

Coffs Harbour City Council



Coastal Works



Governance Protocols

November 2020

1. PREAMBLE

- 1.1** Coffs Harbour City Council Coastal Works ('Coastal Works') is a commercialised business unit of Coffs Harbour City Council ('Council').

2. OBJECTIVES

The principal objective of Coastal Works undertaking external work shall be to operate a profitable, sustainable and innovative business and in so doing maintain a strong market presence in selected areas of infrastructure services. In pursuing this principle objective, the General Manager, the Advisory Board and Coastal Works management shall:

- 2.1** Focus on Coastal Works' core purpose, nature and scope as an infrastructure service provider.
- 2.2** Manage Coastal Works prudently in order to maximise its long-term commercial viability and profitability to create Council value.
- 2.3** Achieve the commercial and non-commercial objectives of the Council as set out in these Governance Protocols.
- 2.4** Manage the business with the objective of achieving agreed business growth.
- 2.5** Be customer focussed and ensure good customer results as measured against contract specifications.
- 2.6** Be a good employer that provides a work environment that recruits, fosters and maintains safe, competent, motivated, committed and productive employees.
- 2.7** Be a good corporate citizen:
 - (a) Meet the social interests of the community in a responsible way where able to do so
 - (b) Act in an environmentally responsible manner and apply environmentally sustainable practices.
 - (c) Act in accordance with Council's Statement of Business Ethics

3. CORPORATE GOVERNANCE

- 3.1** The General Manager will maintain corporate governance that ensures best practice strategic direction and risk management of Coastal Works, monitors management and ensures accountability of Coastal Works on behalf of the Council.
- 3.2** To achieve this the General Manager will:
 - (a) Conduct quarterly reporting to Council including an income and expenses summary for the commercial activities of Coastal Works, performance in achieving KPIs and progress on specific projects related to business development and growth.
 - (b) Act on an informed basis, in good faith, with due diligence and care, and in the best interests of the Council.
 - (c) Act in accordance with these Governance Protocols
 - (d) Ensure compliance with applicable legislation and regulation.

- (e) Review and guide corporate strategy, major plans of action, risk policy, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital and investment expenditures, acquisitions and divestments.
- (f) Monitor key positions in the business for the purposes of succession planning.
- (g) Monitor and manage declarations of potential conflicts of interest of management, Advisory Board members and the Council.
- (h) Ensure Coastal Works' financial management is consistent with good business practice.
- (i) Ensure that Council's insurances are maintained at an appropriate level to cover the commercial operations of Coastal Works.
- (j) Keep the Council informed on significant events and issues, including those sensitive to publicity that may arise from Council being a political organisation.
- (k) Promote a culture which requires all employees to adhere to high levels of ethical behaviour.
- (l) Review and enhance Advisory Board performance and the performance and contribution of individual Advisory Board Members on an annual basis, taking account the current and future needs of Coastal Works. Inform the Council on the mix of skills needed for the appointment of new Advisory Board Members as the need arises.
- (m) Monitor the effectiveness of overall governance and make changes as needed.

3.3 The General Manager will be assisted in maintaining corporate governance by the Advisory Board. The Advisory Board's role is to advise the General Manager on matters relating to Coastal Works, including but not limited to business planning, risk management, tenders and marketing.

3.4 The Advisory Board will provide advice to the General Manager;

- (a) On corporate strategy, major plans of action, risk policy, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital and investment expenditures, acquisitions and divestments.
- (b) On Coastal Works' compliance with the Operational Model
- (c) On whether Coastal Works' financial management is consistent with good business practice.
- (d) On the effectiveness of overall governance
- (e) Business and tendering opportunities
- (f) Growth and Marketing strategies

3.5 The Advisory Board shall act:

- (a) On an informed basis, in good faith, with due diligence and care, and in the best interests of the Council.
- (b) In compliance with applicable legislation and regulation.

- (c) To monitor and manage their potential conflicts of interest; and
- (d) Keep the General Manager informed on significant events and issues, including those sensitive to publicity that may arise from Council being a political organisation.

4. AUTHORITY TO ENTER CONTRACTS

4.1 The delegation from the Council to the General Manager does not allow Coastal Works as a commercialised business unit to:

- (a) Enter into any single contract with a value greater than \$15M without prior consultation with the Council.
- (b) Enter into any customer contracts which have a term longer than 5 years without prior consultation with the Council.
- (c) Enter into contracts outside of South East Queensland and New South Wales without prior consultation with the Council.

5. ADVISORY BOARD

5.1 The Advisory Board shall comprise:

- (a) the General Manager (for an initial period while the Board becomes established) as chair of the Advisory Board.
- (b) three Board members selected for their mix of skills determined by the General Manager as being appropriate to Coastal Works.

5.2 The members of the Advisory Board shall be appointed by the General Manager in consultation with the Mayor and the General Manager can remove a member of the Advisory Board at any time:

- (a) Appointments to the Advisory Board will be for a two-year term, staggered to ensure continuity of the Advisory Board, with members retiring in September each relevant year.
- (b) Prior to the appointment of any Advisory Board member the General Manager may call for Expressions of interest from members of the community with appropriate skills.
- (c) The General Manager shall appoint the Chair of the Advisory Board
- (d) All members of the Advisory Board shall be eligible for reappointment by the General Manager if they make themselves available.
- (e) The General Manager may declare an Advisory Board member's position vacant if the member fails to attend three consecutive meeting without good reason.
- (f) In the event of a casual vacancy occurring during the Advisory Board's term of office a replacement Advisory Board member shall be appointed by the General Manager to ensure the appropriate mix of skills is achieved.

