Regional Subsidiary Business Plan Guidelines

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Guidelines – Regional subsidiaries – Business Plan (July 2017)

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# Introduction

Two or more local governments have the ability to form a corporate entity for the purposes of carrying out joint services or activities in local government districts. This entity is known as a “regional subsidiary”.

The existence of a regional subsidiary is defined by two significant documents:

* The business plan by which the subsidiary is proposed, and
* The charter by which the subsidiary is governed.

# **Objective**

This document provides guidelines to assist local governments in preparing the business plan needed to form a regional subsidiary.

# **Relevant** legislation

## *Local Government (Regional Subsidiaries) Regulations 2017*

### 4. Community consultation about formation of regional subsidiary

(2) Before applying to the Minister for approval for the formation of a regional subsidiary, the participants are required to consult with the community in their districts in accordance with this regulation.

(3) The participants must prepare a business plan that includes an overall assessment of the formation of the regional subsidiary and is to include details of —

1. its expected effect on the provision of facilities and services by the participants; and
2. its expected effect on other persons providing facilities and services in the participants’ districts; and
3. its expected financial effect on the participants; and
4. its expected effect on matters referred to in each participant’s current plan prepared under section 5.56; and
5. the service that is proposed to be provided, or the activity that is proposed to be carried on, by the regional subsidiary; and
6. why the regional subsidiary is proposed to be formed to provide that service or carry on that activity.

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# Guidelines

## Purpose of business plan

The business plan has several roles in the formation of a regional subsidiary:

* It must be publicly advertised to the residents of all affected districts
* It must accompany the application to the Minister to approve the creation of the subsidiary, and
* It will guide the subsidiary’s operations and may be binding depending on the terms of the charter.

## Content of business plan

Local governments should keep the following points in mind when preparing a   
business plan:

1. The plan must address each of the matters required by Regulation 4(3)   
   of the Regulations.
2. The plan should clearly set out the purpose and functions of the regional subsidiary.
3. The plan should set out the financial obligations and commitments that the subsidiary is predicted to involve, including any establishment costs and ongoing operational costs.
4. If the plan makes quantifiable claims, these claims should be backed up with documented evidence.
5. Confidential and sensitive information may be omitted from the plan, provided that it does not result in the plan being false or misleading.
6. The plan can be changed during or after the consultation process, but significant changes to the proposed membership or the subsidiary’s purpose will require the plan to be readvertised.
7. An individual local government can prepare the plan, but each local government must endorse the plan prior to using it for consultation.

## Stakeholder engagement

When preparing a business plan, local governments should keep in mind how different stakeholders will use the document. In particular:

* Residents will use the plan to assist in their submissions.
* Local businesses will read the plan to determine how the proposed subsidiary might affect their interests.
* Councillors will use the plan to determine whether they should support the resolutions establishing the subsidiary.
* The Minister will consult the plan to determine whether the endorsed proposal should receive ministerial approval.
* The regional subsidiary, after establishment, will use the plan to guide their activities and as a reference point for internal reviews.

The content of a business plan should be designed with all stakeholders in mind to maximise the document’s value to these groups.

## When should the plan be drafted?

Local governments may draft the business plan at any time prior to public consultation.

It is recommended that the business plan be drafted alongside the subsidiary’s charter, since the final version of the charter may impact what financial commitments the subsidiary will ultimately involve.

In some situations, it may be impossible for local governments to commit to drafting a charter until the business plan has been prepared and advertised.

In that case, the councils will need to review the business plan once the final charter is prepared. If the final charter will impose different obligations or risks to what was originally proposed in the business plan, the plan will need to be revised and readvertised.

## Timeframe of information

The Regulations do not specify what timeframe the business plan should cover. The Minister’s policy is as follows:

* The business plan should cover the initial establishment costs that will be involved in setting up the subsidiary.
* If the subsidiary is intended to be an ongoing operation, this should be clearly stated and the yearly operational costs should be estimated for the first   
  five years of operation.
* If the subsidiary is intended to have a finite lifespan, the total costs over the subsidiary’s lifespan should be estimated.

## Long term relevance

After the regional subsidiary is established, the business plan will continue to be relevant to a regional subsidiary’s operations.

If the charter makes the business plan binding on a regional subsidiary, the member councils should ensure that there is a formal process for the plan’s review and amendment. Ideally, this process should also be specified in the charter.

While the Regulations do not require consultation to change a business plan, it is highly encouraged. Significant changes to a business plan can easily lead to a loss of community support if consultation over the changes is insufficient.

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# **Application to the Minister**

The business plan will need to be submitted to the Minister as part of the application to establish the regional subsidiary.

If the business plan was changed and readvertised during the consultation process, both versions should be provided in the application.

## Preliminary assessment

While the business plan does not need to be submitted until the point an application is made, there are benefits to providing the business plan at an earlier stage.

This will allow the department an opportunity to carry out a preliminary check of the business plan to determine:

1. Whether it appears to comply with legislation, and
2. Whether there are any obvious issues in the business plan which the Minister is likely to view with concern.

If any issues are identified, the department will advise the member councils so that steps can be taken to rectify or mitigate these issues. This increases the possibility that the final application will be approved.

Any preliminary check conducted by the department will be in addition to any formal assessment conducted on the final application to the Minister.

While the department will make all possible attempts to identify issues during a preliminary check, there is a possibility that new issues may be identified when the final application is submitted.

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# **For more information, please contact:**

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