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ITEM 4 ESTABLISHING A CORPORATION TO ENABLE SHARED SERVICES PROVISION

Delivery Program Activity: (CAD-01-02) Develop Organisational Service Standards	Reporting Officer: General Manager
Effect of Recommendation on Budget: Nil	File: F12/925-02

REPORT SUMMARY

Reporting on establishing a corporation to undertake shared service provision with identified regional Councils.

RECOMMENDATION

- 1 That Kempsey Shire Council seek approval by the Minister for Local Government to establish a company for the purpose of providing local government services in line with the attached constitution.**
- 2 That Kempsey Shire Council seek approval for the entity to be covered under the NSW Industrial Relations system and covered by the Local Government Award.**

COMMENTARY

Council has commenced undertaking service reviews on some of the core services that are provided by the organisation. Reviews are currently underway in the Information Technology and Finance areas. As investigations are completed into how the services can best be provided, it is likely that there will be services that Kempsey Shire Council is considered not the optimal size to provide. Where this can best be provided through a larger entity there needs to be a structure in place to achieve this. At this stage the participating councils are Bellingen, Kempsey and Nambucca. Gloucester, as a Council subject to a merger proposal, is not in a position to participate at this time.

As reported previously, a range of options have been considered and under the current legislation the formation of a corporation is seen to be the best option. The alternatives are considered unsuitable for the following reasons. Servicing multiple Councils using a lead agency tends to generate issues around the lead Council being perceived as running the service to benefit itself more than the other Councils. Alternatively, setting up a County Council will take the authority away from the local Council for determining what services are provided, which is not seen as beneficial.

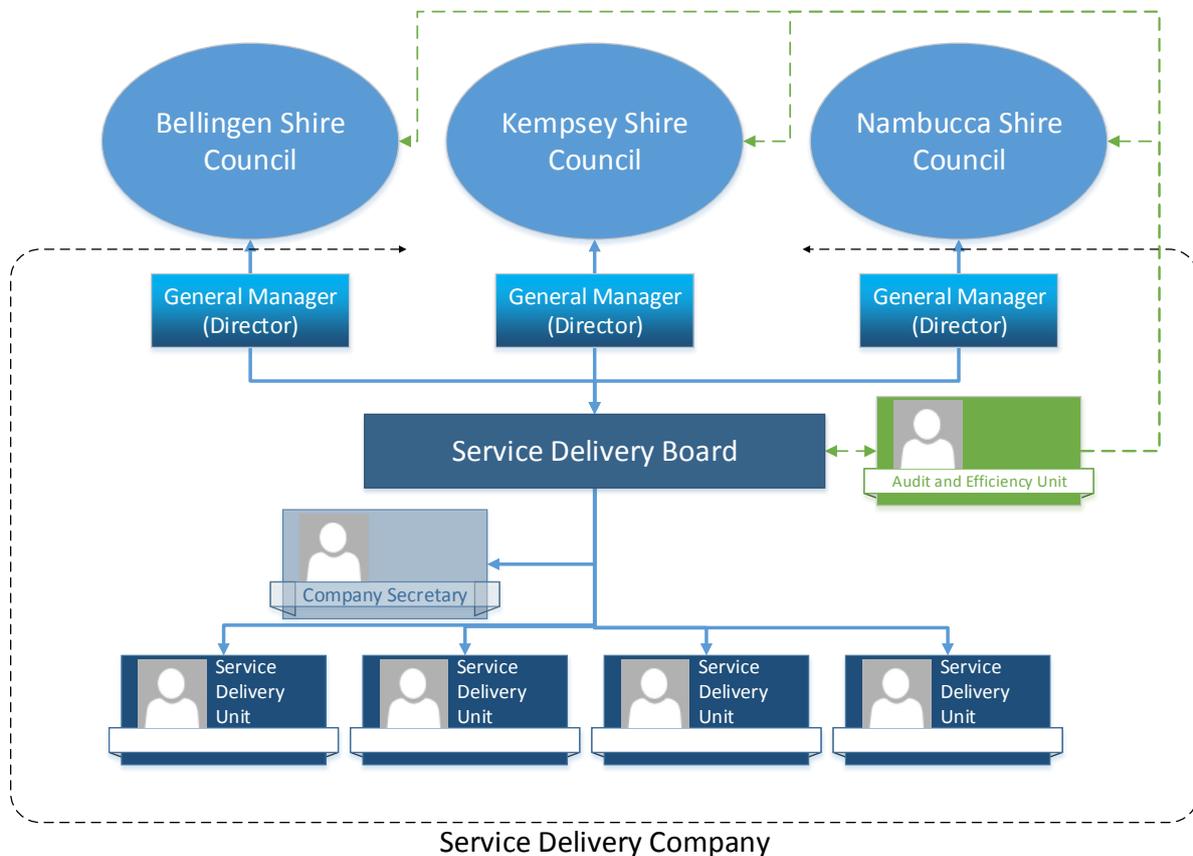
The corporation has been deliberately structured not to be a 'mini' council by setting out that it has no powers in terms of determining the services, and what level of services the community in the various Council areas should receive. This authority remains with the councillors in the individual Councils. The corporation will effectively be the equivalent of a number of departments, charged with providing a certain service at a set service level.

Similar to normal company structures, each of the shareholders (the partner councils) will appoint a director, being the General Manager. The General Manager is the person currently appointed by Council with the responsibility for service delivery, which is what they will be responsible to the company owner for ensuring is delivered. As occurs now, the General Manager will be responsible for reporting back to Council on how Council's Operating Plan and Delivery Plan outcomes are being

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achieved, and is responsible for managing performance. Each member Council will have an equal ownership and say in the company.

Proposed Structure of the Service Delivery Company



The Audit and Efficiency Unit will report back to the Service Delivery Board but also to the councillors themselves to provide oversight of the reviews that are taken into how the organisation is being operated. Details of how this occurs can be developed over time, but it is expected that this will link into whatever is required under the new legislation for internal audit purposes.

Within the Company there will be a range of service delivery units. These will be similar in nature to departments or sections that currently exist in Council organisational structures.

The company is proposed to be run under the same employment conditions as exists within the Local Government Award. This provides increased certainty for employees, as well as simplifies matters for Council in that there will only be one set of industrial rules to operate within whether the service is provided through Council directly or by the subsidiary operating company.

Key matters in the constitution:

- 1 The purpose of the company is restricted to service provision only. While it may recommend service matters to member Councils, the individual councils are the bodies that determine the services to be provided to the community and the service level that will be funded.
- 2 The company can enter into commercial ventures, but only where this will not detract from the core business of providing services to the member Councils. This may be providing services to

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other Councils or even competing in private markets. The primary focus, however, will be providing services to ourselves but allowing for flexibility to take advantage of opportunities that may arise.

- 3 The company does not undertake to lobby on its own behalf on matters other than operational about how services are provided. While the staff can undertake lobbying on behalf of the member Councils, this will only be at the direction of the Council concerned.
- 4 The Board shall comprise of the General Managers of the member Councils. This will include people appointed to act as the General Manager if, for example, there is a current vacancy in the position at one of the Councils. Over time, there may be advantages in expanding the Board to include professional independent directors with suitable skills.
- 5 Board members do not receive remuneration. The General Managers carry out these duties just as they would otherwise in managing staff within a Council, and it is considered covered as part of that role and thus contract remuneration.
- 6 No dividends are payable. The object of the company is to provide services at the lowest cost possible. Pricing for services should reflect the true cost of the services and thus an accumulation of funds in the company should not occur unless required for future service provision.