Shire of Morawa

Annual Financial Report Audit for Year Ended 30 June 2020

Report on Significant Matter (Section 7.12A (4a) of the Local Government Act 1995)

Table of Contents

Background

The Shire of Morawa (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 Shire's Annual Financial Report for the period ended 30 June 2020 was completed in December 2020 and signed Independent Auditors Report ***(Appendix A)*** was dated 21 December 2020.

Section 7.12A (4a) states that a Local Government must prepare a report addressing any matters identified as significant by the auditor in the audit report, stating what action the local government has taken or intends to take with respect to each of those matters.

The OAG Independent Auditor's Report shown in ***Appendix A*** identifies one matter identified as significant through the audit of the Shire's annual financial report. As stated below:

Report on Other Legal and Regulatory Requirements

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

(i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:

a. The Asset Sustainability and Operating Surplus Ratios have been below the Department of Local Government, Sport and Cultural Industries' standard for the last three years. The financial ratios are reported at note 32 of the annual financial report.

As such this report has been prepared to meet the requirements of Section 7.12A and to address the significant adverse trend identified by the OAG.

Summary of Ratios

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

Regulation 50: Financial ratios to be included in annual financial report

The annual financial report is to include, for the financial year covered by the annual financial report and the 2 preceding financial years –

1. the current ratio; and
2. the asset consumption ratio; and
3. the asset renewal funding ratio; and
4. the asset sustainability ratio; and
5. the debt service cover ratio, and
6. the operating surplus ratio; and
7. the own source revenue coverage ratio.

The OAG has identified that the Shire's Asset Sustainability and Operating Surplus Ratios have been below the Department of Local Government, Sport and Cultural Industries' (DLGSCI) standard for the last three years. For more information regarding Financial Ratio's and their purpose see the DLGSCI's Operational Guideline Number 18 Financial Ratios as included at ***Appendix B.***

Shire of Morawa's Position

The following ratios have been taken from the Annual Financial Statements for the year ending. The green colour coding indicates compliance with the prescribed and red indicates non-compliance.

		Years					
Ratios		2015	2016	2017	2018	2019	2020
Current		3.55	2.21	1.75	2.95	4.29	3.43
Asset Consumption					0.52	0.62	0.50
Asset Renewal funding					0.87	0.84	0.92
Asset Sustainability		0.89	0.99	1.89	0.64	0.77	0.72
Debt Service Cover		- 11.32	- 1.92	22.76	1.66	10.47	19.99
Operating Surplus		- 0.81	0.67	0.19	- 0.54	- 0.32	- 0.51
Own source revenue coverage		0.37	0.39	0.34	0.42	0.35	0.45

Table 1: Colour coded ratio analysis 2015-2020 from Annual Financial Statements (Shire of Morawa)

As shown in Table 1, the Asset Sustainability and Operating Surplus Ratios have been non-compliant for at least three consecutive years as referenced in the OAG's report. To provide a broader context to the financial health of the Shire it is important to highlight other areas of the Shire's position.

The Shire has an advanced standard for its debt service cover ratio and is in the position to borrow funds for suitable capital investments if required. This indicates that the Shire is unlikely to face significant financial impacts from being unable to repay its debts and is evident by the Shire's positive current ratio. The Shire typically takes a cautious and conscientious approach to expenditure and the use of rate payer funds, which is highlighted by the Shire's reserve management practices supported by associated policies.

For the financial year ended 30 June 2020 the Shire had a reserve fund balance of $5.2m, around 2.7 times the Shire's annual rates income. The Shire is confident of its financial health even if the two highlighted ratios indicate a significant adverse trend.

Addressing the Significant Matter

The Shire plans to address the significant matter identified by the OAG in the following ways.

1. Challenge the relevance/appropriateness of the Ratios
2. Undertake a review of it's Long Term Financial Plan/Strategic Resource Plan including Asset Management Plans
3. Review operational expenditure
4. Review operating income

1. Challenge the relevance/appropriateness of the Ratios

As part of the Audit Committee close meeting the Shire indicated to the OAG that it believed that the findings relating to the ratios need to be taken in context and do not necessarily represent a significant matter.

The Morawa Shire President wrote to the OAG highlighting how the two ratios alone misrepresents the financial position of the Shire by suggesting a significant adverse trend.

The calculation of the ratio's place regional local governments at a disadvantage. Work on unsealed gravel roads is classed as operational road maintenance and not asset renewal but as most roads in the Shire are unsealed, this forms a large part of the Shire's expenditure. This is not applicable for metropolitan Local Governments who have a majority of sealed roads and class resealing as asset renewal works. Road maintenance at the Shire represents approximately $800,000 in operational expenditure each year, this is 42% of rates income and this level of expenditure is going to be similar across most rural areas.

If the Shire were to recognize road maintenance done on gravel roads as asset renewal expenditure instead of operating expenditure it would have a positive effect on both the Asset Sustainability and Operating Surplus Ratios. The Asset Sustainability Ratio for the audited period would increase from 0.72 to 1.14 which would not be an adverse trend.

Untied road grants such as Financial Assistance Grants (FAG) are not included in Operating Surplus Ratio calculations. For remote and regional locations FAG funding is imperative to operations and it would be unviable to impose large rate increases to ensure financial independence whilst these grants are available. If FAG funding was included in the Operating Surplus Ratio calculation then the Shire's position would improve.