5.3 The Meetings of the Advisory Board will be held at regular intervals at a time and place determined by the Board.

- (a) No business will be conducted unless there are at least two members of the Board plus the General Manager or his nominee are present.
- (b) Meetings will be conducted in accordance with the Council's Code of Meeting Practice
- (c) The Group Leader of Infrastructure Construction and Maintenance will arrange for minutes of all meetings
- (d) The Advisory Board may require Coastal Works managers and staff to attend meetings as ex-officio attendees, present reports and/or answer questions
- (e) Each member of Advisory Board, other than the General Manager, will be paid a meeting fee, with the chair receiving double. The total fee paid to all eligible Advisory Board members shall not exceed \$3,000 per meeting and shall be reviewed annually taking into account Coastal Works revenue for external work.

5.4 Advisory Board meetings will be closed to the public as information that may be discussed would, if disclosed:

- (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business is discussed
- (b) confer a commercial advantage on a competitor of the Council

6. NATURE AND SCOPE OF ACTIVITIES

6.1 The external work sought by Coastal Works will be the kind of infrastructure construction and maintenance services that are generally delivered to the Council, including:

- Project Management
- Road Maintenance and Construction
- Bridge Maintenance and Construction
- Plant Hire
- Labour Hire
- Major and Minor Plant Maintenance
- Supply of Quarry Materials
- Heavy Haulage
- Water and Wastewater Maintenance and Construction
- Footpath and Cycleway, Repair and Construction
- Precast concrete bridge component manufacture
- Vegetation Removal and Management
- Road and Street Sweeping
- Traffic Control Lights Installation
- Line Marking and Sign Installation
- Weed Spraying
- Bitumen Spraying
- Electrical conduit installation
- Horticultural Services
- Concrete Maintenance, Repair and Construction
- Stormwater Maintenance and Construction

6.2 External work is defined as work that is for a client other than Council.

6.3 Coastal Works may actively compete for customers and contracts in New South Wales and South East Queensland.

6.4 Coastal Works may expand or contract the nature and scope of commercial activities:

- (a) Consistent with its objectives, delegations and relevant legislation;
- (b) In accordance with the advice of the Advisory Board; and
- (c) Consistent with the Council's objectives, risk management and funding requirements; and
- (d) With the agreement with the Council

6.5 Coastal Works will not have work in hand in excess of \$15M (based on a rolling 12-month average) without consulting with the Council.

7. PERFORMANCE MEASURES AND TARGETS

The performance measures to be achieved for the 3 years ending 30 June 2023 are:

NOTE: Key Performance Indicator Table has been redacted from this public copy on Commercial in Confidence grounds. Councillors may refer to the Confidential Attachment No. 2 to this report for actual KPI detail.

8. DISTRIBUTION POLICY

8.1 Coastal Works is committed to provision of consistent annual distributions to the Council in accordance with the performance goals set out in these Governance Protocols.

8.2 Dividend's shall be used by the Council for:

- (a) Capital Works; and/or
- (b) Projects of strategic importance to Coffs Harbour City

9. ACCOUNTING POLICIES

9.1 The measurement base adopted is that of historical cost. Reliance will be placed on the fact that Coastal Works is part of the Council which is a going concern. Accrual accounting will be used to match expenses and revenues. Coastal Works will comply with all Financial Reporting Standards that are appropriate.

9.2 The specific accounting policies are set out in the recent audited financial report of the Council.

9.3 Coastal Works is a Category 1 Business Activity and shall at all times comply with the appropriate accounting standards and legislative requirements that apply under the National Competition Policy.

10. PROCUREMENT

10.1 All procurement by Coastal Works must comply with Council's procurement guidelines and legislative requirements.

11. REPORTING

11.1 The General Manager will report to the Council monthly on Coastal Works:

- (a) as part of the ordinary budget reporting process.
- (b) Where there are updates to the Business Plan such as new major tenders; and
- (c) On any other issues that, due to their financial political, social or environmental impact Council should be made aware of.

11.2 The General Manager, supported by the Advisory Board, will report to the Council annually on Coastal Works;

- (a) annual financial plans to Council, with a three-year projection of income and expenditure
- (b) Annual Report and an audited financial statement to the Council by 30th November each year
- (c) Updated Strategic Business Plan

11.3 Coastal Works shall report to the Director Sustainable Infrastructure monthly on;

- (a) financial results (income and expenditure against budgets, projected results for the current year)
- (b) Budget v Actuals
- (c) Work in Hand
- (d) Profit and Loss
- (e) Balance Sheet
- (f) Aged debtors
- (g) Tenders Submitted and Prospective Works
- (h) Troublesome practice matters which includes but is not limited to;
 - Any disputes or potential disputes arising with clients
 - Unpaid invoices

12. COMPLIANCE

12.1 The operations of Coastal Works shall be scheduled as part of Council's internal audit program. The audit shall review the level of compliance by Coastal Works with the Operational Model in terms of processes, outputs and outcomes.

13. REVIEW

13.1 These protocols will be regularly reviewed by the General Manager who may make any amendments considered necessary for effective and efficient corporate governance.