

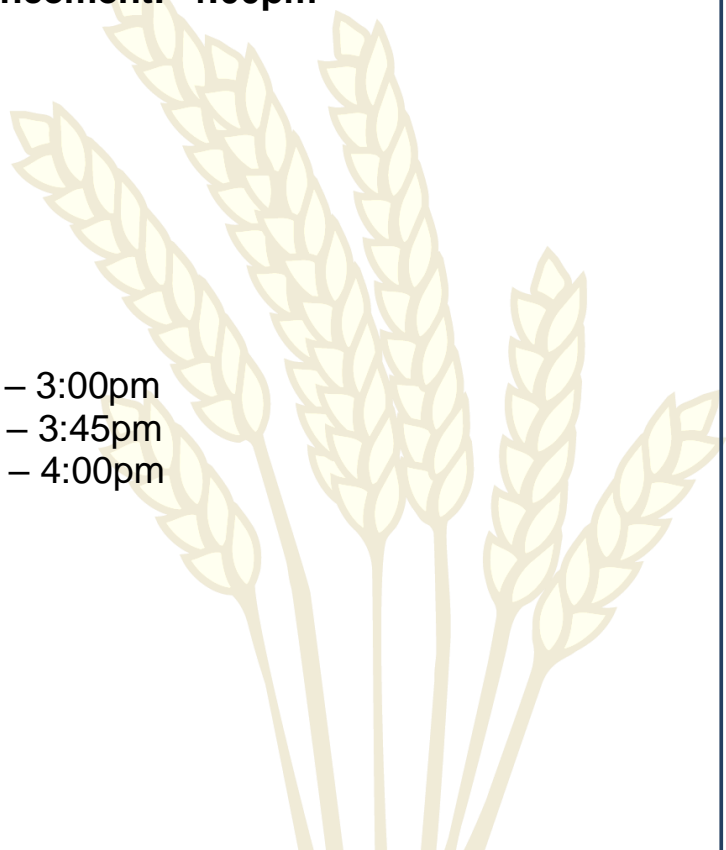


**AGENDA
FOR
ORDINARY MEETING OF COUNCIL
Wednesday 17 March 2021**

**Council Chambers
Lot 66 Railway Street
Trayning WA 6488**

Commencement: 4:00pm

Forum Meeting – 3:00pm
Audit Committee Meeting – 3:45pm
Ordinary Council Meeting – 4:00pm





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The Shire of Trayning warns that anyone who has any application lodged with the Shire of Trayning must obtain and should only rely on **WRITTEN CONFIRMATION** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Trayning in respect of the application.

Signed

Leanne Parola
Chief Executive Officer



AGENDA

Ordinary Meeting of the Trayning Shire Council,
Held in the Council Chambers, Lot 66 Railway Street, Trayning,
on Wednesday 17 March 2021, commencing at 4:00pm.

CONTENTS

1	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS	4
2	ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE	4
3	RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE	4
4	PUBLIC QUESTION TIME	4
5	APPLICATIONS FOR, AND PREVIOUSLY APPROVED, LEAVE OF ABSENCE AND DISCLOSURES OF INTEREST	4
5.1	Applications Previously Approved	4
5.2	Leave of Absence.....	4
5.3	Disclosure of Interest.....	4
6	PETITIONS/DEPUTATIONS/PRESENTATIONS	4
6.1	Petitions	4
6.2	Deputations	5
6.3	Presentations	5
7	CONFIRMATION OF MINUTES.....	5
7.1	Ordinary Meeting of Council.....	5
8	ANNOUNCEMENT BY PRESIDING MEMBER WITHOUT DISCUSSIONS.....	5
9	REPORTS OF OFFICERS	5
9.1	REGULATORY SERVICES.....	5
9.2	MANAGER OF FINANCE.....	6
9.2.1	Monthly Financial Report for February 2021	6
9.2.2	Monthly Payment List February 2021	9
9.3	CHIEF EXECUTIVE OFFICER.....	10
9.3.1	Annual Report 2019/20.....	10
9.3.2	Tender 3.2020/21 Trayning Emergency Services Shed	17
10	NEW BUSINESS OF AN URGENT NATURE BY DECISION OF MEETING	19
11	MATTERS FOR WHICH THE MEETING MAY BE CLOSED.....	19
12	CLOSURE.....	19



1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

2 ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE

MEMBERS:

Cr Melanie Brown (Shire President)
Cr Geoff Waters (Deputy Shire President)
Cr Michelle McHugh
Cr Freda Tarr
Cr Jim Wilkins
Cr Clayton Marchant

STAFF:

