



# MINUTES

Special Council Meeting

16 August 2021

Shire of Victoria Plains  
Council Chambers, Calingiri  
AND  
via E-Meeting Protocol

Commencing – 3.39 pm

## DISCLAIMER:

The recommendations contained in this document are officers' recommendations only and should not be acted upon.

The decisions of the Committee are not considered final until the minutes of the Committee meeting are adopted by Council at a subsequent meeting or advised in writing by the CEO or authorised person.

Members of the public should also note that they act at their own risk if they enact any resolution prior to receiving official written notification.

Please note that meetings may be recorded for minute taking purposes.

### E – Disclaimer

It is the Presiding Member's responsibility to preserve order in the meeting and this can be more difficult in an eMeeting. Therefore, each Council Member must consistently and respectfully follow the Local Government's Meeting Procedures Local Law, any additional eMeeting guidance provided by the Local Government and support the Presiding Member in their conduct of the eMeeting.

The pace of an eMeeting should be slow and orderly. The following practices will help avoid confusion and support effective eMeetings:

Speak clearly and slowly, as connections may be distorted or delayed;

Always state your name to indicate to the Presiding Member that you wish to speak. Restate your name if the Presiding Member has not heard you at first;

In debate, only speak after the Presiding Member has acknowledged you. Then state your name, so that others know who is speaking;

Follow the Presiding Member's directions and rulings;

If you are unclear about what is happening in an eMeeting, immediately state your name to draw the Presiding Member's attention and enable you to then seek clarification from the Presiding Member;

Avoid looking for opportunities to call Points of Order; instead, politely and respectfully gain the Presiding Member's attention and explain any deviation from your Meeting Procedures, the Local Government Act or any other relevant matter.

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UNCONFIRMED



# Minutes

## Shire of Victoria Plains Special Council Meeting

Held in the Council Chambers and via E-meeting protocol, Cavell Street, Calingiri  
on Monday 2 August 2021 commencing at 3.39pm.

### 1. DECLARATION OF OPENING

#### 1.1 Opening

The Presiding Member stated the declaration of the State Emergency and State Health Emergency and the means of conducting meetings under the E-meeting platform, advising Elected Members that the meeting was being recorded for the purposes of Minute Taking and uploading of the recording to the Shire Website for public viewing.

The Meeting was declared open by the Shire President at 3.39pm.

#### 1.2 Announcements by Presiding Member

### 2. RECORD OF ATTENDANCE

Members	Cr P Bantock – Shire President Cr D Lovelock - Deputy Shire President Cr N Clarke Cr G O'Brien
Staff	CEO – Ms G Teede Governance Officer – Mr S Fletcher – via teleconference Minute Taker – Mrs J Klobas RSM (Mr T Bates) joined the meeting via teleconference at 3.44pm, leaving the meeting at 3.48pm and did not return.
Apologies	Cr King Cr S Penn
Approved leave of absence	Nil
Visitors	Nil
Members of the public	Nil

**3. DISCLOSURES OF INTEREST**

	Type	Item	Person / Details
3.1	Financial		Nil
3.2	Proximity		Nil
3.3	Impartiality		Nil

**4. PUBLIC QUESTION TIME****4.1 Public Questions With Notice**

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*Public Question Time was opened to the floor at 3.40pm.*

Nil Public questions.

**4.2 Public Questions Without Notice**

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*Where written questions are not submitted, a summary of the questions and responses are given, as per the Local Government (Administration) Regulations 1996 r.11(e).*

Nil Public questions.

*Public question time closed at 3.40pm*

**5. CONFIRMATION OF MINUTES**

Not applicable.

**6. REPORTS REQUIRING DECISION****6.1 Report to the Minister for Local Government Regarding Significant Matters from the 2019-2020 Audit Report**

<b>File reference</b>	
<b>Report date</b>	21 July 2021
<b>Applicant/proponent</b>	Council
<b>Officer disclosure of interest</b>	Nil
<b>Previous meeting references</b>	
<b>Prepared by</b>	Sean Fletcher, Interim Governance Officer Travis Bate, Consultant Financial Adviser, RSM
<b>Authorised by</b>	CEO
<b>Attachments</b>	
Attachment 1	Page 2 Report on Significant Matter (to the Minister for Local Government (Includes OAG Report) 30 June 2020

**PURPOSE**

For Council to accept the Audit Committee's recommendations regarding the Report to the Minister for Local Government on the Significant Matter concerning how the Shire will address and improve its Operating Surplus Ratio and Current Ratio and to consider the actions that will be taken as a result. The CEO is then required to submit the Report to the Minister.

**BACKGROUND**

The Shire of Victoria Plains (Shire) is required to prepare an audited Annual Financial Report each year under the *Local Government Act 1995* (the Act).

The Shire's auditor is the Office of the Auditor General (OAG). The OAG's 30 June 2020 Audit Report for the Shire is attached at Appendix 1.

A key audit requirement is the responsibility of the Auditor to identify any adverse (significant) financial trends.

