business plan will be completed by the NEWROC Executive Officer and there may be some cost associated with community engagement.

The current assets of the NEWROC will be transferred to the Regional Subsidiary.

10. What will be the annual membership fee of the NEWROC Regional Subsidiary?

Any membership fees will be determined by the Board. Any levies will be determined by the Board, recommended to Constituent Councils and must be agreed to by them.

It is anticipated that annual membership fees will remain at the same amount, as the current NEWROC structure (\$13,000).

11. How long does the Regional Subsidiary exist for?

Membership of the NEWROC Regional Subsidiary will commence upon signing of the Charter.

Once a subsidiary is established, it will continue to operate as a separate legal entity until:

- it is wound up in accordance with the Charter or
- the Minister revokes the subsidiary's approval.

12. Can a Participant Council leave the NEWROC Regional Subsidiary?

Yes they can, however they must notify the Regional Subsidiary members between 1 July and 31 December of the current financial year to leave on the 1 July the following financial year. Additionally, all Participant Councils must agree to the member withdrawing.

A dispute resolution clause is included in the Charter to prevent such occurrences.

If a Participant Council withdraws, it does not extinguish the liability of that Participant Council to contribute to any loss or liability incurred by the NEWROC Regional Subsidiary at any time before or after such withdrawal in respect of any act or omission by the Subsidiary prior to such withdrawal. And the withdrawal of any Participant Council does not exclude them from the liability of any borrowings or commitments to projects, activities, an activity, services etc agreed to by the Participant Council or Constituent Councils during their time of membership.

13. Will the NEWROC Regional Subsidiary have the ability to borrow money?

Yes the NEWROC Regional Subsidiary will have the ability to borrow money, however in the NEWROC Charter it will be proposed that the Regional Subsidiary must present the case to borrow to each Constituent Council for their approval and then approved by an absolute majority of all Participant Councils of the Subsidiary.

Additionally the NEWROC Regional Subsidiary will have the power to borrow however it must have the ability to service the debt as measured by the Debt Service Cover Ratio (greater than or equal to two) as outlined in the *Department of Local Government Operational Guidelines*.

14. Who will administer the NEWROC Regional Subsidiary?

A Board will meet regularly to administer the Regional Subsidiary. Currently the CEOs of the NEWROC meet 6 times a year and the Presidents of the NEWROC member Councils between 5-6 times a year. The Board will have a Chairperson and Deputy Chairperson.

The Board will engage an employee or subcontractor to perform the Executive Officer duties.

The Board will be responsible for:

- a) The formulation of strategic plans, annual business plans, financial plans and broad strategies aimed at achieving the purpose, objects and improving the activities of the Subsidiary
- b) To provide input, direction, approval and monitoring of policies of the Subsidiary
- c) Appointing, monitoring, overseeing and evaluating the performance of the Executive Officer of the Subsidiary
- d) Ensuring all activities undertaken by the Subsidiary are in line with relevant legislation, regulations and policies;
- e) Ensuring that the activities of the Subsidiary are undertaken in an open and transparent manner
- f) Represent the interests of the Participant Councils in performing their roles and responsibilities
- g) Participate in the decision-making process of the Subsidiary
- h) Ensuring the Subsidiary has sound financial management policies and practices
- i) Anticipating and reducing risks on the Subsidiary and Constituent Councils
- j) Engaging in professional development to ensure the Board has the necessary skills to achieve the objectives of the subsidiary

15. What financial governing instruments will be used to manage the NEWROC Regional Subsidiary?

The Regional Subsidiary will be required to keep proper books of its accounts, have two bank signatories, undertake an annual audit and at each meeting present a statement of comprehensive income; Statement of financial position; A Cashflow statement; A Budget v Actuals; and Statement of Changes in Equity.

16. Can Councillors of the Participant Councils attend a NEWROC Regional Subsidiary meeting?

Yes, they can as observers.

17. Will the Regional Subsidiary be required to report to each Constituent Council?

Yes. The NEWROC Regional Subsidiary must submit to the Constituent Councils, at least once in each operating year and prior to 31 August of the subsequent financial year, a report on the work and operations of the Subsidiary detailing achievement of the aims and objectives of its Strategic Plan, Business Plan and incorporating the audited Financial Statements of the Subsidiary and any other information or report as required by the Constituent Councils. Additionally the NEWROC Regional Subsidiary must hold an Annual General Meeting.

Further Details:

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