



MINUTES 24 SEPTEMBER 2014

ORDINARY MEETING

OF COUNCIL



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SHIRE OF WONGAN-BALLIDU
MINUTES
FOR THE ORDINARY MEETING OF COUNCIL

Held in the Council Chambers
on Wednesday 24 September 2014



1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The President Cr Peter Macnamara declared the meeting opened at 3.00pm.

2. ATTENDANCE, APOLOGIES, LEAVE OF ABSENCE PREVIOUSLY GRANTED

ATTENDANCE:

Cr Peter Macnamara	Cr Brad West
Cr David Armstrong	Cr Richard Morgan
Cr Tracey deGrussa	Cr Sandra Hartley
Cr Michael Godfrey	Cr Hugh Barrett – Lennard
Cr Alfreda Lyon	

STAFF:

Stuart Taylor	Chief Executive Officer
David Taylor	Deputy Chief Executive Officer
Len deGrussa	Manager Building Services
Tanya Greenwood	Manager Community Services
Karl Mickle	Works & Services Manager

APOLOGIES:

Irene Myring (Minutes)

PUBLIC

Sgt Aaron Cleaver

3. PUBLIC QUESTION TIME

Nil

4. ANNOUNCEMENTS FROM THE PRESIDING MEMBER

Cr Macnamara thanked all for participating in the road trip earlier today.

5. PETITIONS AND PRESENTATIONS

Sgt Cleaver updated Council with the following police activities:

- Presently doing random gun cabinet checks within the Shire
- Cracking down on hoons in town – please report any black marks on roads
- Excellent behaviour was exhibited during the local grand final weekend.

Sgt Cleaver also advised that there have been minimal break ins in town, but farmers should be aware of 'on farm' theft, particularly with it coming up to harvest.

6. APPLICATION/S FOR LEAVE OF ABSENCE

Nil

9. REPORTS OF OFFICERS AND COMMITTEES

9.1 ADMINISTRATION & FINANCIAL SERVICES

9.1.1 ACCOUNTS SUBMITTED

FILE REFERENCE:	F1.4
REPORT DATE:	25 September 2014
APPLICANT/PROPONENT:	N/A
OFFICER DISCLOSURE OF INTEREST:	Nil
PREVIOUS MEETING REFERENCES:	Nil
AUTHOR:	Deputy Chief Executive Officer
ATTACHMENTS:	August 2014

PURPOSE OF REPORT:

That the accounts as submitted be received.

BACKGROUND:

This information is provided to the Council on a monthly basis in accordance with provisions of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.

COMMENT:

Refer to attachment.

POLICY REQUIREMENTS:

There are no known policy requirements related to this item.

LEGISLATIVE REQUIREMENTS:

Local Government (Financial Management) Regulations 1996 Sections 12 & 13 require the attached reports to be presented to Council.

Lists of Accounts

Section 6.10 of the Local Government Act regulation 12 of the Financial Management Regulations (FMR's) requires a list of accounts paid for the month, and where the Council has delegated the payment of these accounts to the CEO under regulation 13 there must be a list of accounts paid, and the listing shall disclose the following:

- The payee's name
- The amount of the payment
- The date of the payment
- The fund from which it is paid; and
- Sufficient information to identify the transaction.

STRATEGIC IMPLICATIONS:

There are no strategic implications in relation to this item.

9.1.2 FINANCIAL REPORTS

FILE REFERENCE:	F1.4
REPORT DATE:	25 September 2014
APPLICANT/PROPONENT:	N/A
OFFICER DISCLOSURE OF INTEREST:	Nil
PREVIOUS MEETING REFERENCES:	Nil
AUTHOR:	Deputy Chief Executive Officer
ATTACHMENTS:	Financial Reports

PURPOSE OF REPORT:

That the following statements and reports for the month ended August 2014 be received:

BACKGROUND:

Under the Local Government (Financial Management) Regulations 1996 the Council is to prepare financial reports outlining the financial operations at the previous month end date.

Listed below is a compilation of the reports that will meet compliance, these are listed under Sections and the relevant regulations below.