The Operating Surplus Ratio uses operating expenses in its calculation and not net operating expenses which is used in the Debt Service Cover Ratio, with the main difference being depreciation. In the net operating expense, depreciation has been excluded but it is not excluded from the Operating Surplus Ratio.

It is challenged as to whether the purpose of the ratio to measure a local government's ability to cover its operational costs and have revenue available for capital funding or other purposes is aligned to the inclusion of a non-cash expense such as depreciation. In general, the renewal of assets is done through non-operating expenditure not year to year small scale maintenance.

The Shire urges the department to consider undertaking a review of the relevance of the financial ratios and the components used within them in partnership with WALGA, LG Professionals and the OAG.

2. Undertake a review of Long-Term Financial Plan

The Shire has instigated a review of it's long term Financial plan and contracted this service from Moore Australia. This would be the third iteration of the Shire's Long Term Financial Plan with previous plans in 2012 and 2016.

A review of the Shire's long term financial plan may identify further areas where refinements can be made, but it should be noted that in both the 2012 and 2016 versions of the Long Term Financial Plan the Shire expected both the Operating Surplus Ratio and Asset Sustainability Ratio ratios to be below the DLGSCI's standard/baseline, this was not seen as detrimental to the Shire's financial viability.

In terms of long term financial planning the Shire will also be reviewing it's depreciation rates. Since 2016 the Shire's total asset base has only increased by 3% but it's annual depreciation has increased by 30%, indicating a higher depreciation for assets year on year or some newly purchased assets having short useful lives. The Shire's asset replacement and renewal expenditure has remained relatively consistent at $1.4m per year. Whilst depreciation and ratios may suggest a higher level of capital renewal and replacement is required this needs to be balanced against the level of usage of assets.

Over the next 12 months the Shire will undertake a review of asset useful lives within the asset register and see if any assets can be written off or disposed of. Disposal of assets however, could be difficult due to lack of market to purchase the asset and the expectation of the community for the Shire to manage assets of community/cultural significance.

3. Review Operating Expenditure

It should be noted that the Shire's general operating expenditure is at a very similar position as it was in 2016 when the Long Term Financial Plan was last revised which demonstrates the Shire's prudent approach towards expenditure.

One of the Shire's biggest expenditure areas is transport, specifically road maintenance which is necessary to support the agricultural economy. As such it is unlikely many savings will be achievable in this area.

One area the Shire is looking to save funds is on utilities, given utility providers continue to increase charge rates year on year. It is being planned to complete asset upgrades on Shire properties in the form of Solar Panels to reduce power consumption. Implementing solar will incur significant capital expenditure but this would be part of asset renewal and as such will improve the Asset Sustainability Ratio and in the longer term the Operating Surplus Ratio.

The continuation of prudent financial management and cost rationalization should see improvement of the Shire's Operating Surplus Ratio over time.

4. Review Operating Income

One of the main factors affecting the Shire's ability to invest in asset renewal and improve its Operating Surplus Ratio is income.

Since 2016 the Shire's total income from rates has increased from $1.3m to $1.9m, with no increase in population. Although the Shire could impose significant rate increases to improve its ratios, this would not be in the best interest of the community while the Shire is still financially viable and maintaining reserve funds. Rates will need to continue to increase by more than inflation and wage increases to maintain the Shire's ability to cover its operational expenditure and asset renewal needs but large increases are unlikely.

Another way to increase the potential income from rates is by substantially increasing the Shire's population and property development. The Shire's population has declined over a number of years and much of the land in the townsite is undeveloped. The Shire's strategic community plan and previously the Regeneration Morawa initiative has placed an emphasis on population growth and economic development. The Shire continues to invest in this area, but it is unlikely the Shire will see marked improvements in the short term but over the longer term it is envisaged that growth will positively contribute to financial sustainability.

Other income components have been largely negative. Interest income from the Shire's reserve and bank accounts dropped by 65% (2016-2020) and is expected to be even lower in coming financial years with the effects of COVID-19 on interest rates. The interest rates for term deposits have dropped from over 1% early 2020 to 0.15% early 2021. This effect is expected to continue for several years.

Income from Fees and Charges seems a consistent factor although we have yet to see the full effects from the COVID-19 restrictions. Early signs indicate a 10-15% decrease in FY20/21 compared to previous years. The Shire could consider reviewing its fees and charges and implementing a significant increase but must consider the community impacts when undertaking this course of action. Many of Shire's fees are legislated or have been set based on expenditure. Other areas are deemed to be a community service such as the swimming pool, so the charge does not cover costs.

As part of the 2021/22 review of the Shire's fees and charges schedule the Shire will investigate if any fees can be increased to increase revenue.

Conclusion

The significant adverse trend in the Shire's financial position identified by the OAG in response to three consecutive years of below par performance for the Asset Sustainability Ratio and Operating Surplus Ratio is not something that can be easily fixed during one financial year.

The Shire of Morawa is committed to exploring avenues to increase operating revenues and rationalize costs, however as an organization with a strategic vision to create a welcoming and inclusive community with a vibrant and growing economy, all operational changes must be reviewed in a strategic context in terms of the longer term effects it might have on our community.

