

# **SHIRE OF PEPPERMINT GROVE**



## **AUDIT COMMITTEE**

# **MINUTES**

**OF THE MEETING HELD ON THE**

**22<sup>nd</sup> March 2016**



# Shire of Peppermint Grove

## AUDIT COMMITTEE MEETING MINUTES

22<sup>nd</sup> March 2016

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### 1. OFFICIAL OPENING

The Shire President declared the meeting open at 4:40pm.

### 2. ATTENDANCE AND APOLOGIES

#### 2.1 ATTENDANCE

Shire President	Cr R Thomas
Deputy Shire President	Cr C Hohnen
Councillor	Cr P Macintosh
Chief Executive Officer	Mr J Merrick
Manager Corporate Services	Mr P Rawlings (Minutes)

#### 2.2 APOLOGIES

Cr S Fleay

#### 2.3 OBSERVER

Cr D Horrex

### 3. DECLARATION OF INTEREST

Nil

### 4. CONFIRMATION OF MINUTES

#### 4.1 AUDIT COMMITTEE MEETING (24<sup>TH</sup> NOVEMBER 2015)

#### OFFICER RECOMMENDATION & COMMITTEE RESOLUTION

Moved Cr Macintosh

Seconded Cr Hohnen

That the Minutes of the Audit Committee meeting held on 24<sup>th</sup> November 2015 be confirmed as a true and accurate record of proceedings.

**CARRIED 3/0**

## 5. OFFICER REPORTS

### 5.1 VEHICLE FLEET MANAGEMENT

#### ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 1	Quote from Titan Ford for 2WD Ranger
Attachment 2	Quote from Gt Southern Toyota for two 4WD Hilux's
Attachment 3	Email from Gt Southern Toyota regarding buybacks

Voting Requirement	:	Simple Majority
Subject Index	:	N/A
Location / Property Index	:	N/A
Application Index	:	N/A
TPS No 3 Zoning	:	N/A
Land Use	:	N/A
Lot Area	:	N/A
Disclosure of any Interest	:	N/A
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Officers	:	Paul Rawlings – Manager Corporate Services Donovan Norgard – Manager Infrastructure Services

#### COUNCIL ROLE

- |                                     |                       |  |
|-------------------------------------|-----------------------|--|
| <input type="checkbox"/>            | <b>Advocacy</b>       | <i>When Council advocates on its own behalf or on behalf of its community to another level of government / body / agency.</i>  |
| <input type="checkbox"/>            | <b>Executive</b>      | <i>The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>   |
| <input type="checkbox"/>            | <b>Legislative</b>    | <i>Includes adopting local laws, town planning schemes &amp; policies.</i>   |
| <input checked="" type="checkbox"/> | <b>Review</b>         | <i>When Council reviews decisions made by Officers.</i>  |
| <input type="checkbox"/>            | <b>Quasi-Judicial</b> | <i>When Council determines an application / matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include town planning applications, building licences, applications for other permits / licences (e.g. under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i> |

#### PURPOSE OF REPORT

The purpose of this report is for Council to consider fleet vehicle replacement options. Once a preferred methodology has been determined, the Chief Executive Officer will enter into negotiations with authorised Government Fleet suppliers to ensure the Shire's vehicles always are well maintained, meet or exceed current appropriate safety standards, are environmentally responsible and present the best 'whole of life' costs.

## **SUMMARY AND KEY ISSUES**

- Currently the Shire of Peppermint Grove does not have a formal schedule for replacing fleet vehicles.
- Historically the Shire's vehicles have been replaced at two to three year intervals at a net cost of around \$11,000 - \$15,000 each.
- Investigations indicate this may not be the most effective approach to fleet replacement when 'whole of life cost' is taken into account.
- The ability of Local Government to access State Government fleet pricing offers substantial savings over 'normal' retail pricing of selected vehicles.
- These savings become more attractive due to LGA's not being required to pay stamp duty.
- A reputable dealer has offered to provide an 'agreed changeover' deal for selected Toyota commercial vehicles. This changeover arrangement is currently being regularly used by at least eight other Shires.
- Apart from providing a much improved level of certainty regarding changeover costs, this approach also means no servicing costs are incurred, vehicles always being under full factory warranty, a door to door delivery / changeover service is provided and there are no replacement of expensive consumables such as tyres, brakes or batteries.
- To shift to this arrangement would require an additional \$9,352 over and above the revised estimated changeover. From this point onwards however changeover costs would be fixed at \$1,750 per 15,000km's or 9 months (whichever comes first).
- Savings have been identified from the current capital budget to offset this 'one off' additional expenditure.