Financial activity statement report

Section 6.4 of the Local Government Act regulation 34.1 of the FMR requires a Local Government to prepare each month a statement of financial activity reporting on the sources and application of funds, as set out in the annual budget containing the following detail:

- Annual budget estimates
- Budget estimates to the end of the month to which the statement relates (known as YTD Budget) Actual amounts of expenditure, revenue and income to the end of the month to which the statement relates (known as YTD Actuals)
- Material variances between the comparatives of Budget v's Actuals
- The net current assets (NCA) at the end of the month to which the statement relates

Regulation 34.2 - Each statement of financial activity must be accompanied by documents containing:-

1. An explanation of the composition of the net current assets of the month to which it relates, less committed assets and restricted assets containing the following detail:
 - An explanation of each of the material variances
 - Such other supporting information as is considered relevant by the local government

Regulation 34.3 - The information in a statement of financial activity may be shown:

- According to nature and type classification
- By program; or
- By business unit

Each financial year a Local government is to adopt a % value, calculation in accordance with AAS5, to be used in reporting material variances.

COMMENT:

Refer to attachment.

- f. Rates Outstanding Report
- g. Debtors Outstanding Report
- h. Bank Reconciliation Report
- i. Investment Report
- j. Reserve Account Balances Report
- k. Loans Schedule

Discretionary
Discretionary
Discretionary
Discretionary
Discretionary

CARRIED: 9/0
RESOLUTION: 030914

9.1.3 2014/2015 BITUMEN ONLINE TENDER

FILE REFERENCE:	F1.9.5.23
REPORT DATE:	17/9/2014
APPLICANT/PROPONENT:	Shire of Wongan-Ballidu
OFFICER DISCLOSURE OF INTEREST:	Nil
PREVIOUS MEETING REFERENCES:	Nil
AUTHOR:	Karl Mickle (WC-W&S)
ATTACHMENTS:	Nil

PURPOSE OF REPORT:

The purpose of this report is to provide sufficient information summarising the results of the tender called for the supply and laying of bitumen products for the 2014/2015 fiscal year to able Council to award the contract for this service.

BACKGROUND:

As the Shire's proposed bitumen sealing programme for the 2014/2015 financial year exceeds \$100,000.00 it was necessary to call tenders for the service.

This process was done through WALGA preferred supplier-e-Quotes which allows us to submit tender requirements online.

The tender called for a complete bitumen service, which included the supply/spray of bitumen, the supply/spread of aggregate, rolling, sweeping and traffic management within the Shire of Wongan-Ballidu up to 30th June 2015.

Submission closed on 5pm Monday 27th August 2014.

COMMENT:

There were four submissions received.

Bitutek Pty Ltd -Fulton Hogan Pty Ltd – Boral Pty Ltd – Colas (formally known as R&R)

The tender called for both a "fixed" and a "rise & fall" price per square metre (m²) rate.

Some vendors prefer the "rise and fall" option as it allows them to shift the "risk" to the purchaser and tends to make their tender look more attractive.

The "rise & fall" option applies a variation from the nominated Guaranteed Maximum Price (**GMP**) at the time of the tender.

In the event of the "rise & fall" adjustment being applied, the difference between the current price and the tender price is used to vary the actual price. ie: if the **GMP** of bitumen (currently \$1070 / tonne increases by \$10.00 per tonne, an additional \$0.01 per litre would be charged).

At an average application rate of 2.0 litres / m² every \$10.00 per tonne increase in the **GMP** of bitumen could increase the application rate by \$0.02 m².

Most of the bitumen stock originates out of Singapore and is linked both to the American dollar and world oil prices.

As with fuel prices, customers do not always benefit from daily / weekly fluctuations in pricing as it may depend on the level of "stockpiling" or contract arrangements that occur.

However, if there was a negative shift in either commodity, Council could be “out of pocket” if it were to choose the “rise & fall” option.

The risk of a “rise & fall” contract is that the increase (or decrease) is undeterminable until the time of service, which could be up to six (6) months away for the majority of the contract.

Alternatively, there is nothing to say that the price will not remain static for some time, or in fact decrease

Under the terms of the tender, Council is not bound to accept the lowest, or any tender.