A review of long term financial planning should highlight any areas of financial concern and allow the Shire to adapt its practices to maintain financial viability. Funds held in reserve are designed for strategic benefit but still provide the Shire with capacity to invest in asset renewal if necessary.

No obvious quick wins are evident to improve the Shire's financial ratios, however it is debated as to whether the two ratios alone represent a significant adverse trend in the Shire's position. The Shire has very minimal debt and holds money in reserve and has limited chance of encountering financial hardship in the near future.

The Shire encourages the Minister for Local Government to engage with the OAG, WALGA and LG Professionals to review the Department's financial ratios and their relevance to regional/remote communities and the different operational environments in which they operate.

Appendix A – Independent Auditors Report 2019-2020

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Morawa

Report on the Audit of the Financial Report

Opinion
I have audited the annual financial report of the Shire of Morawa which comprises the Statement of Financial Position as at 30 June 2020, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Morawa:

(i) is based on proper accounts and records; and
(ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion
I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting
I draw attention to Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

(i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.
(ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

Responsibilities of the Chief Executive Officer and Council for the Financial Report
The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error.
In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

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Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

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

(i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
   a. The Asset Sustainability and Operating Surplus Ratios have been below the Department of Local Government, Sport and Cultural Industries' standard for the last three years. The financial ratios are reported at note 32 of the annual financial report.

(ii) The following material matter 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 was identified during the course of my audit:
   a. The Shire has not developed formal policies and supporting procedures for the proper control of the payroll function. For 1 employee, there was no signed employment contract in the Shire's records.

(iii) All required information and explanations were obtained by me.

(iv) All audit procedures were satisfactorily completed.

(v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Morawa for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.

CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
21 December 2020

Appendix B - DLGSCI Financial Ratios Guidelines

Government of **Western Australia**
Department of **Local Government and Communities**

Local Government Operational Guidelines

Number 18 – June 2013

Financial Ratios

1. Introduction

This guideline is intended to provide a clear explanation of each ratio required to be included in the annual financial report under section 6.4(2) of the *Local Government Act 1995* and Regulation 50 of the *Local Government (Financial Management) Regulations 1996*.

An explanation of the purpose of each ratio is included to ensure staff and elected members are able to interpret what the ratio result means for the local government.

Definitions are included to fully describe what is meant by the terms used in the ratios.

2. Purpose

The guideline is designed to assist local government officers in preparing financial ratios, and provide elected members and officers with an understanding of each ratio.

Financial ratios are designed to provide users of annual financial reports with a clearer interpretation of the performance and financial results of a local government and a comparison of trends over a number of years.

On occasions, there have been inconsistencies in the calculation and interpretation of financial ratios. If information is to be meaningful, it should be prepared accurately and consistently. Ratios may be disclosed as a percentage or a factor of one.

These indicators provide a short term measure of the financial sustainability of local governments and complement the national criteria endorsed by the Local Government and Planning Ministers' Council. They provide for a comprehensive tool for monitoring the financial sustainability of local governments.

3. Legislation

Financial ratios are included in the notes to the annual financial report. These ratios provide users with key indicators of the financial performance of a local government and include comparisons with two prior years.

Under regulation 50 of the *Local Government (Financial Management) Regulations 1996*, the annual financial report is to include, for the financial year covered by the annual financial report and the two preceding financial years, the following:

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

As several of the ratios are to be reported for the first time in the 2012/13 financial year, local governments are expected to make reasonable efforts to calculate the ratios for the two prior years. However comparatives for 2010/11 and 2011/12 are not required for the assets consumption ratio or asset renewal funding ratio.

This guideline analyses each of these ratios according to the information they provide. The ratios are classified under the following headings:

(i) liquidity ratio;
(ii) debt ratio;
(iii) coverage ratio;
(iv) financial performance ratio; and
(v) asset management ratios.

4. Ratios

4.1 Liquidity Ratio

Liquidity refers to how quickly and cheaply an asset can be converted into cash. A local government's liquidity is measured by the 'Current Ratio'. This ratio provides information on the ability of a local government to meet its short-term financial obligations out of unrestricted current assets. The calculation of this ratio is explained as follows:

Current Ratio	
Current Ratio =	$\dfrac{\text{(Current Assets MINUS Restricted Assets)}}{\text{(Current Liabilities MINUS Liabilities Associated with Restricted Assets)}}$
Purpose:	This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions.
Standards	The standard is not met if the ratio is lower than 1:1 (less than 100%) The standard is met if the ratio is greater than 1:1 (100% or greater) A ratio less than 1:1 means that a local government does not have sufficient assets that can be quickly converted into cash to meet its immediate cash commitments. This may arise from a budget deficit from the past year, a Council decision to operate an overdraft or a decision to fund leave entitlements from next year's revenues.
Definitions:	
'Current Assets'	Means the total current assets as shown in the balance sheet.
'Current Liabilities'	Means the total current liabilities as shown in the balance sheet.
'Restricted Asset'	Means an asset the use of which is restricted, wholly or partly, by a law made or a requirement imposed outside of the control of the local government, where the restriction is relevant to assessing the performance, financial position or financing and investment of the local government. This includes all section 6.11 cash reserves as these are restricted by the Act '… by a law made …', unspent specific grants and other restricted cash identified by the local government, as these are restricted by '… a requirement imposed outside of the control of the local government …'
'Liabilities Associated with Restricted Assets'	Means the lesser value of a current liability or the cash component of restricted assets held to fund that liability. Commonly this is the cash reserve for long service leave, annual leave and other employee entitlements. Ideally the cash reserve amount should be the same as the provision amount but this is rarely the case. • Only make a deduction if there is a cash reserve. • If the cash reserve is greater than the provision amount, only deduct the amount of the provision. • If the provision amount is greater than the cash reserve, only deduct the amount of the cash reserve. • If the cash reserve is for the purpose of long service leave (or other specific leave) then only adjust for that specific leave provision and not the total of all leave provisions.

