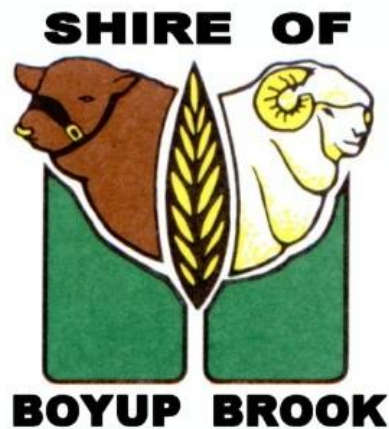


# Minutes



## SPECIAL COUNCIL MEETING

held

THURSDAY 07 March 2019  
Commenced AT 6.45 PM

AT

SHIRE OF BOYUP BROOK  
CHAMBERS  
ABEL STREET - BOYUP BROOK

**TABLE OF CONTENTS**

**1 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED ..... 3**

1.1 Attendance.....3

1.2 Apologies.....3

1.3 Leave of Absence.....3

**2 PUBLIC QUESTION TIME..... 3**

2.1 Response to Previous Public Questions Taken on Notice ..... 3

**3 APPLICATIONS FOR LEAVE OF ABSENCE ..... 3**

**4 REPORTS OF OFFICERS ..... 3**

4.1 FINANCE.....4

4.1.1 30 June 2018 Annual Financial Statements - Significant Adverse Trends .....4

**5 CLOSURE OF MEETING ..... 7**

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

**1.1 Attendance**

Cr G Aird – Shire President  
Cr S Alexander  
Cr P Kaltenrieder  
Cr Moir  
Cr T Oversby

STAFF: Mr S Carstairs (Acting Chief Executive Officer)  
Mrs M Lane (Executive Assistant)

**1.2 Apologies**

Cr R Walker  
Cr E Rear  
Cr H O'Connell  
Cr E Muncey

**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 REPORTS OF OFFICERS**

## 4.1 FINANCE

### 4.1.1 30 June 2018 Annual Financial Statements - Significant Adverse Trends

<b>Location:</b>	Shire Boyup Brook
<b>Applicant:</b>	N/A
<b>File:</b>	FM/09/004
<b>Disclosure of Officer Interest:</b>	None
<b>Date:</b>	04 March 2019
<b>Author:</b>	Stephen Carstairs (Acting CEO)
<b>Authorizing Officer:</b>	Stephen Carstairs (Acting CEO)
<b>Attachments:</b>	Yes: Excerpts from the Shire of Boyup Brook 30 June 2018 Audited Financial Statements.

#### **SUMMARY**

This report is for Council is to consider significant adverse trends in the 30 June 2018 financial position of the Shire of Boyup Brook, as presented in the audit report of Mr Timothy Partridge (Partner, AMD Chartered Accountants).

#### **BACKGROUND**

In the section *Report on Other Legal and Regulatory Requirements* of his audit report Mr Partridge reported as follows:

*(i) In our opinion, the following matters indicate significant adverse trends in the financial position of the Shire of Boyup Brook:*

*a. Operating surplus ratio as reported in Note 29 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.700, 2017: -0.250 and 2018: -0.390); and*

*b. Asset renewal funding ratio as reported in Note 29 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of 0.6 for the last three years; (2016: 0.220, 2017: 0.220 and 2018: 0.450).*

Section 7.12A. (4) of the Local Government Act 1995 (the Act) requires local governments (LG) to report on matters identified as significant by the auditor and indicate what action the LG has taken or intends to take in respect of the matters.

When meeting with the LG on 13 December 2018 Mr Partridge took up with Council the abovementioned adverse trends.

#### **COMMENT**

That the shire was unable to achieve a zero operating surplus ratio in the past three (3) years (and refer attached Note 28. Financial Ratios - excerpt from the 30 June 2018 Annual Financial Statements) reflects the shire's reliance on non-

operating grants (\$9,476,648 in 2017-18) to offset the shire's increasing annual depreciation expense (\$3,147,290 in 2017-18). The shire's 30 June 2013 Annual Financial Statements reported depreciation expense at \$1,672,787, and this expense has almost doubled in the past 5 years as council has re-valued its assets so as to accord with the Act's re-valuation for fair value regulations. When addressing Council on the matter of its adversely trending operating surplus ratio, Mr Partridge observed that this 'seemingly' reliance by small regional LG on non-operating grants was the norm rather than the exception, or words to that effect. Without a change in the *status quo* e.g. a change in the DLGSCI's operating surplus ratio standard of zero; or transfer of the shire's circa \$105m of roads, drainage and bridges infrastructure assets to the state, seems that every year the Shire of Boyup Brook, with its *circa* \$128m in total of non-current assets and reliance on non-operating grants, will be reporting on this matter.

The shire's adversely trending asset renewal funding ratio reflects the shire's inability to fund (with current non-operating grant levels) in the next 10 years, asset renewal to a standard (0.6) set by the DLGSCI. Note: Some of council's assets approach or have exceeded 50% of their useful life as follows:

- Infrastructure - Drainage valued at \$18.0m and 40.7% depreciated;
- Infrastructure - Parks and Gardens valued at \$1.3m and 57.7% depreciated;
- Infrastructure - Bridges valued at \$ 49.4m and 62.4% depreciated;
- Infrastructure - Other Infrastructure valued at \$7.0m and 48.5% depreciated; and
- Infrastructure - Recreation Infrastructure valued at \$4m and 53.9% depreciated,

and refer note 8(a). *Infrastructure* - excerpt 30 June 2018 Annual Financial Statements, as attached. Simplistically, a one-off \$24.5m input into the abovementioned asset classes might reduce their accumulated depreciation levels to only 25%, but it is not known if this would be an acceptable service level.

**CONSULTATION** - Nil

**STATUTORY OBLIGATIONS**

Section 7.12A(4) and (5) of the *Local Government Act 1995* have application to this report.

*7.12A. Duties of local government with respect to audits*

(4) *A local government must —*

(a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*

(b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*

(5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

**POLICY IMPLICATIONS** - Nil

**BUDGET/FINANCIAL IMPLICATIONS** - Nil

**STRATEGIC IMPLICATIONS**

It would seem timely for Council to appraise and set appropriate (financially achievable) service levels for its various infrastructure asset classes.

**SUSTAINABILITY IMPLICATIONS**

- **Environmental** – Nil
- **Economic** – Nil
- **Social** – Nil

**VOTING REQUIREMENTS**

Simple majority

**COUNCIL DECISION & OFFICER RECOMMENDATION - ITEM 4.1.1**

**MOVED:** Cr Kaltenrieder

**SECONDED:** Cr Alexander

**That Council:**

1. **Recognises that relative to Department of Local Government, Sport and Cultural Industries criteria, the Shire is not meeting either an operating surplus ratio (zero) or asset renewal funding ratio (0.6) standard, and directs the CEO to arrange, before 30 June 2019, workshop(s) as required so that Council might address this matter.**
2. **Directs the CEO to: give a copy of this report to the Minister within 3 months after the 30 June 2018 audit report was received by the local government; and publish a copy of this report on the local government's official website.**

**CARRIED 5/0**

**Res 31/19**

**5 CLOSURE OF MEETING**

There being no further business the Shire President, Cr Aird thanked all for attending and declared the meeting closed at 7.00pm.