The following schedule of rates was supplied:

Shire-Budget Prices

JOB LOCATION	sq.m	TREATMENT	SCHEDULE	Budget
			Mth / Yr	
Dowerin-Kalannie Rd	32000	10mm reseal	Feb'15	\$187,572.00
Dowerin-Kalannie Rd	16000	Prime & 14mm primer seal	Dec'14	\$93,750.00
Waddington Rd	14000	10mm reseal	Feb'16	\$74,603.00
Waddington Rd	14000	14mm primer reseal	Mar'15	\$72,000.00
Danubin St	1960	10mm reseal	Feb'18	\$10,400.00
Moonijin West	7220	10mm reseal	Feb'19	\$44,200.00
Rifle Range Intersection	6400	Two coat 14mm & 7mm	April'15	\$54,400.00
CRC Car Park	6500	Two coat 14mm & 7mm	Sep'14	\$55,250.00
Wongan Hill-Cadoux Rd	8000	10mm reseal	Feb'17	\$46,800.00
				\$638,975.00

SCHEDULE OF RATES

2014/15 BITUMEN WORKS BUDGET ANALYSIS

Job No	Name of Works	Budget Qty.	Fulton Hogan	Bitutek	Colas	Boral	Budget Unit Rates
Dowlem-Kalannie Rd	10mm reseal	32000	\$ 4.65	\$ 4.75	\$ 4.10	\$ 4.12	\$ 6.55
Dowlem-Kalannie Rd	Prime & 14mm primer seal	16000	\$ 7.00	\$ 6.50	\$ 4.64	\$ 6.88	\$ 4.75
Waddington Rd	10mm reseal	14000	\$ 4.65	\$ 5.25	\$ 4.10	\$ 4.53	\$ 6.50
Waddington Rd	14mm primer reseal	14000	\$ 7.00	\$ 6.30	\$ 4.75	\$ 8.14	\$ 4.75
Danubin St	10mm reseal	1960	\$ 4.65	\$ 4.75	\$ 4.10	\$ 5.13	\$ 4.75
Moonjlin West	10mm reseal	7220	\$ 4.65	\$ 4.75	\$ 4.10	\$ 4.20	\$ 6.50
Rife Range Intersection	Two coat 14mm & 7mm	6400	\$ 10.00	\$ 10.30	\$ 8.01	\$ 8.68	\$ 8.50
CRC Car Park	Two coat 14mm & 7mm	6500	\$ 8.85	\$ 10.45	\$ 8.07	\$ 8.34	\$ 8.48
Wongan Hill-Cadour Rd	10mm reseal	8000	\$ 4.65	\$ 4.75	\$ 4.10	\$ 4.16	\$ 4.75
	Actual Cost		\$ 632,462.00	\$ 633,150.00	\$ 503,497.00	\$ 574,784.80	\$ 638,975.00
	Savings Using Colas				Total		
					\$ 135,478.00		

Fulton/Hogan				Bitutek			
\$ per / m ² (Inc GST)	\$ per / m ² (Inc GST)	Fulton/Hogan		\$ per / m ² (Inc GST)	\$ per / m ² (Inc GST)	Bitutek	
Fixed Price	Rise & Fall	FIXED	RISE & FALL	Fixed Price	Rise & Fall	FIXED	RISE & FALL
\$ 4.65	\$ 4.49	\$ 148,800.00	\$ 143,680.00	\$ 4.75	\$ 4.65	\$ 152,000.00	\$ 148,800.00
\$ 7.00	\$ 6.91	\$ 112,000.00	\$ 110,560.00	\$ 6.50	\$ 6.40	\$ 104,000.00	\$ 102,400.00
\$ 4.65	\$ 4.49	\$ 65,100.00	\$ 62,860.00	\$ 5.25	\$ 4.80	\$ 73,500.00	\$ 67,200.00
\$ 7.00	\$ 6.91	\$ 98,000.00	\$ 96,740.00	\$ 6.30	\$ 6.20	\$ 88,200.00	\$ 86,800.00
\$ 4.65	\$ 4.49	\$ 9,114.00	\$ 8,800.40	\$ 4.75	\$ 4.65	\$ 9,310.00	\$ 9,114.00
\$ 4.65	\$ 4.49	\$ 33,573.00	\$ 32,417.80	\$ 4.75	\$ 4.65	\$ 34,295.00	\$ 33,573.00
\$ 10.00	\$ 9.87	\$ 64,000.00	\$ 63,168.00	\$ 10.30	\$ 10.20	\$ 65,920.00	\$ 65,280.00
\$ 9.95	\$ 9.87	\$ 64,675.00	\$ 64,155.00	\$ 10.45	\$ 10.35	\$ 67,925.00	\$ 67,275.00
\$ 4.65	\$ 4.49	\$ 37,200.00	\$ 35,920.00	\$ 4.75	\$ 4.65	\$ 38,000.00	\$ 37,200.00
		632,462.00	\$618,301.20			\$633,150.00	\$617,642.00