Mrs Leanne Parola (Chief Executive Officer)
Miss Belinda Taylor (Manager of Corporate Services)
Mr Parthiv Parekh (Manager of Financial Services)
Mr Stephen Thomson (Works Supervisor)

APOLOGIES:

ON APPROVED LEAVE(S) OF ABSENCE:

ABSENT:

VISITORS:

3 RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

4 PUBLIC QUESTION TIME

5 APPLICATIONS FOR, AND PREVIOUSLY APPROVED, LEAVE OF ABSENCE AND DISCLOSURES OF INTEREST

5.1 Applications Previously Approved

5.2 Leave of Absence

5.3 Disclosure of Interest

6 PETITIONS/DEPUTATIONS/PRESENTATIONS

6.1 Petitions



6.2 Deputations

6.3 Presentations

7 CONFIRMATION OF MINUTES

7.1 Ordinary Meeting of Council

Officer Recommendation

That the minutes of the Ordinary Meeting of Council held on 17 February 2021 be confirmed as a true and correct record of the proceedings.

8 ANNOUNCEMENT BY PRESIDING MEMBER WITHOUT DISCUSSIONS

9 REPORTS OF OFFICERS

9.1 REGULATORY SERVICES



9.2 MANAGER OF FINANCE

9.2.1 Monthly Financial Report for February 2021

Date of Report:	9 March 2021
Proponent:	N/A
File Ref:	N/A
Officer	Parthiv Parekh – Manager of Financial Services
Senior Officer:	Leanne Parola –Chief Executive Officer
Officer’s Disclosure of Interest:	Nil
Attachments:	Monthly Financial Report for February 2021
Voting Requirements:	Simple Majority

Purpose of Report

This report presents for consideration the Monthly Financial Report, for the period ending 28 February 2021.

Background

All financial reports are required to be presented to Council within two meetings following the end of the month that they relate to.

These reports are prepared after all the end of month payments and receipts have been processed.

Consultation

There has been consultation with the Chief Executive Officer.

Statutory Environment

Local Government Act 1995 -

6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.

Local Government (Financial Management) Regulations 1996 -

34. Financial activity statement required each month (Act s. 6.4)

- (1A) In this regulation —
committed assets means revenue unspent but set aside under the annual budget for a specific purpose.



- (1) A local government is to prepare each month a statement of financial activity reporting on the revenue and expenditure, as set out in the annual budget under regulation 22(1)(d), for that month in the following detail —
 - (a) annual budget estimates, taking into account any expenditure incurred for an additional purpose under section 6.8(1)(b) or (c); and
 - (b) budget estimates to the end of the month to which the statement relates; and
 - (c) actual amounts of expenditure, revenue and income to the end of the month to which the statement relates; and
 - (d) material variances between the comparable amounts referred to in paragraphs (b) and (c); and
 - (e) the net current assets at the end of the month to which the statement relates.
- (2) Each statement of financial activity is to be accompanied by documents containing —
 - (a) an explanation of the composition of the net current assets of the month to which the statement relates, less committed assets and restricted assets; and
 - (b) an explanation of each of the material variances referred to in sub regulation (1)(d); and
 - (c) such other supporting information as is considered relevant by the local government.
- (3) The information in a statement of financial activity may be shown —
 - (a) according to nature and type classification; or
 - (b) by program; or
 - (c) by business unit.
- (4) A statement of financial activity, and the accompanying documents referred to in sub regulation (2), are to be —
 - (a) presented at an ordinary meeting of the council within 2 months after the end of the month to which the statement relates; and
 - (b) recorded in the minutes of the meeting at which it is presented.
- (5) Each financial year, a local government is to adopt a percentage or value, calculated in accordance with the AAS, to be used in statements of financial activity for reporting material variances.

The recommendation that follows is consistent with the legislative requirements.

Policy Implications

This proposal incorporates the requirements of policy 7.11 – Investment of Surplus Funds, specifically the requirement to report on Councils investments within the Monthly Financial Report.

Agenda: Ordinary Meeting of Shire of Trayning Council to be held on Wednesday 17 March 2020 7



Financial Implications

A copy of the Monthly Financial Report for the period ending 28th February 2021, including the report on significant variances, Investment of Councils reserve and surplus funds and the reconciliation of Councils bank accounts, will be provided as a separate attachment.

Strategic Implications

There are no strategic implications.

Environmental Implications

There are no environmental implications.

Social Implications

There are no social implications.

Officer's Comment

Nil

Officer's Recommendation

That Council accepts the Monthly Financial Report for the period ending 28 February 2021 as presented.