4.2 Debt Ratio

A local government's ability to service debt is measured by the 'Debt Service Cover Ratio'. This is the measurement of a local government's ability to produce enough cash to cover its debt payments.

Debt Service Cover Ratio	
Debt Service Cover Ratio =	$\frac{\text{Annual Operating Surplus BEFORE Interest and Depreciation}}{\text{Principal and Interest}}$
Purpose:	This ratio is the measurement of a local government's ability to repay its debt including lease payments. The higher the ratio is, the easier it is for a local government to obtain a loan.
Standards	A **Basic** standard is achieved if the ratio is greater than or equal to two. An **Advanced** standard is achieved if the ratio is greater than five.
Definitions:	
'Annual Operating Surplus Before Interest and Depreciation'	Means operating revenue minus net operating expense.
'Operating Revenue'	Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.
'Net Operating Expense'	Means operating expense excluding interest and depreciation.
'Interest'	Means interest expense for moneys borrowed, credit obtained or financial accommodation arranged under section 6.20 of the Act.
'Depreciation'	Has the meaning given in the AAS.
'Principal and Interest'	Means all principal and interest for moneys borrowed, credit obtained or financial accommodation arranged under section 6.20 of the Act.

4.3 Coverage Ratio

A local government's ability to cover its costs through its own taxing and revenue efforts is measured by the 'Own Source Revenue Coverage Ratio'.

Own Source Revenue Coverage Ratio	
Own Source Revenue Coverage Ratio =	$\dfrac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$
Purpose:	This ratio is the measurement of a local government's ability to cover its costs through its own revenue efforts. Different standards have been established to recognise the varying revenue raising capacities across the sector, where some rural and remote local governments have limited rate bases and revenue raising capacity, whereas others such as major metropolitan and regional local governments have significant rate bases and other own source revenues.
Standards	A **Basic** standard is achieved if the ratio is between 40% and 60% (or 0.4 and 0.6). An **Intermediate** standard is achieved if the ratio is between 60% and 90% (or 0.6 and 0.9). An **Advanced** standard is achieved if the ratio is greater than 90% (or > 0.9).
Definitions:	
'Own Source Operating Revenue'	Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries *, interest income and profit on disposal of assets.
'Operating Expense'	Means the expense that is operating expense for the purposes of the AAS.

*Note: Typically local governments disclose, in their annual financial statements, a nature or type classification described as 'Reimbursements and Recoveries, Contributions and Donations' (or similar). In order to calculate the value of own source revenue, it is essential that reimbursements and recoveries are disclosed separately from contributions and donations. This can be by way of note.

4.4 Financial Performance Ratio

A key indicator of a local government's financial performance is measured by the 'Operating Surplus Ratio'. If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having regard to asset management and the community's service level needs, then it is considered financially sustainable.

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt.

A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

Operating Surplus Ratio	
Operating Surplus Ratio =	$\dfrac{\text{(Operating Revenue MINUS Operating Expense)}}{\text{Own Source Operating Revenue}}$
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:	
'Operating Revenue'	Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.
'Operating Expense'	Means the expense that is operating expense for the purposes of the AAS.
'Own Source Operating Revenue'	Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries *, interest income and profit on disposal of assets.

*Note: Typically local governments disclose in their annual financial statements, a nature or type classification described as 'Reimbursements and Recoveries, Contributions and Donations' (or similar). In order to calculate the value of own source revenue, it is essential that reimbursements and recoveries are disclosed separately from contributions and donations. This can be by way of note.

4.5 Asset Consumption Ratio

This ratio seeks to highlight the aged condition of a local government's stock of physical assets.

If a local government is responsibly maintaining and renewing / replacing its assets in accordance with a well prepared asset management plan, then the fact that its Asset Consumption Ratio may be relatively low and/or declining should not be cause for concern – providing it is operating sustainably.

Asset Consumption Ratio	
Asset Consumption Ratio=	$\dfrac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$
Purpose:	This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.
Standards:	Standard is met if the ratio can be measured and is 50% or greater (0.50 or >). Standard is improving if the ratio is between 60% and 75% (0.60 and 0.75).
Definitions:	
'Depreciated Replacement Cost of Assets'	Has the meaning given in the AAS. AASB 136 paragraph Aus 6.2 defines depreciated replacement cost as '… the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.'
'Current Replacement Cost'	In AASB 136 paragraph Aus 32.2 'The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.' In addition, AASB 13 paragraph B8 provides 'The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).' More detailed explanation is included in AASB 13 paragraph B9.
'Current Replacement Cost of Depreciable Assets'	Means the cost of replacing assets at current prices.