## **BACKGROUND**

Estimating and comparing 'whole-of-life' costs for vehicles enables fleet managers to gain a more accurate picture of vehicle costs over time and therefore to make more strategic purchasing decisions. 'Whole-of-life' cost calculations include the following elements:

- Purchase price (dealer delivery charge, compulsory third party insurance, registration, motor vehicle duty, number plate fees, optional extras and adjustment for trade-in vehicle)
- Depreciation (purchase price minus residual value)
- Recurring fixed costs (registration, insurance, roadside assistance and finance costs)
- Operating costs (fuel, tyres and maintenance).

The following table highlights the (GST exclusive) cost of replacing the last eight works vehicles:

<b>Vehicle</b>	<b>Purchase Date</b>	<b>Cost</b>	<b>Sale Date</b>	<b>Price received</b>	<b>Net Cost</b>
Colorado	June 2010	\$24,319	July 2013	\$13,670	\$10,649
Colorado	Oct 2010	\$24,319	Nov 2013	\$12,496	\$11,823
Navarra	July 2011	\$38,673	Sept 2013	\$26,131	\$12,542
Challenger	Sept 2013	\$40,036	Oct 2015	\$25,041	\$14,995
BT50	July 2013	\$26,383	Apr 2016*	\$13,182	\$13,201
Ranger	Oct 2015	\$42,612	March 2016	\$40,000	\$2,612
Colorado	Nov 2013	\$24,083	Apr 2016*	\$13,000	\$11,083
Ranger	March 2016	\$42,832	Sept 2016**	\$40,727	\$2,105

Notes        \* Quoted sale price if traded on similar 2WD utility  
             \*\* Agreed sale price

As can be seen the first 4 vehicles had a combined net replacement cost of \$50,009 over 124 months. (\$403 per month).

The two vehicles yet to be traded - the BT50 and the last Colorado - have monthly net replacement costs of \$388 and \$396 respectively.

The first Ford Ranger has just been traded for reasons other than changeover cost and the second Ranger was a slightly upgraded vehicle which enables Council to trade it in in around 6 month's time (15,000 kms) for \$40,727 (\$44,800 GST-inclusive) for a guaranteed changeover price of \$1,750 under an arrangement with Titan Ford.

The Gt Southern Toyota dealership has supplied the following quotes to replace the BT50 & Colorado with 4WD Toyota Hilux's with the ability to regularly change over vehicles for \$1,750 at 15,000 kilometres (approximately 9 months):

New Vehicle	Price	Trade	Price	Changeover
Hilux 4x4 2.4L Diesel single cab chassis (Auto)	\$34,545	Colorado	\$17,273	\$17,272
Hilux 4x4 2.4L Diesel single cab chassis (Manual)	\$33,091	BT50	\$16,727	\$16,364

### **STRATEGIC IMPLICATIONS**

There are no strategic implications at this time.

### **POLICY IMPLICATIONS**

There are no significant policy implications evident at this time.

### **STATUTORY IMPLICATIONS**

There are no statutory implications at this time.

### **FINANCIAL IMPLICATIONS**

A quote to replace the BT50 with a 2WD Ford Ranger (Attachment One) was also obtained with a GST-exclusive net cost of \$11,719 (\$26,264 - \$14,545). As can be seen, this amount is only some \$4,645 less than the cost of trading the BT50 on a 4WD Toyota Hilux with the ability to changeover for \$1,750 every 15,000 kilometres.

Additionally, this arrangement means servicing costs – typically around \$400 per service – will be avoided in future. Also, the proposed arrangement effectively guarantees future trade-in prices while not preventing Council from selling at auction if this is deemed more advantageous.

