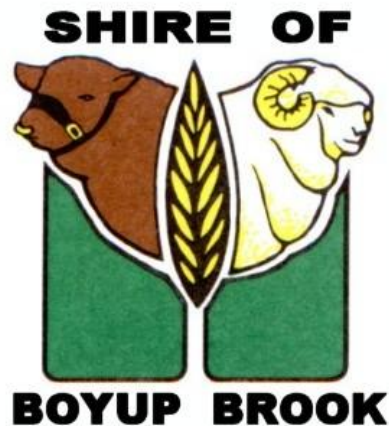


# Minutes



**ORDINARY MEETING**

held

**THURSDAY 17 September 2015**  
**Commenced AT 5.05PM**

**AT**

**SHIRE OF BOYUP BROOK**  
**CHAMBERS**  
**ABEL STREET - BOYUP BROOK**

## TABLE OF CONTENTS

<b>1 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED .....</b>	<b>3</b>
1.1 Attendance.....	3
1.2 Apologies.....	3
1.3 Leave of Absence.....	3
<b>2 PUBLIC QUESTION TIME.....</b>	<b>3</b>
2.1 Response to Previous Public Questions Taken on Notice .....	3
<b>3 APPLICATIONS FOR LEAVE OF ABSENCE .....</b>	<b>3</b>
<b>4 PETITIONS/DEPUTATIONS/PRESENTATIONS/REPORTS .....</b>	<b>3</b>
<b>5 CONFIRMATION OF MINUTES .....</b>	<b>4</b>
<b>6 PRESIDENTIAL COMMUNICATIONS .....</b>	<b>4</b>
<b>7 COUNCILLORS QUESTIONS ON NOTICE.....</b>	<b>4</b>
8.1 MANAGER WORKS & SERVICES Nil .....	4
8.2 FINANCE .....	5
8.2.1 List of Accounts Paid in August 2015 .....	5
8.2.2 31 July 2015 Statement of Financial Activity .....	7
8.2.3 31 August 2015 Statement of Financial Activity.....	9
8.3 CHIEF EXECUTIVE OFFICER.....	11
8.3.1 Department of Local Government and Communities – Financial Management and Compliance issues .....	11
<b>9 COMMITTEE REPORTS.....</b>	<b>21</b>
9.1.1 Minutes of the Blackwood River Valley Marketing Association .....	21
9.1.2 Minutes of the Local Emergency Management Committee .....	22
<b>10 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN .....</b>	<b>22</b>
<b>11 URGENT BUSINESS BY APPROVAL OF THE PRESIDENT OR A MAJORITY OF COUNCILLORS PRESENT.....</b>	<b>22</b>
11.1.1 Tender No 15-004 - Supply, delivery and placement of sprayed bitumen, aggregate and asphalt .....	22
11.1.2 Federal Assistance Grants to Local Government.....	26
11.1.3 Material Variance levels in 2015-16 statements of financial activity.....	29
<b>12 CONFIDENTIAL MATTERS – BEHIND CLOSED DOORS.....</b>	<b>31</b>

**1 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED**

**1.1 Attendance**

Cr M Giles – Shire President  
Cr G Aird – Deputy Shire President  
Cr N Blackburn  
Cr J Imrie  
Cr P Kaltenrieder  
Cr O’Hare  
Cr T Oversby  
Cr R Walker

STAFF: Mr Alan Lamb (Chief Executive Officer)  
Mr Stephen Carstairs (Director Corporate Services)  
Mr Rob Staniforth-Smith (Director of Works & Services)  
Mrs Maria Lane (Executive Assistant)

Public: Lizz Rear

**1.2 Apologies**

Cr K Moir

**1.3 Leave of Absence**

**2 PUBLIC QUESTION TIME**

**2.1 Response to Previous Public Questions Taken on Notice**

**3 APPLICATIONS FOR LEAVE OF ABSENCE**

**4 PETITIONS/DEPUTATIONS/PRESENTATIONS/REPORTS**

- Cr Imrie informed Council a bus load of tourists arrived in Boyup Brook and visited the Museum and the Tourist Centre.
- Cr Kaltenrieder asked if welcome packs were still given out to new residents.
- Cr Kaltenrieder suggested a Fire Hazard signage be put up at the entrance points.
- Cr Aird attended the South West Zone meeting in Margaret River on 28 August 2015.
- Cr Aird attended the Sandakan Service in Sandakan Park on 8 September 2015.

**5 CONFIRMATION OF MINUTES**

**5.1 Ordinary Meeting of Council - Thursday 27 August 2015**

**COUNCIL DECISION & OFFICER RECOMMENDATION**

**MOVED: Cr O'Hare**

**SECONDED: Cr Imrie**

**That the minutes of the Ordinary Meeting of Council held on Thursday 27 August 2015 be confirmed as an accurate record.**

**Carried 8/0**

**Res 89/15**

**6 PRESIDENTIAL COMMUNICATIONS**

Cr Giles attended the Sandakan Service in Sandakan Park on 8 September 2015 and was represented well by the President and visitors from Sandakan.

**7 COUNCILLORS QUESTIONS ON NOTICE**

Nil

**8 REPORTS OF OFFICERS**

**8.1 MANAGER WORKS & SERVICES**

Nil

**COUNCIL DECISION**

**MOVED:** Cr Walker

**SECONDED:** Cr Oversby

**That the Council adopts enbloc 8.2.1, 8.2.2, 8.2.3 and 8.3.1**

**CARRIED 8/0**

**Res 90/15**

**8.2 FINANCE**

**8.2.1 List of Accounts Paid in August 2015**

<b>Location:</b>	<i>Not applicable</i>
<b>Applicant:</b>	<i>Not applicable</i>
<b>File:</b>	<i>FM/1/002</i>
<b>Disclosure of Officer Interest:</b>	<i>None</i>
<b>Date:</b>	<i>10 September 2015</i>
<b>Author:</b>	<i>Stephen Carstairs – Director Corporate Services</i>
<b>Authorizing Officer:</b>	<i>Alan Lamb – Chief Executive Officer</i>
<b>Attachments:</b>	<i>Yes – List of Accounts Paid in August</i>

**SUMMARY**

In accordance with the *Local Government (Financial Management) Regulations 1996* the list of accounts paid in August 2015 are presented to Council.