Note that the values for depreciated replacement cost of depreciable assets and the current replacement cost of depreciable assets are not amounts disclosed in the annual financial statements and the calculations involved should be discussed with auditors.

4.6 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.

Asset Sustainability Ratio	
Asset Sustainability Ratio =	$\frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation}}$
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:	
'Capital Renewal and Replacement Expenditure'	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.
'Depreciation'	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.
'Depreciable Amount'	Under AASB 116 paragraph 6, 'Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.'
'Residual Value'	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.'
'Useful Life'	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.'

4.7 Asset Renewal Funding Ratio

This ratio indicates whether the local government has the financial capacity to fund asset renewal as required, and can continue to provide existing levels of services in future, without additional operating income; or reductions in operating expenses.

The ratio is calculated from information included in the local government's Long Term Financial Plan and Asset Management Plan; **not** the Annual Financial Report.
For the ratio to be meaningful, a consistent discount rate should generally be applied in Net Present Value (NPV) calculations.

Asset Renewal Funding Ratio	
Asset Renewal Funding Ratio =	$\frac{\text{NPV of Planned Capital Renewals over 10 years}}{\text{NPV of Required Capital Expenditure over 10 years}}$
Purpose:	This ratio is a measure of the ability of a local government to fund its projected asset renewal / replacements in the future.
Standards:	Standard is met if the ratio is between 75% and 95% (or 0.75 and 0.95). Standard is improving if the ratio is between 95% and 105% (or 0.95 and 1.05), and the ASR falls within the range 90% to 110%, and ACR falls within the range 50% to 75%.
Definitions:	
'NPV'	Means Net Present Value.
'Planned Capital Renewals'	Means capital renewal and replacement expenditure as estimated in the long-term financial plan.
'NPV of Planned Capital Renewals' is therefore	The total of all capital expenditures on renewals and replacement included in the 10–year long term financial plan, expressed in current year values.
'Required Capital Expenditure'	Means capital renewal and replacement expenditure as estimated in the asset management plan.
'NPV of Required Capital Expenditure' is therefore	The total of all required capital expenditures on renewals in the 10-year forecast period as indicated in the asset management plans or asset forecasts, expressed in current year values.

5. Ratio Calculations

Detailed calculations of each of the seven ratios are included in this section. The calculations are based on the extracts of financial information from annual financial statements or long-term and asset management plans included at section six (6) of this guideline.

Ratio Calculations are for the year 200Y

a) Current Ratio

$$\frac{(\text{Current Assets MINUS Restricted Assets})}{(\text{Current Liabilities MINUS Liabilities Associated with Restricted Assets})}$$

$$= \frac{(\overset{[1]}{8{,}156{,}143} - \overset{[2]}{6{,}728{,}955})}{(\underset{[3]}{2{,}033{,}690} - \underset{[4]}{644{,}160})} = \frac{1{,}427{,}188}{1{,}389{,}530} = \mathbf{1.03{:}1\ (or\ 103\%)}$$

[Numbers taken from statement of financial position and cash and cash equivalents note]

b) Debt Service Cover Ratio

$$\frac{\text{Annual Operating Surplus BEFORE Interest and Depreciation}}{\text{Principal and Interest}}$$

$$= \frac{(\overset{[5]}{20{,}707{,}319}+\overset{[6]}{44{,}048})\ \text{-}((\overset{[7]}{21{,}365{,}583}+\overset{[8]}{50{,}000}+\underset{[9]}{98{,}325})\ \text{-}(\underset{[10]}{6{,}907{,}407}+\underset{[11]}{96{,}257}))}{(\underset{[12]}{70{,}597} + \underset{[11]}{96{,}257})} = \frac{6{,}241{,}123}{166{,}854} = \mathbf{37.4}$$

[Numbers taken from statement of comprehensive income by nature or type and rate setting statement]

c) Own Source Revenue Coverage Ratio

$$\frac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$$

$$= \frac{(\overset{[13]}{8{,}165{,}843}+\overset{[14]}{4{,}999{,}717}+\overset{[15]}{498{,}964}+\overset{[16]}{55{,}200}+\overset{[6]}{44{,}048})}{(\underset{[7]}{21{,}365{,}583}+\underset{[9]}{98{,}325}+\underset{[8]}{50{,}000})} = \frac{\overset{[18]}{13{,}763{,}772}}{\underset{[17]}{21{,}513{,}908}} = \mathbf{0.64\ (or\ 64\%)}$$

[Numbers drawn from statement of comprehensive income by nature or type]

Ratio Calculations are for the year 200Y

d) Operating Surplus Ratio

$$\frac{\text{(Operating Revenue MINUS Operating Expense)}}{\text{Own Source Operating Revenue}}$$

$$= \frac{((\overset{[5]}{20{,}707{,}319}+\overset{[6]}{44{,}048})\ -(\overset{[17]}{21{,}513{,}908}))}{\underset{[18]}{13{,}763{,}772}} = \frac{-762{,}541}{13{,}763{,}772} =$$ **-5.5% (or -0.055)**