Boral				Colas			
\$ per / m ² (Inc GST)	\$ per / m ² (Inc GST)	Boral		\$ per / m ² (Inc GST)	\$ per / m ² (Inc GST)	Colas	
Fixed Price	Rise & Fall	FIXED	RISE & FALL	Fixed Price	Rise & Fall	FIXED	RISE & FALL
\$ 4.12		\$ 131,840.00		\$ 4.10	\$ 4.10	\$131,200.00	\$131,200.00
\$ 6.88		\$ 110,080.00		\$ 4.64	\$ 4.64	\$74,240.00	\$74,240.00
\$ 4.53		\$ 63,420.00		\$ 4.10	\$ 4.10	\$57,400.00	\$57,400.00
\$ 6.14		\$ 85,960.00		\$ 4.75	\$ 4.75	\$66,500.00	\$66,500.00
\$ 5.13		\$ 10,054.80		\$ 4.10	\$ 4.10	\$8,036.00	\$8,036.00
\$ 4.20		\$ 30,324.00		\$ 4.10	\$ 4.10	\$29,602.00	\$29,602.00
\$ 8.69		\$ 55,616.00		\$ 8.01	\$ 8.01	\$51,264.00	\$51,264.00
\$ 8.34		\$ 54,210.00		\$ 8.07	\$ 8.07	\$52,455.00	\$52,455.00
\$ 4.16		\$ 33,280.00		\$ 4.10	\$ 4.10	\$ 32,800.00	\$32,800.00
		\$574,784.80				\$503,497.00	\$503,497.00

As can be seen, there is a significant variation between the four (4) tenderers, both in relation to the total tender price and the variance between the "fixed" price and the "rise & fall" price.

Bitutek is a company comprising of past employees of both Boral and R^NR. Although there is little reason to doubt their ability to carry out the works, they are untried and untested.

Colas- Previously R&R, on the other hand, has previously contracted to the Shire of Wongan-Ballidu on several occasions and has a proven track record in relation to quality, reliability and service delivery. Although we have had some issues with quality, but they have come back and done remedial work and resolved the issues at their cost. We have also had some issues regarding service delivery but they resolve this by using tentative products at their cost to insure the job was completed.

Colas prices are significantly lower than other competitors, they have built a good working relationship with us over the past few years and they are very keen to keep our business. They have been able to reduce their cost by working closely with us. For example, they will do our prime seals and all our reseals in one trip which reduces their cost immensely.

Fulton Hogan has been around for 76 years in 2009 they acquired Pioneer Road Services with over 5500 employees in Australia and New Zealand

Boral has been around for 50 years with a proven track record

With relation to the pricing options, Council has two choices. The first is to eliminate any risk associated with bitumen price fluctuations (**GMP**) and choose the "fixed" tender price, whilst the second is to take the risk and chose the "rise & fall" price

Bitumen prices have increase from \$980 to \$1030 per tonne over the last 12 months, representing a 5% increase.

The bitumen price was stable from the beginning of August 2013 through to the end of December 2013. As you would be aware, international pressures have caused our dollar to correct significantly against the US dollar, which has driven the cost of bitumen up significantly over the last 5 months. These pressures are expected to remain until at least the end of the year. I have been advised by a supplier to expect up to a further \$8 per tonne of increases from December 2014

However, if Council were to select the "rise & fall" option, it risks significantly eroding this saving if the bitumen price (**GMP**) increases over the next six months at an accelerated rate above those trends shown previously. The worst case scenario would be for the bitumen price (**GMP**) to exceed the current trend and thus create a deficit.

In the author's opinion, the potential "rise & fall" savings is an intangible amount and could well become a deficit if oil prices and exchange rates were to significantly increase. The conservative approach would be to select the fixed price option.

Based on the above information, the staff recommendation would be to accept the tender from Colas Contracting Pty Ltd (PO Box 196, Guildford WA 6935) for a fixed price contract to supply and lay bitumen products within the Shire of Wongan-Ballidu for 2014/2015.

In relation to potential savings based on budget estimates, selecting colas on a fixed price tender would realise a budgetary savings of \$135.000 inc GST.

POLICY REQUIREMENTS:

Councils Purchasing and Procurement Policy

10. QUESTIONS FROM MEMBERS WITHOUT NOTICE

Nil

11. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

Nil

12. MATTERS FOR WHICH THE MEETING MAY BE CLOSED

Nil

13. CLOSURE

There being no further business the President, Cr Macnamara declared the meeting closed at 3.34pm.

These minutes were confirmed at a meeting on October 2014

Signed _____
President