**BACKGROUND**

This report presents accounts/invoices received for the supply of goods and services, salaries and wages, and the like which were paid during the period 01 to 31 August 2015.

**COMMENT**

The attached listing represents accounts/invoices the shire paid by cheque or electronic means during the period 01 to 31 August 2015.

**CONSULTATION**

Nil

**STATUTORY OBLIGATIONS**

Local Government (Financial Management) Regulations 1996, Regulations 12 and 13 apply and are as follows:

12. Payments from municipal fund or trust fund
- (1) *A payment may only be made from the municipal fund or the trust fund —*
- (a) *if the local government has delegated to the CEO the exercise of its power to make payments from those funds — by the CEO; or*
- (b) *otherwise, if the payment is authorised in advance by a resolution of the council.*
- (2) *The council must not authorise a payment from those funds until a list prepared under regulation 13(2) containing details of the accounts to be paid has been presented to the council.*

**13. Lists of accounts**

- (1) *If the local government has delegated to the CEO the exercise of its power to make payments from the municipal fund or the trust fund, a list of accounts paid by the CEO is to be prepared each month showing for each account paid since the last such list was prepared —*
- (a) *the payee's name;*
- (b) *the amount of the payment;*
- (c) *the date of the payment; and*
- (d) *sufficient information to identify the transaction.*
- (2) *A list of accounts for approval to be paid is to be prepared each month showing —*
- (a) *for each account which requires council authorisation in that month —*
- (i) *the payee's name;*
- (ii) *the amount of the payment; and*
- (iii) *sufficient information to identify the transaction;*
- and*
- (b) *the date of the meeting of the council to which the list is to be presented.*
- (3) *A list prepared under sub regulation (1) or (2) is to be —*
- (a) *presented to the council at the next ordinary meeting of the council after the list is prepared; and*
- (b) *recorded in the minutes of that meeting.*

**POLICY IMPLICATIONS**

Council's Authority to Make Payments Policy has application.

**BUDGET/FINANCIAL IMPLICATIONS**

Account payments accorded with the 2015-16 Annual Budget.

**STRATEGIC IMPLICATIONS**

Nil

**VOTING REQUIREMENTS**

Simple Majority

**COUNCIL DECISION & OFFICER RECOMMENDATION – Item 8.2.1**

That at its September 2015 ordinary meeting Council receive as presented the list of accounts paid in August 2015, and totalling \$818,188.99 and as represented by: cheque voucher numbers 19852-19857 totalling \$89,245.53; and accounts paid by direct electronic payments through the Municipal Account totalling \$728,943.46.

<b>8.2.2 31 July 2015 Statement of Financial Activity</b>
---

<b>Location:</b>	Not applicable
<b>Applicant:</b>	Not applicable
<b>File:</b>	FM/10/003
<b>Disclosure of Officer Interest:</b>	None
<b>Date:</b>	10 September 2015
<b>Author:</b>	Stephen Carstairs – Director Corporate Services
<b>Authorizing Officer:</b>	Alan Lamb – Chief Executive Officer
<b>Attachments:</b>	Yes – Financial Reports

---

**SUMMARY**

This report recommends that Council receive the Statement of Financial Activities and Net Current Assets for the month ended 31 July 2015.

**BACKGROUND**

Section 6.4 of the Local Government Act 1995 places financial reporting obligations on local government operations.

Regulation 34.(1)–(4) of the Local Government (Financial Management) Regulations 1996 requires the local government to prepare a *Statement of Financial Activity*.

The regulations also prescribe the content of the reports, and that details of items of Material Variances shall also listed.

**COMMENT**

It is a statutory requirement that the statement of financial activity be prepared each month (Regulation 34.(1A)), and that it be presented at an ordinary meeting of the Council within 2 months after the end of the month to which the statement relates (Regulation 34.(4)(a)).

**CONSULTATION**

Alan Lamb – Chief Executive Officer

**STATUTORY OBLIGATIONS**

Local Government (Financial Management) Regulations 1996, Regulation 34.(1A)

Local Government (Financial Management) Regulations 1996, Regulation 34.(4)(a)

**POLICY IMPLICATIONS**

Nil

**BUDGET/FINANCIAL IMPLICATIONS**

As presented in the attached reports.

**STRATEGIC IMPLICATIONS**

Nil

**VOTING REQUIREMENTS**

Simple Majority

**COUNCIL DECISION & OFFICER RECOMMENDATION – Item 8.2.2**

**That having regard for any material variances, Council receive the 31 July 2015 Statement of Financial Activity and Statement of Net Current Assets, as presented.**



**8.2.3 31 August 2015 Statement of Financial Activity**

<b>Location:</b>	Not applicable
<b>Applicant:</b>	Not applicable
<b>File:</b>	FM/10/003
<b>Disclosure of Officer Interest:</b>	None
<b>Date:</b>	10 September 2015
<b>Author:</b>	Stephen Carstairs – Director Corporate Services
<b>Authorizing Officer:</b>	Alan Lamb – Chief Executive Officer
<b>Attachments:</b>	No

---

**SUMMARY**

This report recommends that Council defer to the October 2015 ordinary meeting of Council the receiving of the Statement of Financial Activities and the Net Current Assets for the month ended 31 August 2015.