[Numbers drawn from statement of comprehensive income by nature or type and Own Source Operating Revenue same as in c) above]

e) Asset Consumption Ratio

$$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$$

$$= \frac{(\overset{[19]}{18{,}847{,}904}+\overset{[20]}{183{,}226{,}214})}{(\underset{[21]}{29{,}284{,}194}+\underset{[22]}{283{,}543{,}863})} = \frac{202{,}074{,}118}{312{,}828{,}057} =$$ **64.6% (or 0.646)**

[Numbers drawn from notes 7a. and 8a.]

f) Asset Sustainability Ratio

$$\frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation Expense}}$$

$$= \frac{\overset{[23]}{660{,}185}^{*}+\overset{[24]}{2{,}031{,}457}+\overset{[25]}{46{,}798}+\overset{[26]}{2{,}976{,}240}}{\underset{[10]}{6{,}907{,}407}} = \frac{5{,}714{,}680}{6{,}907{,}407} =$$ **82.7% (or 0.827)**

*Note: while described as land and building in the rate setting statement, for the purpose of this example the expenditure is assumed to all relate to buildings.
[Numbers drawn from rate setting statement]

g) Asset Renewal Funding Ratio

$$\frac{\text{NPV of Planned Capital Renewals over 10 years}}{\text{NPV of Required Capital Expenditure over 10 years}}$$

NPV Planned from LTF Plan
NRV Required from AM Plan

$$= \frac{\overset{[27]}{67{,}398}}{\underset{[28]}{73{,}099}} =$$ **92.2% (or 0.922)**

[Numbers drawn from Long Term Financial Plan (planned renewals) and Asset Management Plan (required renewals)]

6. Extracts of Financial Information from which ratios are calculated

6.1 Annual Financial Statements Extracts

Statement Of Financial Position For The Year Ended 30 June 201Y				
	NOTE	Current Actual $		Prior Actual $
Current Assets				
Cash and Cash Equivalents	3	6,781,850		6,005,704
Investments	4	190,000		0
Trade and Other Receivables		527,980		594,914
Inventories		656,313		590,852
Total Current Assets		**8,156,143**	(1)	**7,191,470**
Non-Current Assets				
Receivables		475,355		461,669
Inventories		2,878,873		2,000,000
Property, Plant and Equipment		31,578,071		31,445,812
Infrastructure		183,226,214	(20)	181,334,195
Total Non-Current Assets		**218,158,483**		**215,241,676**
Total Assets		**226,314,626**		**222,433,146**
Current Liabilities				
Trade and Other Payables		1,126,295		893,304
Long Term Borrowings		83,612		64,886
Provisions	11	823,783		924,356
Total Current Liabilities		**2,033,690**	(3)	**1,882,546**
Non-Current Liabilities				
Long Term Borrowings		2,358,215		419,894
Provisions	11	459,277		648,258
Total Non-Current Liabilities		**2,817,492**		**1,068,152**
Total Liabilities		**4,851,182**		**2,950,698**
Net Assets		**221,463,444**		**219,482,448**
Equity				
Retained Surplus		113,817,172		112,717,798
Reserves - Cash/Investment Backed	12	5,162,318		3,530,196
Reserves - Asset Revaluation		102,483,954		103,234,454
Total Equity		**221,463,444**		**219,482,448**

Statement Of Comprehensive Income
By Nature Or Type
For The Period Ended 30 June 201Y

	NOTE	201Y Actual $		201Y Budget $	201X Actual $
Revenue					
Rates	24	8,165,843	(13)	8,074,469	7,633,920
Operating Grants, Subsidies and Contributions	30	6,987,595		5,548,348	5,609,425
Fees and Charges	29	4,999,717	(14)	4,253,486	4,165,652
Service Charges	26	0		0	0
Interest Earnings	2(a)	498,964	(15)	385,100	413,708
Other Revenue		55,200	(16)	27,304	30,435
		20,707,319	(5)	**18,288,707**	**17,853,140**
Expenses					
Employee Costs		(8,896,802)		(8,772,958)	(7,826,475)
Materials and Contracts		(4,120,422)		(3,926,230)	(3,064,784)
Utilities		(443,972)		(435,600)	(404,245)
Depreciation	2(a)	(6,907,407)	(10)	(7,100,000)	(7,435,789)
Interest Expenses	2(a)	(96,257)	(11)	(399,441)	(37,753)
Insurance		(336,390)		(333,163)	(326,578)
Other Expenditure		(564,333)		(828,951)	(512,377)
		(21,365,583)	(7)	**(21,796,343)**	**(19,608,001)**
		(658,264)		(3,507,636)	(1,754,861)
Non-Operating Grants, Subsidies and Contributions	30	3,494,037		5,856,328	4,933,510
Fair Value Adjustments to financial assets at fair value through profit and loss	2(a)	(50,000)	(8)	0	0
Profit on Asset Disposals	21	44,048	(6)	2,333,736	96,518
Loss on Asset Disposal	21	(98,325)	(9)	(49,155)	(43,985)
		3,389,760		**8,140,909**	**4,986,043**
Net Result		**2,731,496**		**4,633,273**	**3,231,182**
Other Comprehensive Income					
Changes on revaluation of non-current assets	13	(750,500)		0	0
Total Other Comprehensive Income		**(750,500)**		**0**	**0**
Total Comprehensive Income		**1,980,996**		**4,633,273**	**3,231,182**