9.2.2 Monthly Payment List February 2021

Date of Report:	9 March 2021
Proponent:	N/A
File Ref:	3.2.2.3 – Accounts Payable (Creditors)
Officer:	Abbie Herrick – Finance Officer
Senior Officer:	Parthiv Parekh – Manager of Financial Services
Officer's Disclosure of Interest:	Nil
Attachments:	9.2.3 Monthly Payments and Sundry Debtor List
Voting Requirements:	Simple Majority

Purpose of Report

To meet legislative requirements under the Local Government (Financial Management) Regulations.

Background

The Local Government (Financial Management) Regulations 1996 requires that Council is to be presented with a Statement of Payments each month.

Consultation

There has been consultation with the Chief Executive Officer.

Statutory Environment

Local Government (Financial Management) Regulations 1996

Officer's Comment

The list of payments has been compiled for the month of February 2021 and is attached. These payments have already occurred and Council are not making a decision as to whether payments are to be made.

Officer's Recommendation

That Council receives the list of payments, as presented, for the month of February 2021, totalling \$330,082.05.



9.3 CHIEF EXECUTIVE OFFICER

9.3.1 Annual Report 2019/20

Date of Report:	10 March 2021
Proponent:	N/A
File Ref:	3.2.6.4 – Annual Report
Officer:	Leanne Parola –Chief Executive Officer
Officer's Disclosure of Interest:	Nil
Attachments:	2019/20 Annual Report Draft Copy
Voting Requirements:	Simple Majority

Purpose of Report

The Audit Committee is requested to examine the Annual Financial Report which includes the Audit Report, for the year ending 2019/2020 and recommend its adoption by Council.

Background

The purpose and responsibilities of the Audit Committee is outlined in Part 7 of the Local Government Act 1995.

One of the Audit Committee's responsibilities is to examine the reports of the auditor. The committee would then determine if any matters raised in the reports require action to be taken by the local government and to ensure that appropriate action is implemented. The Audit Committee is to receive and authorise a report relating to the audit prepared by the Chief Executive Officer that is subsequently to be sent to the Minister.

This report outlines actions intended to be undertaken in relation to matters identified by the auditor.

Consultation

The completion of the annual financial report and audit required staff to undertake extensive consultation with the audit staff and no further consultation is required.

Statutory Environment

Local Government Act 1995, Section 7.9 requires the Auditor to examine the accounts and annual financial report by 31 December following the end of the financial year. The Office of the Auditor General has not complied with this requirement.



Local Government Act 1995, Section 7.12A sets out the requirements for local governments in respect to audits. This includes the need to prepare a report to the Minister within 3 months of receiving the audit report if the auditor identifies any items it considers significant.

Local Government (Audit) Regulations 1996, section 10 requires the audit report to be forwarded to the Audit Committee within 30 days of completing the audit.

Local Government (Audit) Regulations 1996, section 16 describes the functions of the audit committee.

Policy Implications

The Shire's Accounting Policies are included in the notes to the Financial Statements.

Financial Implications

The Office of the Auditor General has not provided an invoice of costs for performing the audit at this time. There will be costs associated with holding an Audit Committee Meeting and the Electors General Meeting.

Strategic Implications

There are no strategic implications relevant to the adoption of the Annual Report. Actions to address the findings of the auditors will have an impact on future versions of the Long Term Financial Plan and the Asset Management Plan, both of which are expected to be completed by the end of September 2021.

Environmental Implications

There are no significant environmental implications.

Social Implications

There are no social implications with the adoption of the Annual Report but there potentially will be impacts on the community with addressing the 'Operating Surplus Ratio' if it results in the reduction of community facilities and services.

Officer's Comment

The auditors completed the audit for the financial year ended 30 June 2020 in March 2021 and issued the Audit Report on 9 March 2021.

The Auditor reported two (2) matters in the Audit Report:

- (i) *In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:*



- a. *The Operating Surplus Ratio as reported in Note 29 of the annual financial year has been below the Department of Local Government, Sport and Cultural Industries' (DLGSCI) standard for the past 3 years; and*
 - b. *The Asset Sustainability Ratio as reported in Note 29 of the annual financial report has progressively declined over the past 3 years and for 2019-20 is below the DLGSCI standard.*
- (ii) *The following material matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:*
- a. *The Council has not reported the Asset Renewal Funding Ratio for the past 2 years in the financial report as required by Regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as management have not updated the asset management plan and long term financial plan in recent years.*

The below extract from the Department of Local Government, Sport and Cultural Industries' Operational Guidelines explains the Operating Surplus Ratio and the Department's standard:

Operating Surplus Ratio

(Operating Revenue MINUS Operating Expense)

divided by

Own Source Operating Revenue

Purpose

This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.

