

SHIRE OF JERRAMUNGUP



MINUTES

SPECIAL MEETING OF COUNCIL

16th AUGUST 2013

SHIRE OF JERRAMUNGUP

SPECIAL MEETING OF COUNCIL HELD IN THE COUNCIL CHAMBERS, VASEY STREET, JERRAMUNGUP ON FRIDAY 16th AUGUST 2013, COMMENCING AT 1:05PM.

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The President declared the meeting open at 1.05pm

2. RECORD OF ATTENDANCE

| | |
|-------------------|---|
| Cr R Lester | President |
| Cr J Iffla | Deputy President |
| Cr B Trevaskis | Member |
| Cr W Bailey | Member |
| Cr C Daniel | Member |
| Cr B Atkin | Member |
| Mr W Parker | Chief Executive Officer |
| Mr B Bailey | Deputy Chief Executive Officer |
| Mrs C Solomon | Coordinator of Governance & Land Administration |
| Mr Chris Swarts | First Health Services Pty Ltd |
| Mr Graham Carthew | District Health Advisory Council Representative |
| Mrs Beryl Cox | Observer |

3. APOLOGIES

Cr R Parsons Member

4. LEAVE OF ABSENCE PREVIOUSLY APPROVED

Nil

5. PUBLIC QUESTION TIME

Nil

6. APPLICATIONS FOR LEAVE OF ABSENCE

Nil

7. PETITIONS / DEPUTATIONS / PRESENTATIONS

Mr Chris Swarts addressed Council on the proposal from First Health Services Pty Ltd. to provide General Practice Business Support Services.

First Health Services Pty Ltd will assist the Shire recruit and retain GP Practitioners by providing full practice management, HR management and clinical support to the successful GP as detailed in the officer's report item 9.1.

1.26pm Mrs Beryl Cox entered the meeting.

8. DECLARATIONS OF FINANCIAL INTEREST

Nil

9. OFFICERS REPORT

9.1 General Practice Business Support Services

10. NEXT MEETING/S

10.1 Ordinary Meeting – to be held Wednesday 21st August 2013 commencing 2.00pm at the Council Chambers, Jerramungup.

11. CLOSURE

The President declared the meeting closed at 1.42pm.

| | |
|------------------------------------|--|
| SUBMISSION TO: | Administration |
| AGENDA REFERENCE: | 9.1 |
| SUBJECT: | General Practice Business Support Services |
| LOCATION/ADDRESS: | N/A |
| NAME OF APPLICANT: | N/A |
| FILE REFERENCE: | PL.RE.1 |
| AUTHOR: | Bill Parker |
| DISCLOSURE OF ANY INTEREST: | Nil |
| DATE OF REPORT: | 14 th August 2013 |

SUMMARY

In an effort to find a suitable replacement for the community Doctor, the Shire has received a proposal from First Health Services Pty Ltd. The proposal is for General Practice Business Support Services.

Council is required to consider a Heads of Agreement that establishes the framework within which the parties will agree to negotiate a subsequent formal agreement. The execution of this document will allow the recruitment process for a Community Doctor to progress.

ATTACHMENT

Attachment 9.1 - Heads of Agreement

BACKGROUND

For 24 years, Dr Nicolas Dorai-Raj was the Jerramungup Community Doctor. The Doctor was self-employed and ran the business in its entirety.

In March 2013, Dr. Nicholas Dorai-Raj formally resigned as the community Doctor. The practice has been advertised on Rural Health West since this time.

In June 2013, the Shire President convened a Special Council Meeting to discuss recruiting a new Doctor and to declare that tenders do not have to be publicly invited according to the requirements contained within the Local Government (Functions and General) Regulations 1996.

Subsequently, the Shire has received a proposal from First Health Services Pty Ltd. to provide General Practice Business Support Services. Under this model, First Health Services Pty Ltd assists the Shire in recruiting a suitably qualified General Practitioner and provides the successful candidate with business support services. The Doctor would remain self-employed.

The proposed model recognises that the administrative and compliance burden placed on all medical practices is restrictive, highly specialised and presents a barrier for smaller operators and marginal businesses. The model allows a new Doctor to focus on the clinical aspects of the practice and essentially outsources the administration,

compliance and accreditation requirements to a larger and more appropriately resourced organisation.



Figure 01: Relationship of incentives to run a profitable and sustainable clinical business

The services offered under the agreement include administration, practice efficiency, advice (fees and charges), income maximisation, staff recruitment, dispute resolution, IT support, banking, financial reporting, payroll, superannuation and clinical compliance support and advice.