Rate Setting Statement For The Period Ended 30 June 201Y	NOTE	201Y Actual $	201Y Budget $	201X Actual $
Revenue				
Governance		108,566	93,221	81,376
General Purpose Funding (Excl Rates)		4,104,679	3,970,416	3,855,332
Law, Order, Public Safety		686,829	556,802	864,126
Health		262,378	176,240	175,879
Education and Welfare		1,660,935	1,416,806	1,291,279
Housing		520	600	460
Community Amenities		1,688,168	1,803,650	1,324,894
Recreation and Culture		1,328,903	2,171,562	1,403,700
Transport		4,783,531	3,960,367	5,365,366
Economic Services		503,702	387,060	385,897
Other Property and Services		1,000,611	3,916,478	499,839
		16,128,822	**18,453,202**	**15,248,148**
Expenses				
Governance		(826,169)	(908,185)	(763,010)
General Purpose Funding		(171,816)	(158,077)	(154,898)
Law, Order, Public Safety		(1,137,630)	(1,349,794)	(928,250)
Health		(356,604)	(331,717)	(296,011)
Education and Welfare		(1,743,528)	(1,682,025)	(1,495,536)
Housing		(1,657)	(1,500)	(1,432)
Community Amenities		(2,859,238)	(3,057,906)	(2,755,017)
Recreation and Culture		(4,259,938)	(4,243,523)	(3,800,603)
Transport		(8,641,626)	(8,380,666)	(8,156,823)
Economic Services		(616,182)	(598,183)	(469,186)
Other Property and Services		(899,520)	(1,133,922)	(831,220)
		(21,513,908)	**(21,845,498)**	**(19,651,986)**
Net Result Excluding Rates		**(5,385,086)**	**(3,392,296)**	**(4,403,838)**
Adjustments for Cash Budget Requirements: Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals	21	54,277	(2,284,581)	(52,533)
Movements in Assets/Liabilities		2,077	0	104,502
Depreciation on Assets	2(a)	6,907,407	7,100,000	7,435,789
Net Non-Cash Expenditure/Revenue		**6,963,761**	**4,815,419**	**7,487,758**

Rate Setting Statement For The Period Ended 30 June 201Y					
	NOTE	201Y Actual $		201Y Budget $	201X Actual $
Capital Expenditure/Revenue					
Purchase of Land Held for Resale		(2,056,759)		(4,076,189)	(702,227)
Purchase Land and Buildings	20	(660,185)	(23)	(1,787,479)	(957,226)
Purchase Plant and Equipment	20	(2,031,457)	(24)	(2,686,903)	(2,165,913)
Purchase Furniture and Equipment	20	(46,798)	(25)	0	0
Infrastructure Assets	20	(2,976,240)	(26)	(3,704,824)	(6,319,171)
Infrastructure Assets – New		(3,710,100)		(7,500,000)	0
Repayment of Debentures	23(a)	(70,597)	(12)	(70,597)	(68,526)
Proceeds from Disposal of Assets	21	759,429		5,904,712	655,232
Proceeds from New Debentures	23	2,027,644		2,188,452	350,000
SS Loan Principal Income	23	24,393		24,393	48,098
Transfers to Reserves	12	(3,376,061)		(1,478,584)	(2,952,482)
Transfers from Reserves	12	1,743,939		2,447,854	1,883,320
ADD Surplus/(Deficit) July 1 B/F	24(b)	1,841,049		1,290,473	1,351,004
LESS Surplus/(Deficit) June 30 C/F	24(b)	1,163,514		0	1,841,049
Amount Required to be Raised from Rates	**24(a)**	**(8,116,582)**		**(8,025,569)**	**(7,635,020)**

3 Cash And Cash Equivalents				
	NOTE	201Y $		201X $
Cash - Unrestricted Muni		52,895		850,416
Cash - Restricted		6,728,955	(2)	5,155,288
	14(a)	6,781,850		6,005,704
The following restrictions have been imposed by regulations or other externally imposed requirements:				
Land Purchase and Development Reserve	12	941,906		434,375
Plant Reserve	12	1,175,544		806,956
Building Reserve	12	1,777,669		1,224,785
Sanitation Services Reserve	12	623,039		406,750
Employee Entitlements	12	644,160	(4)	657,330
Total Reserves		**5,162,318**		**3,530,196**
Unspent Grants	2(d)	1,566,637		1,625,092
Total Unspent Grants and Loans		**1,566,637**		**1,625,092**
Total Restricted Cash		**6,728,955**		**5,155,288**