Regulation 50 of the *Local Government (Financial Management) Regulations 1996* requires the inclusion of seven ratios in the Annual Financial Report.

**50 Financial ratios to be included in annual financial report**

(1) *The annual financial report is to include, for the financial year covered by the annual financial report and the 2 preceding financial years:*

- (a) *the current ratio; and*
- (b) *the asset consumption ratio; and*
- (c) *the asset renewal funding ratio; and*
- (d) *the asset sustainability ratio; and*
- (e) *the debt service cover ratio, and*
- (f) *the operating surplus ratio; and*
- (g) *the own source revenue coverage ratio.*

For the financial year ended 30 June 2020, the OAG has reported a significant adverse trend in the Operating Surplus Ratio and Current Ratio for the Shire. It has been noted that: the Operating Surplus Ratio and Current Ratio have not met the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard as set out in *Operational Guideline Number 18 Financial Ratios*.

The Auditor General reported the following:

### Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

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 33 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- b. The **Current Ratio** as reported in Note 33 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last two financial years with the current year also being below the previous year.

#### Note:

The OAG made a significant finding in relation to the Operating Surplus ratio for the financial year ended 30 June 2019 i.e., the Operating Surplus Ratio is below the DLGSCI standard for the past 3 years.

#### COMMENT

Attached for the Audit Committee's consideration and recommendation is a report to the Minister for Local Government how the Shire will address both significant matters regarding the Shire's Operating Surplus Ratio and Current Ratio (Attachment 1). Matters encapsulated within the Report are:

#### Five Year Trend

The following table presents the financial ratios for the Shire against DLGSCI benchmarks for the past five years. Within this table the two ratios of concern have been highlighted:

	Standard	2020	2019	2018	2017	2016	5 Year Average
Current ratio	≥ 1.00	0.94	0.99	1.26	1.67	1.85	1.78
Asset consumption ratio	≥ 0.50	0.70	0.72	0.68	0.97	0.98	0.81
Asset renewal funding ratio	≥ 0.75	0.96	1.12	0.84	0.94	1.03	0.98
Asset sustainability ratio	≥ 0.90	0.35	0.86	0.71	1.25	0.80	1.02
Debt service cover ratio	≥ 2.00	8.23	(8.54)	2.90	13.92	4.48	4.20
Operating surplus ratio	≥ 0.01	(1.16)	(1.60)	(0.60)	(0.32)	(0.86)	(0.91)
Own source revenue coverage ratio	≥ 0.40	0.38	0.34	0.50	0.51	0.46	0.44

### Overview of Report to the Minister – Section 7.12(4)(a)

#### Implications

##### Operating Surplus Ratio

If a Local Government runs ongoing under-lying operating deficits, it needs to recognise longer-term implications. Not addressing ongoing deficits is likely to mean that future Councils will

struggle to be able to accommodate asset renewal needs and that service levels will decline over time. It is acknowledged that a trending reduction in the operating deficit is necessary for improved sustainable financial health of the Shire.

### Current Ratio

Although widely regarded as a measure of short-term debt paying ability, the current ratio must be interpreted with great care. A declining ratio may be a sign of a significant adverse trend in the financial position of the Shire; however, it is important to look at the individual assets and liabilities involved in the calculation.

### **Management Comment**

The Shire is continuing to transition towards improved long-term financial sustainability. This is outlined in the Strategic Resource Plan (SRP) adopted at the 12 August 2019 Special Council Meeting. The SRP contains both the Long-Term Financial Plan and the Asset Management Plan for the Shire.

### Operating Surplus Ratio

The SRP forecasts rate revenue along with fees and charges to increase by 7.0% (CPI 2.0% + 5%) from year 1 to year 5 of the Plan, with a 3.0% increase (CPI 2.0% + 1%) for the remaining term of the Plan. These increases are to assist in the long-term financial stability of the Shire and to maintain the level of services to the community.

The forecast increases in rate revenue and fees and charges result in an improvement to the Operating Surplus ratio from (0.66%) in 2020 to (0.31%) in 2034.

Whilst it is acknowledged that the forecast Operating Surplus ratio remains below the DLGSCI benchmark, the 2020 ratio of (1.16) is a significant improvement from the 2019 ratio of (1.60).

### Current Ratio

The 2020 current ratio is impacted by the recognition of contract liabilities of \$209,544 in relation to the implementation of AASB 15 and AASB1058 which came into effect for the year ended 30 June 2020.

The contract liabilities relate to incomplete projects at year end.

The recognition of these liabilities led to a deterioration in the current ratio as noted by the auditor. Had the contract liabilities not been recognised, the current ratio would have met the DLGSCI benchmark (estimated ratio would have been 1.23).

### Action Taken or Intended to be Taken (Action Plan)

The following Integrated Plans have been adopted by Council:

- Strategic Community Plan (28 March 2018);
- Strategic Resource Plan (12 August 2019)
- Workforce Plan (12 August 2019)
- Corporate Business Plan (12 August 2019)

The Integrated plans include increases to Rates and Fees and Charges which will improve the Own Source Revenue Ratio over the course of the Strategic Resource Plan.