The current budget proposes trading both vehicles for total net cost of \$9,000 which clearly cannot be achieved.

The above proposal will require an initial \$33,636, or an additional \$24,636. This can be achieved by transferring funds allocated to fencing the depot (\$20,000) and deferring the purchase of a trailer for the skid-steer loader until 2016/17.

### **OFFICER COMMENT**

The above proposed arrangements are commonplace in WA local government, both in the metropolitan area and the country.

The arrangement gives certainty to trade-in values (and therefore depreciation expenses) as well as capital expenditure requirements.

The estimated initial additional cost of 4wd vehicles rather than 2wd (\$9,352) will be “repaid” through a combination of reduced servicing costs (4 x \$400pa) and depreciation expenses (and therefore capital renewal targets) of around \$3,500pa within two years.

In 2015/16, such amount will also assist Council in meeting its capital renewal target.

Re-allocating the \$10,000 set-aside for a trailer will also help cover the cost of the additional Ranger and Holden Commodore already purchase due to concerns regarding their trade-in values.

### **OFFICER RECOMMENDATION & COMMITTEE RESOLUTION**

**Moved Cr Hohnen                      Seconded Cr Thomas**  
**That the Committee recommends to Council:**

- The quotations from Great Southern Toyota to replace the two two-wheel drive utilities with four-wheel drive Toyota Hilux's for a total net cost of \$33,636 be accepted; and
- Budget allocations set aside for a trailer (\$10,000) and fencing at the depot (\$20,000) be re-allocated to cover the above cost (with the balance coming from the plant cash reserve).

**CARRIED 3/0**

## **5.2 COMPLIANCE AUDIT RETURN 2015**

### **ATTACHMENT DETAILS**

<b><u>Attachment No</u></b>	<b><u>Details</u></b>
Attachment 4 – Item 5.2 refers	Compliance Audit Return 2015

Voting Requirement	:	Simple Majority
Subject Index	:	Compliance Audit Report
Location / Property Index	:	Nil
Application Index	:	N/A
TPS No 3 Zoning	:	N/A
Land Use	:	N/A
Lot Area	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	Nil
Applicant	:	N/A
Owner	:	N/A
Responsible Officer	:	Paul Rawlings, Manager Corporate Services

## **COUNCIL ROLE**

- |                                     |                       |  |
|-------------------------------------|-----------------------|--|
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## **PURPOSE OF REPORT**

The purpose of this report is to present to Council the 2015 Compliance Audit Return (CAR) for adoption and endorsement.

## **SUMMARY AND KEY ISSUES**

There are no items of non-compliance to bring to Council's attention with all statutory requirements of regulation 13 of the *Local Government (Audit) Regulations 1996* being met.

## **BACKGROUND**

Completion of the Compliance Audit Return is a statutory requirement and requires that it be:

- a) presented to Council at a meeting of the Council;
- b) adopted by the Council; and
- c) recorded in the minutes of the meeting at which it is adopted.

After the Compliance Audit Return has been presented to the Council, a certified copy of the return, along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit, is to be submitted to the Director General by 31 March 2016. (Certified means signed by the Mayor or President and the CEO).

## **CONSULTATION**

There has been no specific consultation undertaken in respect to this matter.

## **STRATEGIC IMPLICATIONS**

There are no Strategic Plan implications evident at this time.

## **POLICY IMPLICATIONS**

There are no Policy implications evident at this time.

## **STATUTORY IMPLICATIONS**

The Shire has met all statutory requirements under regulation 13 of the *Local Government (Audit) Regulations 1996*.

**FINANCIAL IMPLICATIONS**

There are no financial implications.

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications at this time.

**SOCIAL IMPLICATIONS**

There are no social implications at this time.

**OFFICER COMMENT**

In the reporting year, 2015, the Shire has been compliant in all areas.

**OFFICER RECOMMENDATION & COMMITTEE RESOLUTION**

**Moved Cr Hohnen**

**Seconded Cr Macintosh**

**That the Audit Committee recommends that Council adopts the Compliance Audit Return for 2015.**

**CARRIED 3/0**

**6. CLOSURE**

There being no further business to discuss the Shire President closed the meeting at 5:02pm.