Standards

Basic Standard between 1% and 15% (0.01 and 0.15) Advanced Standard > 15% (>0.15).

Definitions	Description
<i>'Operating Revenue'</i>	<i>Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.</i>
<i>'Operating Expense'</i>	<i>Means the expense that is operating expense for the purposes of the AAS.</i>
<i>'Own Source Operating Revenue'</i>	<i>Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries *, interest income and profit on disposal of assets.</i>



Shire of Trayning's figures used to calculate the ratio were:

Operating Revenue & Expenses	2019/20	2018/19
Rates	1,167,162	1,095,520
Operating grants, subsidies and contributions	1,833,252	1,733,430
Fees and charges	216,865	239,444
Interest earnings	3,774	20,054
Profit	12,171	1,550
Other revenue	112,292	133,653
Employee costs	(1,211,520)	(1,339,891)
Materials and contracts	(791,252)	(689,245)
Utility charges	(115,478)	(136,522)
Depreciation	(990,322)	(922,347)
Interest expenses	(19,358)	(18,789)
Insurance expenses	(72,485)	(93,272)
Loss	(491,626)	(16,370)
Other expenses	(91,887)	(52,846)
Net Result	(438,412)	(15,627)

Divided by

Own Source Operating Revenue		
Rates	1,167,162	1,095,520
Fees & Charges	216,865	239,444
Interest Income	3,774	20,054
Profit on Disposal of Assets	12,171	40,529
Reimbursements & Recoveries	112,292	119,587
	1,512,264	1,515,134

Equals

Operating Surplus Ratio	(0.29)	(0.02)
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The Shire of Trayning's Operating Surplus Ratio will not be able to meet the benchmark standard unless the Shire is able to increase revenue and/or decrease expenditure so that the net operating result is positive. In 2020/21 the Shire budgeted for an Operating Surplus Ratio of (0.70).

A negative ratio indicates that the Shire is reliant on capital grants and contributions to cover its operating costs and capital expenditure (renewal of assets, repayment of debt etc).

The ratio can be improved in future years by focusing on the following:

- Capitalising expenses that may have been classed as operating in the past (ie expenses such as replacing airconditioners and gravel resheeting that improve the condition rating of an asset or extend its life can be treated as capital)
- Reducing depreciation by increasing the useful lives of assets or reducing their values to bring depreciation rates down and disposing of assets that are not required
- Increasing income and/or the creation of new income streams



- Decreasing levels of service/operating expenses

These are all areas that will need to be carefully considered when developing the new Long Term Financial Plan and Asset Management Plan.

The following extract from the Department of Local Government, Sport and Cultural Industries' Operational Guidelines explains the Asset Sustainability Ratio and the Department's standard:

Asset Sustainability Ratio

This ratio is an approximation of the extent to which assets managed by a local government are being replaced as these reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense. Expenditure on new or additional assets is excluded.

Depreciation expense represents an estimate of the extent to which the assets have been consumed during that period. Measuring assets at fair value is critical to the calculation of a valid depreciation expense value.

Purpose

This ratio indicates whether a local government is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

Standards

Standard is met if the ratio can be measured and is 90% (or 0.90) Standard is improving if this ratio is between 90% and 110% (or 0.90 and 1.10).

Definitions	Description
<i>'Capital Renewal and Replacement Expenditure'</i>	<i>Means expenditure to renew or replace existing assets. In other words, it is expenditure on an existing asset to return the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure. As it reinstates existing service potential it may reduce operating and maintenance costs.</i>
<i>'Depreciation'</i>	<i>Has the meaning given in the AAS. Under AASB 116 paragraph 6, 'Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.' In other words, depreciation represents the allocation of the value of an asset (its cost less its residual value) over its estimated useful life to the local government. Depreciation expense can be sourced from the audited annual financial report.</i>
<i>'Depreciable Amount'</i>	<i>Under AASB 116 paragraph 6, 'Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.'</i>



<i>'Residual Value'</i>	<i>Under AASB 116 paragraph 6, 'The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.'</i>
<i>'Useful Life'</i>	<i>Under AASB 116 paragraph 6, 'Useful life is: (a) the period over which an asset is expected to be available for use by an entity; or (b) the number of production or similar units expected to be obtained from the asset by an entity.'</i>

This ratio was not raised as an issue by the Office of the Auditor General until after the Exit Meeting with the Chair of the Audit Committee, Councillor Waters, Chief Executive Officer and Manager Finance. The auditor hired by the Office of the Auditor General telephoned the Chief Executive Officer to advise her of the issue and the notification was accepted at face value.

On investigation by the Chief Executive Officer, it appears that the figures used to calculate the ratio were incorrect for the last two financial years, something that was not picked up by the auditor.