**BACKGROUND**

Section 6.4 of the Local Government Act 1995 places financial reporting obligations on local government operations.

Regulation 34.(1)–(4) of the Local Government (Financial Management) Regulations 1996 requires the local government to prepare a *Statement of Financial Activity*.

The regulations also prescribe the content of the reports. Details of items of Material Variances are also listed.

**COMMENT**

It is a statutory requirement that the statement of financial activity be prepared each month (Regulation 34.(1A)), and that it be presented at an ordinary meeting of the Council within 2 months after the end of the month to which the statement relates (Regulation 34.(4)(a)).

Because finance staff are currently finalizing the shire’s 2014-15 Annual Statements for a 30 September deadline, the 31 August 2015 Statement of Financial Activity has been deferred to the October 2015 ordinary meeting.

**CONSULTATION**

Alan Lamb – Chief Executive Officer

**STATUTORY OBLIGATIONS**

Local Government (Financial Management) Regulations 1996, Regulation 33(A)

Local Government (Financial Management) Regulations 1996, Regulation 34.(1A)

Local Government (Financial Management) Regulations 1996, Regulation 34.(4)(a)

**POLICY IMPLICATIONS**

Nil

**BUDGET/FINANCIAL IMPLICATIONS**

Nil

**STRATEGIC IMPLICATIONS**

Nil

**VOTING REQUIREMENTS**

Simple Majority

**COUNCIL DECISION & OFFICER RECOMMENDATION – Item 8.2.3**

**That receipt by Council of the shire’s 31 August 2015 Statement of Financial Activity and Statement of Net Current Assets be deferred to Council’s October 2015 ordinary meeting.**

### 8.3 CHIEF EXECUTIVE OFFICER

<b>8.3.1 Department of Local Government and Communities – Financial Management and Compliance issues</b>
--

<b>Location:</b>	<i>N/a</i>
<b>Applicant:</b>	<i>DLGC</i>
<b>File:</b>	
<b>Disclosure of Officer Interest:</b>	<i>None</i>
<b>Date:</b>	<i>10 September 2015</i>
<b>Author:</b>	<i>Alan Lamb</i>
<b>Authorizing Officer:</b>	<i>Chief Executive Officer</i>
<b>Attachments:</b>	<i>Copy of letter from DLGC</i>

---

#### **SUMMARY**

The purpose of this report is to put the DLGC correspondence to Council with further information, explanation and a recommendation regarding a response.

#### **BACKGROUND**

DLGC has, among other things, a monitoring role. As part of its normal monitoring of Local Governments, the Department identified matters relating to sustainability ratios, compliance and Auditors Management Letters. The Department wrote to the Shire President asking Council to review the matters, devise strategies for improvement and respond.

#### **COMMENT**

Whilst it was apparent that the:

- changing practices of the Grants Commission, in relation to early payment of grants and the amount of the early payments,
- classification of works, between construction and maintenance,
- introduction of periodic “fair value” adjustments to asset values, which impacts on depreciation,
- need to look at rationalising assets, contributed to the ratio matters highlighted by the Department administration conducted a detailed review in order to adequately report to Council and respond to the Department.

Taking each matter raised:

#### **SUSTAINABILITY RATIOS**

The following explains the ratios:

<b><u>RATIO</u></b>	<b><u>MEASURES</u></b>
Current Ratio	This is a modifies commercial ratio designed to focus on the liquidity position of a Local Government that has arisen from past year's transactions
Debt Service Cover Ratio	Measures a LG's ability to repay its debt including lease payments
<b><u>RATIO</u></b>	<b><u>MEASURES continued</u></b>
Own Source Revenue Coverage Ratio	Measures a LG's ability to cover its costs through its own revenue efforts
Operating Surplus Ratio	This is a key indicator of a LG's financial sustainability. It measures a LG's ability to cover its operational costs and have revenues available for capital funding or other purposes
Asset consumption Ratio	Measures the extent to which depreciable assets have been consumed by comparing their written-down value to their replacement cost
Asset Sustainability Ratio	Indicates whether a LG is replacing or renewing existing assets at the same rate that its overall stock of assets is wearing out
Asset Renewal Funding Ratio	Measures the ability of a LG to fund its projected asset renewal/replacement in the future

The Department provided the following schedule:

Sustainability Ratios	Benchmark	2013/14	2012/13	2011/12
Current Ratio	>1.0	0.825	1.644	0.810
Debt Service Cover Ratio	>2.0	3.380	11.420	17.850
Own sources Revenue Coverage Ratio	>0.4	0.500	0.595	0.660
Operating Surplus Ratio	>0.01	-0.709	-0.287	-0.038
Asset Consumption Ratio	>0.5	0.590	0.710	0.720
Asset Sustainability Ratio	>0.9	0.810	1.430	1.310
Asset Renewal Funding Ratio	>0.75	0.190	0.210	N/A

Before going into the detail of the points raised by the Department and the response to these, the financial ratios required to be included in the annual financial report were the subject of Government Gazetted amendment of the Local Government (Financial Management) Regulations in April 2012 and again in June 2013. These regulation changes were done as part of the introduction of the integrated long term planning that is now in force. The Asset Sustainability Ratio and Asset Renewal Ratio were not required until 2013/14.

These ratios were introduced then modified and there may be a need for further changes as time goes on. These ratios do provide a guide to the financial state of the organisation but, in working through the points raised by the Department, it was found that they may also be misleading because no adjustment is made for extraordinary items that impact the ratio. As noted by the Department, in its letter to the President, "In analyzing ratios, trends over time provide a more accurate assessment than a single year's results." It will be seen that taking a larger sample of results can show a pattern that then leads to a cyclical cause. When averaged the average ratio is within or near to the benchmark.

