



A Co-operative venture of the municipalities of:
Cockburn, East Fremantle, Fremantle, Kwinana, Melville & Rockingham

15 July 2011
Contact: Chris Fitzhardinge (08) 9364 0631
Reference: SWG Regional Subsidiaries

Ms Hannah Gough / Mr Mark Warner
Committee Clerk
Standing Committee on Legislation Committee
Legislative Council
Parliament House
PERTH WA 6000

Dear Hannah / Mark

**Support for the Local Government Amendment (Regional Subsidiaries)
Bill 2010**

The South West Group with the active support of its member councils has been enthusiastically pursuing the opportunity for shared services and has been seeking to have the flexibility to establish government enterprises.

The constraints of the *Local Government Act 1995* limits the establishment of long term agreements for shared services by failing to allow for a legal entity controlled by local government to provide these services on behalf of two or more local governments.

There are also limitations to the use of incorporated associations due to the inflexibility of being able to recover investment made in these organisations.

The intent of the Bill is supported as a positive step to add an option for regional collaboration.

It should not be seen as being able to satisfy the need for additional enterprise options for large local governments. Further options need to be provided through legislative amendment to meet the future business needs of local governments.

It is also believed that the Bill should go further in the interests of administrative efficiency and flexibility.

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The amended legislation should allow regional subsidiaries to be formed simply with the approval of joint sittings of partner councils where the assets, annual turnover or investment is less than a threshold of between 2% to 3% of the combined annual revenue of the councils in the partnership. These small regional subsidiaries should not require the approval of the Minister to be formed, make operational changes or to be wound up.

This would give flexibility for partnerships for small scale projects that need to be formed quickly without needing to seek Ministerial approval. In this region 2.5% of revenue of all six councils would be around \$9,500,000 per annum.

The exemption would also reduce the need for reference to the Minister to change the charter, membership of the Board and changes to stakeholder councils for these small subsidiaries.

This approach would also encourage involving larger councils in partnerships.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Fitzhardinge'.

Chris Fitzhardinge
Director South West Group

Enc. Extract from Regional Local Government Entities – Discussion Paper V1.0

4.5 Regional Subsidiary Model

4.5.1

Regulatory Framework

The regional subsidiary model, as provided for under the South Australian legislation, allows two or more local governments to establish a regional subsidiary to perform a variety of roles. Such a concept in Western Australia would require amendments to the legislation.

4.5.2

Purpose and characteristics

The *South Australian Local Government Act 1999* does not provide for the formal establishment of Regional Local Governments in the same way that the Western Australian Act does, nor does it accommodate local government involvement in Incorporated Associations.

Thus, the most common purpose for which regional subsidiaries have been established in South Australia is waste management. The model has also been used for the establishment of regional local government associations, which deal with matters of regional interest, such as regional strategic planning and coordination, and advocacy and representation on behalf of the councils of a region. These entities may also run small programs or facilitate some resource-sharing, but in general, they do not raise funds from ratepayers or provide direct services to ratepayers, employ no staff, have no fixed assets, and no long-term liabilities. The operations of regional subsidiaries are funded by annual subscriptions from constituent councils and grants.

Key Features:

Legislative change would be necessary, requiring amendments to the *Local Government Act 1995*.

A regional subsidiary is a body corporate, and can hold property on behalf of the participants.

Its Board of Management may include persons who are not elected members of a council.

A regional subsidiary can acquire, deal with and dispose of property.

It can invest funds, subject to the South Australian legislation's provisions, and can borrow money, subject to approval by an absolute majority of constituent councils.