The figures/calculation applied were:

	2019/20	2018/19
Capital Expenditure	\$2,314,212	\$1,231,157
Less: new/upgrade expenditure	(1,365,861)	(253,965)
Less: proceeds on disposal of renewed assets	(205,000)	(247,419)
Capital renewal and replacement expenditure	\$743,351	\$729,773
Depreciation Expense	\$990,322	\$922,347
Ratio	0.751	0.791

The figure used as 'new/upgrade' expenditure was the total spent on property, plant and equipment for the financial year. This is an incorrect treatment as the total includes renewal expenditure on a number of projects, and does not include any new/upgrade expenditure on infrastructure.

This ratio can be improved in future years by focusing on the following:

- Capitalising renewal expenses that may have been classed as operating in the past (i.e. expenses such as replacing airconditioners and gravel resheeting that improve the condition rating of an asset or extend its life can be treated as capital)
- Reducing depreciation by increasing the useful lives of assets or reducing their values to bring depreciation rates down and disposing of assets that are not required
- Properly splitting capital expenditure into renewal and new/upgrade in future calculations.

This ratio will also need to be carefully considered when developing the new Long Term Financial Plan and Asset Management Plan. Staff have started to develop new versions of these plan for Council consideration before the 2020/21 Annual Financial Statements are finalised.



Committee Recommendation

The Audit Committee recommends that Council:

- 1) Accept the Shire of Trayning Annual Report that includes the Audited Financial Statements and Auditors Report for the year ending 30 June 2020.
- 2) Endorse the content of the Officer's Comment in agenda item as the Shire of Trayning's report to the Minister.
- 3) Hold an Electors' General Meeting at 6 pm on Wednesday 21 April 2021.



9.3.2 Tender 3.2020/21 Trayning Emergency Services Shed

Date of Report:	10 March 2021
Proponent:	Chief Executive Officer
File Ref:	3.2.8.1 Tenders
Officer's Disclosure of Interest:	Nil
Attachments:	Confidential - Tender Assessment Report
Voting Requirements:	Simple Majority

Purpose of Report

To consider tenders received for the design and construction of the Trayning Emergency Services Shed.

Background

Discussions and negotiations with the Department of Fire and Emergency Services (DFES) and the Trayning Volunteer Fire and Rescue Service have been ongoing for a number of years.

Tenders were called for the design and construction of the Trayning Emergency Services Shed on 9 February 2021 and closed on 5 March 2021.

Officer's Comment

The Shire engaged Lange Consulting & Software to run the tender for the design and construction of the Trayning Emergency Services Shed.

Five tenders were received and an assessment was carried out by the Chief Executive Officer, Peter Toboss, BossHealth (contract Environmental Health Officer) and Matthew Goodwin (DFES) with the guidance of Lange Consulting.

The confidential tender assessment report is provided under separate cover for Councillors' consideration.

Consultation

Peter Toboss, BossHealth (contract Environmental Health Officer)
Matthew Goodwin, DFES

Statutory Environment

Tenders were called in accordance with the requirements of the Local Government (Functions and General) Regulations 1996.



Policy Implications

Policy 7.4 Purchasing and Tenders applies.

Financial Implications

The 2020/21 annual budget includes capital expenditure of \$700,000 for the construction of the Trayning Emergency Services Shed. Funds from DFES of \$178,170 are currently being held with an additional \$468,182 budgeted to be received this financial year.

To date \$21,806 has been expended/committed on the project (including preliminary design, advertising and consultants).

The project is not likely to be completed by 30 June 2021, so some income and expenditure will be required to be carried forward to the following financial year.

If the project exceeds the budgeted amount, additional funds will be sought from DFES to make up the shortfall.

Strategic Implications

The construction of the new Emergency Services Shed is consistent with the Short Term Strategy within the 2019 Strategic Community Plan "2.9 Support facilities used by emergency services". The plan includes an objective of "DFES building improvements".

The construction of a new shed will have negative implications for the Asset Management Plan and Long Term Financial Plan.

Environmental Implications

There are no known environmental implications.

Social Implications

There are no known social implications.

Officer's Recommendation

That:

1. The Tender received from _____ for Tender 3-2020/21, in accordance with the tender documentation and for the fixed lump sum price of \$_____ excluding GST be accepted.
2. The Chief Executive Officer be authorised to negotiate a contract with _____, subject to a positive outcome of a financial viability report.



10 NEW BUSINESS OF AN URGENT NATURE BY DECISION OF MEETING

11 MATTERS FOR WHICH THE MEETING MAY BE CLOSED

12 CLOSURE