The Shire will continue to monitor its current ratio and consider if any factors impacting the ratio represent a significant adverse trend.

### **Proposed Completion Date**

Council is committed to the following:

1. Reduction of the Operating Deficit; and
2. Monitoring the Operating Surplus Ratio for significant adverse trends.

It is expected that the implementation of the strategies outlined in the Strategic Resource Plan with respect to Rates and Fees and Charges increases will result in improvements in the Operating Surplus Ratio over the duration of the Strategic Resource Plan. The Shire will continue to monitor its Current Ratio and consider if any factors impacting the ratio represent a significant adverse trend.

### **Recommendation**

That Council is committed to a trending improvement in the Operating Surplus Ratio and the long term sustainable financial health of the Shire through continued implementation and funding of its Integrated Financial Planning Framework. Also, that it will continue to monitor the Shire's Current Ratio.

### **Conclusion**

The Audit Committee is required to oversee the above actions in conjunction with the CEO and it would be appropriate to advise the Minister for Local Government of the same as set out in Attachment 1.

### **CONSULTATION**

CEO

Mr Travis Bate, RSM. Mr Bate provided additional information regarding the forecast trends and impacts on the Operating Surplus Ratio and the Current Ratio.

### **STATUTORY CONTEXT**

The Audit Committee under the Local Government Act and the Audit Regulations is required to oversee the implementation of any action that the Shire is required to do regarding the significant findings in the Auditor's Report.

### **Local Government Act**

#### **7.2. Audit**

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

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

- (3) A local government must —
  - (aa) examine an audit report received by the local government; and
  - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and

- (b) ensure that appropriate action is taken in respect of those matters.
- (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.

**Audit Regulations**

**16 Functions of Audit Committee (in part)**

- (e) to support the auditor of the local government to conduct an audit and carry out the auditor’s other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c)

**CORPORATE CONTEXT**

<b>Civic Leadership</b>		<b><i>to better allocate scarce resources and effectively interact with the community</i></b>
5.1	Implement measures to improve relationship and communication between Council and community	<ul style="list-style-type: none"> <li>• <i>Implementation of initiatives to better connect Council with the community and associated matters.</i></li> </ul>
5.2	Improve elected member performance	
5.3	Develop an advocacy and lobbying capacity	
5.4	Measures to improve organisational efficiency	

**FINANCIAL IMPLICATIONS**

As per the comments in this report regarding future trends and improvements to purchasing and the Shire’s financial management.

Nil regarding action out of today’s report.

Ongoing strategies to address the Shire’s Operating Surplus Ratio are set out in the body of this agenda item.

**VOTING REQUIREMENTS**

Absolute majority required: No

RSM joined the meeting via teleconference at 3.44pm to answer a number of queries by Council. Mr Travis Bate left the meeting at 3.48pm and did not return.

**Officer's / Audit Committee's Recommendation / Council Resolution****Moved: Cr N Clarke****Seconded: Cr G O'Brien**

That Council **ACCEPTS** the recommendation of the Audit Committee as follows:

1. In accordance with Regulation 16(f)(i) and (ii) of the *Local Government (Function and General) Regulations 1996* is satisfied with the Report on the Significant Matters from the Financial Year Ending 30 June 2020 regarding the Shire's Operating Surplus Ratio and Current Ratio as required by Section 7.12(4)(a) of the *Local Government Act 1995*.
2. Recommends that Council is committed to a trending improvement in the Operating Surplus Ratio and long term sustainable financial health of the Shire through continued implementation and funding of its Integrated Financial Planning Framework as per the report in Point 1
3. Advises Council that in there is a need to monitor the Current Ratio going forward, given that, the requirement under AASB 15 and AASB1058 regarding contract liabilities introduced on 30 June 2020 impacted on this ratio.
4. Recommends to Council that the Shire (CEO) in accordance with Section 7.12A (4)(b) of the *Local Government Act 1995* submits the Report on the Significant Matters regarding the Shire's Operating Surplus Ratio and the Current Ratio to the Minister for Local Government.
5. Advises Council that it will undertake the matters identified in Point 1.

**CARRIED BY UNANIMOUS DECISION OF COUNCIL**

**7. MEETING CLOSED TO PUBLIC**

*Matters for which the meeting may be closed in accordance with the Local Government Act 1995 s.5.23(2).*

*Public reading of resolutions made during a closed meeting.*

**8. CLOSURE OF MEETING**

There being no further business, the presiding member declared the meeting closed at 3.49pm.

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**CERTIFICATION**

These minutes were confirmed at the Ordinary Council Meeting held on \_\_\_\_\_

Signed \_\_\_\_\_ Date \_\_\_\_\_  
(Presiding member at the meeting which confirmed the minutes)

**Committee –**

- **Minutes are unconfirmed until adopted at the following meeting of Committee**
- **Committee decisions may be authorised by Council, or by CEO authority**

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