In the current market, it would appear that it is highly unlikely that the Shire will find a Doctor that is prepared to start a business and operate independently without a significant amount of administrative, compliance and accreditation support. This proposal addresses this encumbrance.

First Health Services Pty Ltd has already located a Doctor that is in the final stages of seeking registration to practice in Australia and could commence as early as November 2013.

CONSULTATION

Regular consultation has occurred with Councillors and the community via various mail outs and articles in community publications.

COMMENT

The proposed Heads of Agreement radically changes the way in which the Shire has facilitated the provision of medical services within the Shire of Jerramungup. Historically, the Shire has provided a house, car, facilities and equipment to the Doctor. The Doctor operated independently and the Shire was not required to contribute financially to the business.

Under this proposed model, the Shire is essentially making a financial contribution to the Doctor by outsourcing and providing business support services. This support will

not only make the practice more financially viable, but also makes the position far more attractive for prospective applicants.

In addition to entering into a contract for the provision of these services, the Shire will also be required to enter into a service level agreement with the Doctor that will facilitate the provision of housing, vehicle and facilities etc and the required level of service that the Shire expects in return.

The proposed Heads of Agreement contains contractual elements regardless of its label. Although a Heads of Agreement typically only establishes the framework within which the parties have agreed to negotiate a subsequent formal agreement, this example contains the following necessary elements to establish the existence of contract;

- a. Consideration on both sides.
- b. Certainty (terms must be sufficiently clear to be enforceable).
- c. Evidence of an intension to create legal relations between the parties.

Given this content, Council must realise the contractual elements of this document and recognise that if executed, it will be contractually bound by the terms set out in the document. This is irrespective of what other terms the parties may subsequently agree through negotiation prior to entry into another agreement.

In terms of the specific content of the Heads of Agreement, some of the key terms are explained below;

Term 2: In the first year, the agreed Service Fee is \$162,000, which includes \$25,000 for the recruitment of a General Practitioner

In raising the appropriateness of the \$25,000 recruitment fee given that a prospective Doctor has already been sourced, First Health Services Pty Ltd responded by outlining that significant resources had already been invested in getting the prospective applicant to a point whereby he can be considered for registration to practice in Australia.

Term 7: In the event that there is no incumbent GP, the service fee will reduce to 60% of the original agreed Service Fee;

In raising the appropriateness of the 60% service fee in the event that there is no incumbent GP, First Health Services Pty Ltd responded by outlining that to accommodate the services offered under the Heads of Agreement, they will be required to expand their workforce. In the event that there is no incumbent GP, the costs associated with the additional resources remain.

Term 8: The parties agree to an initial term of 3 years, with an option to extend for a further 3 years. Termination clauses will be based on standard terms for this type of agreement, but allowance will be made for specific termination if the provider does not succeed in recruiting a GP within a 9 month timeframe, in any given period where a replacement GP is required to be found;

The initial term is for a period of three years with a three year option. The Shire or First Health Services Pty Ltd can make a decision after the initial term if either party wants to withdraw from the agreement.

The Shire did enquire in terms of a 12 month sunset clause; however it would be more appropriate in this instance to use the essential terms to terminate the contract if either party does not deliver on the key terms.

STATUTORY REQUIREMENTS

6.11. Reserve accounts

- (1) Subject to subsection (5), where a local government wishes to set aside money for use for a purpose in a future financial year, it is to establish and maintain a reserve account for each such purpose.
- (2) Subject to subsection (3), before a local government —
 - (a) changes* the purpose of a reserve account; or
 - (b) uses* the money in a reserve account for another purpose,it must give one month's local public notice of the proposed change of purpose or proposed use.

** Absolute majority required.*

- (3) A local government is not required to give local public notice under subsection (2) —
 - (a) where the change of purpose or of proposed use of money has been disclosed in the annual budget of the local government for that financial year; or
 - (b) in such other circumstances as are prescribed.
- (4) A change of purpose of, or use of money in, a reserve account is to be disclosed in the annual financial report for the year in which the change occurs.
- (5) Regulations may prescribe the circumstances and the manner in which a local government may set aside money for use for a purpose in a future financial year without the requirement to establish and maintain a reserve account.

6.8. Expenditure from municipal fund not included in annual budget

- (1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —
 - (a) is incurred in a financial year before the adoption of the annual budget by the local government; or
 - (b) is authorised in advance by resolution*; or
 - (c) is authorised in advance by the mayor or president in an emergency.

** Absolute majority required.*

Nil

STRATEGIC IMPLICATIONS

This item relates to the following components from the Shire of Jerramungup Strategic Community Plan.