**Current Ratio**

The Department noted that the current ratio was below the benchmark in 2011/12 and 2013/14, indicating the Shire did not have sufficient unrestricted assets at 30 June 2012 and 14 to meet its current liabilities at those dates.

RESPONSE

The following schedule shows the current ratio for a longer period than the sample used by the Department. The data for the ratio for 2014/15 comes from the ledger accounts and 2015/16 Budget. It should be noted that the 2014/15 figures are subject to change at audit.

Sustainability Ratios	Benchmark	2014/15	2013/14	2012/13	2011/12	2010/11
Current Ratio	>1.0	1.956	0.825	1.644	0.810	1.606

The foregoing shows that whilst every second year the ratio falls below the benchmark the other alternate years record a ratio of above the benchmark. The average is 1.3683 and so above the benchmark indicating that over the 5 years the Shire **did** have sufficient unrestricted assets to meet its current liabilities. In analyzing the data it is apparent that the timing of the payment of Federal Government Assistance Grants (FAGS), made via the State Grants Commission, is the cause of the fluctuations. The general purpose grant is untied and the road grant is only tied to expenditure on roads.

The Commission made the practice of paying a varying portion of the next years grant toward the end of the current year. Then stopped this and then resumed it again resulting in the fluctuations in the schedule above. Taking the two favourable years, in 12/13 the Shire received \$527,308 from the Grants Commission in June 2013, the majority of which relates to the 13/14 years grant that was paid early. Conversely, general purpose income was down by that amount in 13/14. In 14/15, \$579,517 of 15/16's grant was paid to the Shire in June 2015 inflating income in that year and this should result in lower income in 15/16 and so a less favourable ratio.

In summary then, there is no current position liquidity issue.

**Debt Service Cover Ratio**

The Department noted that the ratio has trended downwards over the past three years from 17.85 in 2011/12 to only 3.38 in 2013/14 (the Department correctly noted that the ratio should have been stated, in the annual accounts as 3.46). While this is above the basic bench mark, it may indicate a limited capacity to borrow unless this improves in the future.

**RESPONSE**

The following schedule shows the current ratio for a longer period than the sample used by the Department and was recalculated by staff resulting in one variance to the Departments list (2011/12) and there is a correction, as noted by the Department, to 2012/13. The data for the ratio for 2014/15 comes from the ledger accounts and 2015/16 Budget. It should be noted that the 2014/15 figures are subject to change at audit. Care should be taken in relation to using the high ratio for 14/15 as it is based on figures that are subject to change. The ratio for 2015/16 comes from data from the 2015/16 Budget. The following includes other data in order to give some feel for the source of ratio variations.

<b>Sustainability Ratios</b>	<b>Benchmark</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
Debt Service Cover Ratio	>2.0	5.8527	22.3083	3.45602	11.4204	18.2288	6.6788
Annual operating surplus before interest and depreciation \$		502,360	1,734,694	309,753	780,677	1,258,829	652,993
Principal and interest payments on loans \$		85,834	77,760	89,628	68,358	69,057	97,771

As noted by the Department, the ratios for each year are above the benchmark indicating that Council does have the capacity to borrow more funds. But as with all aspects of Shire operation, there is a need for a conservative approach and Council has taken this.

This ratio derived by dividing the annual operating surplus before interest and depreciation by loan principal and interest payments for the year. Therefore the ratio is impacted by not only the annual loan payments but also by the adjusted operating surplus each year. Concentrating on loans however, in 2013/14 Council took out a loan (loan 118) with annual repayments (interest plus principal) of \$31,570. This appears to be the main factor for the ratio drop from 11.420 in 12/13 to 3.456 in 13/14.

Looking forward, the 2015/16 budget contains provision for two new loans that may be taken out. The timing of the borrowing has been set so that there is no impact, regarding repayments, on the 15/16 budget. This is a normal treatment where the plan is to do works funded by loans and there is still some question as to the project going ahead in the budget year. One of the projects loan funding is to be used for is the aged accommodation project where Council is still working on costs. Taking a prudent approach to such a large project, Council is doing all of its due diligence but aims to commence the project in 2015/16. If so there is a distinct possibility it will need additional funds for the development but the amount is yet to be determined as part of engineering costing works being done for Council. Once all costs are to hand a detailed business plan, that includes loan funds and the cost/affordability of these, is to be developed for Council consideration. It is likely then that any additional loan funds that may be required may not be needed until 16/17. The other project that relies on loan funding is the renovation of accommodation rooms at the Citizens Lodge. Here the plan is do half of the rooms in the current financial year and half next financial year. The planning shows a loan in 15/16 (\$235,000) and another in 16/17 (\$235,000). So the timing of borrowing the funds is after December 2015 and so there will be no repayments in 15/16 (Council loans are paid in two moieties in arrears). The loan planned for 16/17 will be taken out early in that year and so it will bear the cost of two biannual payments. Another factor is that other funding opportunities will be explored to reduce the need for loan funding.

At the same time some loans are due to be retired. Loan 102 will be fully paid in 16/17 and loans 106, 109 and 110 will be completed in 2017/18 the annual repayments for these is \$24,293.

To put all of this into perspective in terms of the annual cost of loan repayments:

	14/15	15/16	16/17	17/18	18/19
Total loan repayments	86,268.09	86,301.48	123,588.34	114,067.81	99,295.24

The foregoing is based on two loans being taken out in 2015/16 with repayments impacting from 2016/17. The impact of loan 102 being completed in 16/17 is reflected in the total repayments from 2016/17. The third loan planned for 16/17 and impact on that year. Then the three loans that will be paid off in 17/18 reduce the total annual repayments from 18/19.