7a	Property, Plant and Equipment (PP&E)		
	201Y $		201X $
Land – Fair Value	12,730,167		12,457,362
Less Accumulated Depreciation	0		0
	12,730,167		12,457,362
Buildings – Fair Value	15,081,793		14,694,413
Less Accumulated Depreciation	(3,746,056)		(3,379,285)
	11,335,737		11,315,128
Furniture and Equipment – Fair Value	895,174		1,426,495
Less Accumulated Depreciation	(638,235)		(1,115,109)
	256,939		311,386
Plant and Equipment – Fair Value	2,865,445		2,814,165
Less Accumulated Depreciation	(2,123,703)		(1,950,728)
	741,742		863,437
Plant and Equipment Under Lease	2,270,110		2,037,911
Less Accumulated Depreciation	(595,703)		(401,210)
	1,674,407		1,636,701
Road Construction Plant – Fair Value	8,171,672		7,920,130
Less Accumulated Amortisation	(3,332,593)		(3,058,332)
	4,839,079		4,861,798
Depreciated Cost of PP&E at Fair Value	**31,578,071**		**31,445,812**
Current Replacement Cost of Depreciated PP&E at Fair Value	29,284,194	(21)	28,893,114
Less Accumulated Depreciation	(10,436,290)		(9,904,664)
Depreciated Replacement Cost of Depreciated PP&E at Fair Value	18,847,904	(19)	18,988,450
Land (Non-Depreciable)	12,730,167		12,457,362
Depreciated Cost of PP&E at Fair Value	**31,578,071**		**31,445,812**

8a	Infrastructure	
	201Y **$**	**201X** **$**
Roads – Fair Value	260,058,298	253,772,740
Less Accumulated Depreciation	(88,538,837)	(83,677,423)
	171,519,461	170,095,317
Drainage – Fair Value	2,832,873	2,711,180
Less Accumulated Depreciation	(1,044,492)	(976,459)
	1,788,381	1,734,721
Bridges – Fair Value	861,642	811,414
Less Accumulated Depreciation	(285,302)	(244,299)
	576,340	567,115
Footpaths and Cycleways – Fair Value	4,701,608	4,305,552
Less Accumulated Depreciation	(1,352,095)	(1,207,616)
	3,349,513	3,097,936
Parks and Gardens – Fair Value	6,518,991	6,258,991
Less Accumulated Depreciation	(5,009,798)	(4,696,849)
	1,509,193	1,562,142
Airports – Fair Value	2,398,359	2,178,649
Less Accumulated Depreciation	(483,853)	(422,827)
	1,914,506	1,755,822
Sewerage – Fair Value	4,576,113	4,506,113
Less Accumulated Depreciation	(3,388,338)	(3,275,685)
	1,187,775	1,230,428
Other – Fair Value	1,595,979	1,461,034
Less Accumulated Depreciation	(214,934)	(170,320)
	1,381,045	1,290,714
	183,226,214	**181,334,195**
Current Replacement Cost of Infrastructure at Fair Value	**283,543,863** (22)	**276,005,673**
Less Accumulated Depreciation	**(100,317,649)**	**(94,671,478)**
Depeciated Replacement Cost of Infrastructure	**183,226,214** (20)	**181,334,195**

11	Provisions	
	201Y **$**	**201X** **$**
Current		
Provision for Annual Leave	668,540	756,421
Provision for Long Service Leave	155,243	167,935
	823,783	**924,356**
Non-Current		
Provision for Long Service Leave	459,277	648,258
	459,277	**648,258**

12f	Reserves – Cash/Investment Backed	
	201Y **$**	**201X** **$**
Employee Entitlements		
Purpose: To be used to fund Annual and Long Service Leave		
Opening Balance	657,330	427,366
Amount Set Aside / Transfer to Reserve	171,082	260,529
Amount Used / Transfer from Reserve	(184,252)	(30,565)
	644,160	**657,330**

6.2 Long-term Financial Plan and Asset Management Plan Extracts

Renewals / Upgrades	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Long Term Financial Plan										
Buildings	570	600	700	750	800	850	1,500	1,500	1,500	1,500
Motor Vehicles	182	200	215	220	250	235	260	270	270	280
Plant and Equipment	885	385	290	930	790	390	1,045	790	545	1,050
Infrastructure Roads	7,184	6,359	6,728	7,100	4,744	5,084	5,426	5,772	6,119	6,221
Infrastructure Other	1,235	250	350	400	750	750	800	800	850	850
Total Planned Renewals	**10,056**	**7,794**	**8,283**	**9,400**	**7,334**	**7,309**	**9,031**	**9,132**	**9,284**	**9,901**
Asset Management Plan										
Buildings	600	650	750	800	850	875	1,700	1,700	1,800	1,800
Motor Vehicles	182	200	215	220	250	235	260	270	270	280
Plant and Equipment	885	385	290	930	790	390	1,045	790	545	1,050
Infrastructure Roads	7,500	7,700	7,900	8,000	5,200	5,400	5,700	6,000	6,400	6,500
Infrastructure Other	1,250	250	380	420	800	800	850	850	900	900
Total Required Renewals	**10,417**	**9,185**	**9,535**	**10,370**	**7,890**	**7,700**	**9,555**	**9,610**	**9,915**	**10,530**

Discount Rate =	0.05	
NPV Planned Renewals	67,398	(27)
NPV Required Renewals	73,099	(28)

Ratio = 67,398/73,099 92.2%

These guidelines are also available on the Department's website at www.dlgc.wa.gov.au

Government of **Western Australia**
Department of **Local Government and Communities**

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This document and others in the series are intended as a guide to good practice and should not be taken as a compliance requirement. The content is based on Department officer knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

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