



Hon John Carey MLA
Minister for Housing; Local Government

Our Ref: 78-03202

30 NOV 2021

Mr John McNally
Chief Executive Officer
Rivers Regional Council
Email: admin@rrc.wa.gov.au

Dear Mr McNally

Thank you for your correspondence dated 9 June 2021 regarding a proposal to wind up the Rivers Regional Council (RRC) and replace it with a regional subsidiary. I commend RRC for its work to date leading the development of the proposal for what would be the State's first regional subsidiary.

I am conscious that the success of the first regional subsidiary is critical for demonstrating the potential for the regional subsidiary model to deliver benefits for ratepayers. I am also cognizant that the establishment of the Rivers Regional Subsidiary is likely to set the template for the subsidiary model for the sector. Accordingly, I would like to work with you to ensure the proposed regional subsidiary delivers clear benefits for the ratepayers of the participant councils, and provides a strong basis for proving the subsidiary model.

As you may be aware, I recently announced a significant package of local government reforms, which outlined a commitment to consider further reforms for how regional subsidiaries are regulated. The reform package also included provision for resource-sharing between local governments, and simplified model financial statements, which may have implications for, or be directly transferrable to, proposed regional subsidiaries. Further detail on the reform package is available at:

<http://www.dlgsc.wa.gov.au/lgactreform>

As you may be aware, public consultation on the proposed reforms is now open, with submissions closing on 4 February 2022.

Over the recent months leading up to this announcement, my office has been working closely with WALGA and other stakeholders on issues surrounding regional subsidiaries, and interested local governments have approached me seeking some greater flexibility with some aspects of how regional subsidiaries might be regulated. For example, it has been proposed to me that the regulations be amended so that regional subsidiaries could access external finance.

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I am also mindful that there have been challenges faced by regional councils which can inform the structure of a successful regional subsidiary model. For instance, I am conscious that there have been some regional councils that have had members withdraw, which can place longer-term projects and investment at risk.

Through these discussions, and based on the McGowan Government's broader policy positions, I have formed the view that all regional subsidiaries should:

- Only exist to provide a clear and defined public benefit for people within participant local governments - with a clear delineation from any private sector operators which may perform a similar service;
- Be an avenue for flexibility and innovation while ensuring appropriate transparency and accountability of ratepayer funds;
- Have a relatively high bar for the entry and exit of participants to provide a degree of ongoing operational stability;
- Where appropriate, be able to seek financing to enable initiatives within a reasonable and defined limit of risk; and
- Provide all employees with the same employment conditions as those directly employed by member local governments.

My own view is that, subject to clear regulatory constraints and appropriate checks and balances, regional subsidiaries should be able to pursue innovative projects for the ultimate benefit of the public within participant local government districts. Accordingly, I would appreciate an opportunity to work with you to identify whether any legislative reforms could potentially benefit, or be informed by, the work to establish the proposed Rivers Regional Subsidiary.

Further, I would like to discuss and clarify some of the aspects of the proposed Rivers Regional Subsidiary with you, such as:

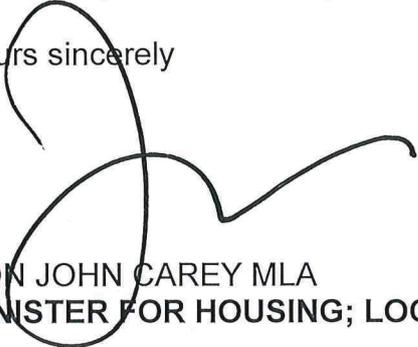
- The definition of the objects of the proposed regional subsidiary and forecast benefits for participant local governments;
- The delineation of the proposed activities of the proposed regional subsidiary, its participant local governments, and commercial suppliers to the proposed regional subsidiary;
- The implications of industrial relations changes on any employees of the proposed regional subsidiary;
- The achievement of waste avoidance and resource recovery objectives;
- The transparency of financial reporting by the proposed regional subsidiary, and the potential for standardisation using model financial statements; and
- The potential for a review of the regional subsidiary, such as a planned review five years after the date of commencement.

To this end, I would like to work with you to both inform the development of reforms, and to ensure the proposed Rivers Regional Subsidiary charter and business plan align with policy and reform objectives. Following this engagement on the proposed reforms, and pending any implications for the proposed Rivers Regional Subsidiary, I will be in a position to make a final decision.

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I appreciate that this dialogue may slightly delay the proposal, but I strongly believe that this work will be fundamental to ensuring the regional subsidiary model, and the Rivers Regional Subsidiary, have the best possible prospect of ongoing success.

Yours sincerely



HON JOHN CAREY MLA
MINISTER FOR HOUSING; LOCAL GOVERNMENT