The above schedule shows that by 18/19 the total cost of loan repayments will be \$13,000 more per annum than they were in 15/16. At the same time however it is noted that the annual loan repayment cost in 2011/12 was \$97,771 which is comparable with projected costs for 18/19.

The schedule containing ratio, and other, comparisons for debt servicing, shows that whilst the annual repayments have varied slightly over the six years shown, the adjusted annual operating surplus has varied widely. It is apparent that the variation in timing of FAGS payments, plus variations in the magnitude of any early payment, from the Grants Commission impacts on this ratio. Whilst the downward trend noted by the Department could indicate a reduced capacity for future borrowing, looking at a longer term shows that the trend is up and down not a general decline. It also shows an improvement in 14/15 and 15/16. Whilst the ratio is a good quick indicator it may need perspective for anything other than a broad view of the financial affairs.

**Operating Surplus Ratio**

The Department noted that the ratio has been below the benchmark since 2012/13 and the trend is worsening with a significant decline over the past three years. A ratio of (0.71) places the Shire in the bottom 13% of Local Governments.

**RESPONSE**

The following schedule shows the current ratio for a longer period than the sample used by the Department and was recalculated by staff.

<b>Sustainability Ratios</b>	<b>Benchmark</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
Operating Surplus Ratio	>0.01	-0.6861	-0.2236	-0.7012	-0.2870	0.0369	-0.1714
Depreciation \$		3,089,780	2,515,915	2,561,098	1,672,787	1,111,222	1,148,377

Taking a longer perspective shows that the ratio improves in 14/15 and worsens in 15/16.



Depreciation has been added to the above schedule to show the impact of fair value. In the past, Council entered assets in its books of accounts at the purchase cost and then depreciated the assets over their useful life. This resulted in some assets showing a nil or low value. Fair value was introduced recently to recognise the fact some assets depreciated in value and to periodically correct any over or under depreciation (note, land was never depreciated in recognition of its increase in value over time). The current requirement is to fair value all assets every 4 years. Non current assets are then depreciated each year, with a corresponding charge to operating expenses, and a new value assigned each fourth year. Roads, buildings, furniture and equipment, and plant and equipment were revalued in 2012/13 as part of the new requirements. All other non current assets were revalued in 2014/15. It will be noted that the annual depreciation charge increased markedly in 13/14 based on the new values for the major assets (including roads the largest, in terms of book values, asset). It will also increase in 15/16 as the result of new valuations in 14/15. Whilst there are other factors, it will be seen that the increase in the annual depreciation charge contributes toward an adverse change to the ratio.

Another factor affecting this ratio is the division of works between capital and operating. Moving expenditure out of operating expenses and into capital decreases the former and would have a beneficial impact on the ratio. Administration has been working for some time on more carefully classifying expenses relating to works in order to address the growing importance of this aspect.

A further factor is the need to rationalise assets, get some off the asset register and reduce the annual depreciation charge. Council started the process of looking hard at assets in 2009 and devised an asset management plan that has been in the process of being actioned over time. One action was to demolish an unsafe structure at the flax mill. Another was to increase the use of other structures there, so giving them a purpose which increased the justification for retaining the assets. It is apparent that more work needs to be done in this area.

#### **Asset Sustainability Ratio**

The Department noted that the ratio is marginally below the benchmark for 2013/14 (0.81 against a benchmark of 0.9). That this is a single year ratio and monitoring trends over time would provide a more valid indication of the Shire's asset sustainability.

#### **RESPONSE**

The following includes the results of more years for comparison purposes.

Sustainability Ratios	Benchmark	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Asset Sustainability Ratio	>0.9	1.5531	0.8729	0.81	1.430	1.310	0.8626

It is apparent that whilst three of the above shown six years ratios fall just below the benchmark the average of the six years at 1.1397 is above the benchmark indicating the Shire is sustainable in this area.

Further analysis shows that capital expenditure has varied, in some cases by a significant amount, over the years. Depreciation has also varied, and this has already been explained. The result of minimal change in expenditure in 2013/14 plus a \$1m increase in depreciation charged to that year resulted in a low ratio. In 15/16, mainly supported by increased grant funding, Council will be spending \$2.5m more on capital works than it did in 14/15. Partially offsetting this is an increase in depreciation of \$0.5M, with the two factors resulting in a high ratio.

**Asset Renewal Funding Ratio**

The Department noted that the ratio has been significantly below the benchmark two years indicating that the Shire is not funding asset renewal and replacement in accordance with requirements of the asset management plan. This should be monitored over time.

**RESPONSE**

This ratio involves the long term financial and asset management plans that will be reviewed following completion of the annual accounts (that is in the current calendar year). Once this is completed administration will be able to report further on trends in this area.

**AUDIT REPORT**

The Department noted that whilst unqualified audit reports had been issued for three years there were non compliance matters relating to the failure to submit various reports to the Department by the statutory dates.

The Department noted that the annual compliance audit report was submitted late for the three years and that the 2013/14 budget was submitted late (it also was missing required information).

Whilst the transgressions are of a minor nature they are still important and are the result of pressure not design. These matters are taken very seriously and

measures, including additional human resources, are in place to address matters such as this.

#### **AUDIT MANAGEMENT REPORT**

The Department listed a number of matters raised in the 2013/14 report. Such reports (often they are called audit management letters) are for Council to assist it in its overseeing role. They are not written or designed for public use. Each point raised in the report, or letter, is responded to by administration before the report is sent to Council, so that it has the matter raised and the response. A copy is also sent to the Department.