Aspiration 7: A healthy community where residents feel safe, secure and self-assured.

Activity: Implement Medical Services and Infrastructure Strategy

Key components: Retain local health professionals

FINANCIAL IMPLICATIONS

The proposed service fee of \$162,000 (\$137,000 annual fee + \$25,000 recruitment fee) for the provision of Business Support Services has not been included in the 2013/2014 budget. The following budget amendments are proposed to finance the arrangement without impacting the end of year budget position.

- 1) Utilise \$100,000 from the building reserve. This amount was budgeted for a staff house in Bremer Bay. As a result the total budget for the staff house will be reduced to \$400,000 unless Council supports increasing the loan provision for the project (currently \$350,000).
- 2) Reduce the budget for the purchase of the Doctor's vehicle by \$10,000 from \$52,000 to \$42,000. This would provide for a Toyota Kluger or equivalent.
- 3) Defer the purchase of a plant trailer for the positrac loader - \$12,000.
- 4) Utilise the Shire workforce instead of contractor resources for the earthworks associated with the Bushfire Brigade sheds - \$40,000.

In subsequent years, Council will need to consider additional rate increases or a reduction in services (or a combination of both) to fund the provision of Business Support Services.

WORKFORCE IMPLICATIONS

Nil

POLICY IMPLICATIONS

Nil

VOTING REQUIREMENTS

Absolute Majority

RECOMMENDATION

That Council;

1. Endorse the Heads of Agreement between the Shire of Jerramungup and First Health Services Pty Ltd for General Practice Business Support Services.

2. Authorise the Shire President and Chief Executive Officer to execute the Heads of Agreement for General Practice Business Support Services and commence the preparation of a subsequent formal agreement for Council consideration that further details the services provided.
3. In accordance with section 6.11 (2)(b) of the Local Government Act 1995, resolves to use \$100,000 from the building reserve account to fund the provision of General Practice Business Support Services and authorise the Chief Executive Officer to give one month's local public notice of the proposed use.
4. In accordance with section 6.8(1)(b) of the Local Government Act 1995, amend the 2013/14 Budget to reflect;
 - a. \$162,000 increase in Schedule 7 - Health
 - b. \$100,000 reduction in Fixed Asset Expenditure - Land & Buildings.
 - c. \$10,000 reduction in Fixed Asset Expenditure – Vehicles.
 - d. \$12,000 reduction in Fixed Asset Expenditure - Plant & Equipment - Road Plant Purchases.
 - e. \$40,000 reduction across Schedule 12 Transport to reflect the Shire's workforce completing the bulk earthworks for the bush fire brigade sheds as opposed to external contractors.

AMENDED MOTION COUNCILLOR TREVASKIS

SC130801 Moved Cr Trevaskis / Seconded Cr Bailey

That Council;

1. **Endorse the Heads of Agreement between the Shire of Jerramungup and First Health Services Pty Ltd for General Practice Business Support Services subject to the following amendments;**
 - a. **Term 8: That the specific termination time frame of 9 months is reduced to 6 months.**
 - b. **Term 8: That the word replacement GP is replaced with GP.**
2. **That subject to the above amendments, authorise the Shire President and Chief Executive Officer to execute the Heads of Agreement for General Practice Business Support Services and commence the preparation of a subsequent formal agreement for Council consideration that further details the services provided.**
3. **In accordance with section 6.11 (2)(b) of the Local Government Act 1995, resolves to use \$100,000 from the building reserve account to fund the provision of General Practice Business Support Services and authorise the Chief Executive Officer to give one month's local public notice of the proposed use.**
4. **In accordance with section 6.8(1)(b) of the Local Government Act 1995, amend the 2013/14 Budget to reflect;**
 - a. **\$162,000 increase in Schedule 7 - Health**
 - b. **\$100,000 reduction in Fixed Asset Expenditure - Land & Buildings.**
 - c. **\$10,000 reduction in Fixed Asset Expenditure – Vehicles.**
 - d. **\$12,000 reduction in Fixed Asset Expenditure - Plant & Equipment - Road Plant Purchases.**

- e. **\$40,000 reduction across Schedule 12 Transport to reflect the Shire's workforce completing the bulk earthworks for the bush fire brigade sheds as opposed to external contractors.**

Reason:

- a. The Shire can't afford to be in a position without a GP for more than 6 months.
- b. By removing the word replacement, covers the Shire if the prospective Doctor does not pass his Pre-Employment Structured Clinical Interview (PESCI) and is unable to be registered in Australia.

Carried by absolute majority 6-0