It is unclear why the management report has been included in the Department's correspondence. The Department has the responses, because the auditor sends it the report complete with administration's responses, but did not include them. So it is assumed the intention was not to review the matters and was perhaps to show that a number of matters were raised.

As Council has already dealt with the auditor's management report for 13/14 it is recommended that this part be received and noted.

#### **COMPLIANCE AUDIT RETURN**

The matter of not sending these returns in on time was dealt with under the heading of "Audit Report". It is not clear why it has been repeated and expanded on under its own heading.

#### **CONSULTATION**

The author spoke with an officer of the Department and other members of Shire staff

#### **STATUTORY OBLIGATIONS**

Nil

#### **POLICY IMPLICATIONS**

Nil

#### **BUDGET/FINANCIAL IMPLICATIONS**

Nil at this time

#### **STRATEGIC IMPLICATIONS**

Nil at this time

**SUSTAINABILITY IMPLICATIONS**

- **Environmental**  
There are no known significant environmental issues.
- **Economic**  
There are no known significant economic issues.
- **Social**  
There are no known significant social issues.

**VOTING REQUIREMENTS**

Simple majority

**COUNCIL DECISION & OFFICER RECOMMENDATION – ITEM 8.3.1**

**That Council:**

- 1. Note the Department of Local Government and Communities letter and this report.**
- 2. Require the Chief Executive Officer to prepare a draft letter, noting relevant details from this report, for the Shire President to respond to the Department**

**COUNCIL DECISION**

**MOVED: Cr Aird**

**SECONDED: Cr Blackburn**

**That the Council adopts enbloc 9.1.1 and 9.1.2.**

**CARRIED 8/0**

**Res 91/15**

**9 COMMITTEE REPORTS**

**9.1.1 Minutes of the Blackwood River Valley Marketing Association**

<b><i>Location:</i></b>	<i>N/A</i>
<b><i>Applicant:</i></b>	<i>N/A</i>
<b><i>File:</i></b>	
<b><i>Disclosure of Officer Interest:</i></b>	<i>Nil</i>
<b><i>Date:</i></b>	<i>19 August 2015</i>
<b><i>Author:</i></b>	<i>Alan Lamb - CEO</i>
<b><i>Attachments:</i></b>	<i>Yes – Minutes</i>

---

**BACKGROUND**

The Blackwood River Valley Marketing Association meeting was held on 9<sup>th</sup> September 2015

Minutes of the meeting are laid on the table and circulated.

**COUNCIL DECISION & OFFICER RECOMMENDATION – Item 9.1.1**

**That the minutes of the Blackwood River Valley Marketing Association meeting be received.**

**9.1.2 Minutes of the Local Emergency Management Committee**

<b>Location:</b>	<i>N/A</i>
<b>Applicant:</b>	<i>N/A</i>
<b>File:</b>	
<b>Disclosure of Officer Interest:</b>	<i>Nil</i>
<b>Date:</b>	<i>10 September 2015</i>
<b>Author:</b>	<i>Alan Lamb - CEO</i>
<b>Attachments:</b>	<i>Yes – Minutes</i>

---

**BACKGROUND**

The Local Emergency Management Committee meeting was held on 12<sup>th</sup> August 2015.

Minutes of the meeting are laid on the table and circulated.

**COUNCIL DECISION & OFFICER RECOMMENDATION – Item 9.1.2**

**That the minutes of the Local Emergency Management Committee be received.**

**10 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

**11 URGENT BUSINESS BY APPROVAL OF THE PRESIDENT OR A MAJORITY OF COUNCILLORS PRESENT**

**11.1.1 Tender No 15-004 - Supply, delivery and placement of sprayed bitumen, aggregate and asphalt**

<b>Location:</b>	<i>N/A</i>
<b>Applicant:</b>	
<b>File:</b>	
<b>Disclosure of Officer Interest:</b>	<i>None</i>
<b>Date:</b>	<i>12<sup>th</sup> September 2015</i>
<b>Author:</b>	<i>Rob Staniforth-Smith</i>
<b>Authorizing Officer:</b>	<i>Alan Lamb</i>
<b>Attachments:</b>	<i>Qualitative Criteria Assessment</i>

---

**SUMMARY**

This report recommends that Council approve the engagement of Malatesta Road Paving for the supply of bituminous products for the 2015-2016 financial year.

Prices were requested for the supply and placement of bituminous products via WALGA’s E Quotes.

**BACKGROUND**

The Council’s purchasing policy, F03, requires that for contracts expected to exceed \$100,000 in value that Council goes to public tender. WALGA’s “E Quotes” satisfies the requirements of public tender.

Quotations for the supply and placement of bituminous products, were received from 2 suppliers:

- Malatesta Road Paving and Hot Mix
- Fulton Hogan Industries

Tenders were evaluated using a “tender evaluation matrix” supplied to tenderers as part of the tender documents.

The Tender matrix was weighted as follows:

<b>Description of Qualitative Criteria</b>	<b>Weighting</b>
a) Demonstrated experience in completing similar projects/supply similar goods	10%
b) Skills and experience of Key Personnel	10%
c) Tenderer’s resources	10%
d) Tendered Price	70%

The tendered prices have been included in a confidential attachment as the tendered rates are commercially confidential.

The Tendered prices were evaluated by inserting the tenderers rates into Councils estimated quantities that were supplied at tender time.

<b>Description of Qualitative Criteria</b>	<b>Fulton Hogan</b>	<b>Malatesta</b>
a) Demonstrated experience in completing similar projects/supply similar goods	10%	10
b) Skills and experience of Key Personnel	10%	10
c) Tenderer’s resources	10%	10
d) Tendered Price	68.8	70
<b><u>TOTAL</u></b>	<b><u>98.8%</u></b>	<b><u>100%</u></b>

**COMMENT**

Both Malatesta Road Paving and Fulton Hogan Industries are experienced in the supply, delivery and placement of sprayed bitumen, aggregate and asphalt.

Their tendered prices are very similar (\$6000 difference over \$340,000 or 1.7%), with Malatesta Road Paving being the cheaper of the two.

Council has used Malatesta Road Paving for the past 5 years with no construction issues recorded and as such with Malatesta Road Paving being marginally cheaper than Fulton Hogan, it is recommended that Malatesta Road Paving be awarded the contract.

**CONSULTATION**

Nil

**STATUTORY OBLIGATIONS**

Nil

**POLICY IMPLICATIONS**

Purchasing Policy F03

Estimated value of goods exceeds \$100,000, therefore conduct a public tender.

In this instance WALGA's "E Quotes" satisfies the requirements of a public tender.

**BUDGET/FINANCIAL IMPLICATIONS**

Nil. All of the capital road works projects have an estimate for the supply of bituminous products. Both of the submitted tenders fit within this range.

**STRATEGIC IMPLICATIONS**

Nil

**SUSTAINABILITY IMPLICATIONS**

- **Environmental**  
There are no known significant environmental issues.
- **Economic**  
There are no known significant economic issues.
- **Social**  
There are no known significant social issues.

**VOTING REQUIREMENTS**

Simple majority



**COUNCIL DECISION & OFFICER RECOMMENDATION – 11.1.1**

**MOVED: Cr Oversby**

**SECONDED: Cr Blackburn**

**That the quotation submitted by Malatesta Road Paving be accepted for the supply, delivery and placement of bitumen, aggregate and asphalt for the 2015-2016 financial year.**

**CARRIED 8/0**

**Res 92/15**

**11.1.2 Federal Assistance Grants to Local Government**

<b>Location:</b>	WA
<b>Applicant:</b>	WALGA
<b>File:</b>	
<b>Disclosure of Officer Interest:</b>	None
<b>Date:</b>	16 September 2015
<b>Author:</b>	Alan Lamb
<b>Authorizing Officer:</b>	Chief Executive Officer
<b>Attachments:</b>	letter from WALGA President

---

**SUMMARY**

The purpose of this report is to put before Council the request from the President of Western Australian Local Government Association (WALGA), Cr Lynne Craigie (President Shire of East Pilbara), for a Council resolution to support the Australian Local Government Association's (ALGA) campaign to highlight the importance of Federal Assistance Grants (FAGs) to Australian Local Governments.

**BACKGROUND**

The attached letter refers to an earlier request from ALGA for letters of support. It appears that the previous request was made in May 2015 and that to date 50 (36%) of 140 WA Local Governments have passed the requested resolution. ALGA was hoping for a 90% response from all Local Governments in the country.

The new WALGA President, Cr Lynn Craigie, is urging all of the Council's, that have not already done so, to pass a resolution along the lines of that contained in the attachment to her letter.

**COMMENT**

The total amount of FAGs funding for Australian Local Governments was subjected to an indexation freeze for three years from 2014/15. So whilst costs will escalate at in the order of 13% over the three years, the total pool of funding will not increase. The compounding affect of this is that from 2017/18 there will be a permanent reduction in the base FAGs of 13%.

FAGs, or what ever it was called till the early to mid 70s, was tied to a Federal tax (income tax from memory). That is Local Government received a percentage of the Federal Government's income, from a specific source, and so was guaranteed a set share of the ever-increasing taxation pie. Since the move from a percentage share of income to an amount determined each year (Commonwealth Grants

Commission) the real value of FAGs funding has not kept pace with what the previous system would have provided. Never the less, the FAGs funding is vital to most rural Council's. This Council's allocation for 14/15 and 15/16 are as follows:

	2014/15	2015/16
General Purpose	\$472,200	\$498,361
Roads	\$642,549	\$633,132

The other important aspect of these grants is that the funding is largely untied. That is the General Purpose portion may be applied to any expenditure and the only tie on the Roads portion is that it is spent on roads (maintenance or capital). This is significant benefit to Council's as there is less leakage to administration costs to cover funding applications, periodic reports and final acquittals (there is still the annual road information return to the WA Grant Commission but this consumes far less resources than meeting tied grant funding requirements does).

It will be noted that the grant funding for Boyup Brook for 15/16 has varied from 14/15. This is because whilst the pool of funding was frozen, the Commonwealth Grants Commission determines the portion for each State and then the State Grants Commission determines what each Council will get. Some of the general purpose funding is distributed based on population. For the balance, the WA Grants Commission uses a balanced budget calculation that determines each Council's expenditure requirements and ability to raise funds, based on a number of formulas, and comes up with the funding shortfall. It then aggregates the shortfall for all Councils, compares this to the total received for the State and apportions the grant pool based on the percentage grant pool is of the calculated requirement (the grant is always less than the requirement). As Councillors may recollect, the Grants Commission amended its calculations some time ago resulting in a significant increase for Boyup Brook. But in order to minimise the impact on all Council's, the adjustment was to be brought in over a number of years. So the general purpose grant increased from 14/15 to 15/16 and is expected to increase again next year.

With regard to the roads grant, this is subject to changes in all Council's road inventories. The balanced budget process ignores actual income and expenditure and, in the case of roads determines the annual expenditure requirements for various road construction types and then applies this to the road inventory data supplied, by the Councils to Main Roads, to come up with a funding requirement. The road grant went down in 15/16 indicating changes to other Council's road inventory resulted in a greater need elsewhere.

The foregoing is a simplified explanation that ignores the factors that can be applied to modify the expenditure requirement. Staying with roads for an

example, salt affected sections of road cost more to maintain than a standard gravel road and so a disability factor is applied to the calculation.

Whilst the thrust of the campaign regarding FAGs is directed at the freeze in indexation, there is also the recognition factor that perhaps has been lacking. The requested resolution seeks to address this. It is noted that recognition is a requirement for all tied funding but not in this significant funding source. Council's annual operating revenue is generally around \$5m, FAGs, at over \$1m, is 20% of this.

It is recommended that Council passes the resolution as requested by the WALGA President.

### **CONSULTATION**

Another Shire and Council staff.

### **STATUTORY OBLIGATIONS**

Nil

### **POLICY IMPLICATIONS**

Nil

### **BUDGET/FINANCIAL IMPLICATIONS**

Nil

### **STRATEGIC IMPLICATIONS**

FAGs funding is vary significant and perhaps warrants the level of recognition sought. It is vital that this source of income continue and that it keeps pace with costs as a minimum.

### **SUSTAINABILITY IMPLICATIONS**

- **Environmental**  
There are no known significant environmental issues.
- **Economic**  
There are no known significant economic issues.
- **Social**  
There are no known significant social issues.

### **VOTING REQUIREMENTS**

Simple majority

**COUNCIL DECISION & OFFICER RECOMMENDATION – ITEM 11.1.2**

**MOVED: Cr Aird**

**SECONDED: Cr Imrie**

**That Council:**

- 1. Acknowledges the importance of federal funding through the Financial assistance Grants program for the continued deliver of Council services and infrastructure,**
- 2. Acknowledges that the Council received \$1.1M in 2014/15; and**
- 3. Will ensure that this federal funding, and other funding provided by the Federal Government under relevant grant programs, is appropriately identified as Commonwealth grant funding in Council publications, including annual reports.**

**CARRIED 8/0**

**Res 93/15**

**11.1.3 Material Variance levels in 2015-16 statements of financial activity**

<b><i>Location:</i></b>	<i>Not applicable</i>
<b><i>Applicant:</i></b>	<i>Not applicable</i>
<b><i>File:</i></b>	<i>FM/9/002</i>
<b><i>Disclosure of Officer Interest:</i></b>	<i>None</i>
<b><i>Date:</i></b>	<i>13 September 2015</i>
<b><i>Author:</i></b>	<i>Stephen Carstairs – Director Corporate Services</i>
<b><i>Authorizing Officer:</i></b>	<i>Alan Lamb – Chief Executive Officer</i>
<b><i>Attachments:</i></b>	<i>None</i>

---

**SUMMARY**

This matter is brought before Council to consider and adopt those material variance levels that will be applicable in 2015-16 statements of financial activity reporting.

**BACKGROUND**

The *Local Government (Financial Management) Regulations 1996* require that in each financial year, a local government will adopt a percentage or value to be used in statements of financial activity for reporting material variances. The Australian Accounting Standards Board (AASB 1031) defines ‘material’ financial events as follows:

*“Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the*

*omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”*

### **COMMENT**

As not-for-profit entities (like local governments) primarily concern themselves with the achievement of objectives, such as service delivery, rather than the generation of profit, it may not be so much appropriate to assess materiality by reference to profit or loss. Rather, it may be more meaningful in a local government setting to consider business units, or even activity statements, as a whole and to seek to recognize those factors which indicate deviations from normal activities e.g. such as a reversal of a trend.

For a number of years the shire set material variances such that any variation which exceeds 5% or \$1,000 shall be reported. No minimum budget amount has been recognized. Then in 2014-15 material variances for expense line items (jobs and/or accounts), were recognized as follows:

- where budget is exceeded by more than 10% or by more than \$1,000, for year-to-date budgets (i.e. budgets to the end of the month) which are greater than \$5,000.

For income line items material variances shall be recognized for amounts:

- less than 90%, or less by more than \$1,000, for budgets to the end of the month which are greater than \$5,000.

The objective of the proposed approach is to cause officers to focus more so on substantial budgets (year-to-date of more than \$5,000) that are trending toward over expenditure, and equally as important – to focus on those areas that are trending toward under recovery of revenue. It is proposed that 2015-16 material variances remain the same as 2014-15.

### **CONSULTATION**

Alan Lamb - Chief Executive Officer

### **STATUTORY OBLIGATIONS**

AASB 1031 *Materiality*.

Regulation 34.(5) of the *Local Government (Financial Management) Regulations 1996*.

### **POLICY IMPLICATIONS**

Nil

### **BUDGET/FINANCIAL IMPLICATIONS**

Not applicable

**STRATEGIC IMPLICATIONS**

Nil

**SUSTAINABILITY IMPLICATIONS**

- **Environmental**  
Not applicable
- **Economic**  
Nil
- **Social**  
Not applicable

**VOTING REQUIREMENTS**

Simple Majority

**COUNCIL DECISION & OFFICER RECOMMENDATION- ITEM 11.1.3**

**MOVED: Cr Walker**

**SECONDED: Cr Kaltenrieder**

**That for the purpose of reporting 2015-16 material variances in financial activity statements, when appraising expense line items (jobs and/or accounts) material variances shall be recognized and reported for year-to-date actual balances that are:**

- **in excess of 10%, or more than \$1,000, of year-to-date budgets which are greater than \$5,000.**

**For income line items material variances shall be recognized and reported for year-to-date actual balances that are:**

- **less than 90%, or below by \$1,000 or more, of year-to-date budgets which are greater than \$5,000.**

**CARRIED 8/0**

**Res 94/15**

**12 CONFIDENTIAL MATTERS – BEHIND CLOSED DOORS**

Nil

**13 CLOSURE OF MEETING**

There being no further business the Shire President thanked all for attending and declared the meeting closed at 5.28pm.