

SECTION 3



FINANCE AND ADMINISTRATION POLICIES



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Policy Position 3.1 – Finance Policies (FA3.1)

3.1.1 SIGNIFICANT ACCOUNTING POLICIES

Policy Objective

To provide a financial framework, in addition to Accounting Standards and other statutory requirements, to ensure the Shire's accounting data is accurate, reliable and compliant.

Policy Scope

This Policy covers the Shire's accounting data and financial reporting (including the Annual Budget, Budget Reviews and Annual/Monthly Financial Statements).

Policy Statement

Introduction

The Local Government Act (the Act) 'Division 4 – General Financial Provisions' outlines that the Chief Executive Officer (CEO) has a duty to ensure that there are proper accounts and records of the transactions and affairs of the local government. The Local Government (Financial Management) Regulations (the Regulations) state that the CEO must ensure that efficient financial systems and procedures are established for the local authority. This Policy is designed to ensure the Shire operates under appropriate financial governance and meets all regulatory obligations.

Principles

- a) Practices are conducive to good financial management.
- b) There is full compliance with all relevant financial standards and statutory requirements.
- c) Financial practices and reports are accurate, reliable, easy to understand and consistent.

Provisions

1. Financial Reporting

Financial Reporting is required to meet statutory requirements along with the organisational needs of the Shire to effectively monitor financial performance.

Monthly Reporting

Monthly reports will be prepared in accordance with section 6.4(2) of the Act and regulation 34 of the Regulations. Reports will be prepared on a calendar basis, in a timely manner and presented at the next available Council meeting.

Annual Financial Reporting

The Annual Financial Report will be prepared in accordance with section 6.4 of the Act and regulations 36 to 50 of the Regulations. The Annual Financial Report must be submitted to the Shire's auditors by 30 September in the subsequent financial year. The audited Annual Financial Report will then be presented to Council.

2. Annual Budget

The Annual Budget for the Shire is to be prepared in accordance with section 6.2 of the Act and regulations 22 to 33 of the Regulations. The Shire's Chief Executive Officer must ensure that the Annual Budget for the financial year is presented to Council after 1 June but no later than 31 August in the year to which the Annual Budget relates.

3. Budget Review

Budget reviews will be conducted throughout the financial year as good financial practice. Any proposed budget amendments will be presented to Council, for determination, as part of the Monthly Financial Statements.

The Shire must undertake a formal Budget Review as per regulation 33A of the Regulations. The review must be undertaken between 1 January and 31 March each financial year. The review must consider the Shire's financial performance, position and outcomes. Council must be presented with the review within 30 days and determine whether to adopt.

Financial reports should be prepared in accordance with the following significant accounting policies:

BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

THE LOCAL GOVERNMENT REPORTING ENTITY

All Funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

a) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

c) Trade and Other Receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

d) Inventories

General

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point. Land held for sale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

e) Fixed Assets

Each class of fixed assets within property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory. During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government(Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over

the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways: a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

Buildings	50 years
Furniture and equipment	10 years
Heavy Plant and equipment	12 years
Light Plant and Equipment	7 years
Sedan-type Vehicles	10 years
Electronic Equipment	3 years
Sealed roads and streets	
-formation	not depreciated
-pavement	50 years
Seal	
-bituminous seals	20 years
-asphalt surfaces	25 years
Gravel Roads	
-formation	not depreciated
-pavement	50 years
Formed roads (unsealed)	
-formation	not depreciated
-pavement	50 years
Footpaths	
-slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Capitalisation of Assets

Capital expenditures are amounts expected to acquire future service potential or economic benefits. This will be recognised where it can be clearly identified that the expenditure represents a single purchase or acquisition, except in the case of computer

equipment and peripherals (including landing, freight, commissioning, design, appraisal and other such costs) in excess of the following thresholds:

Land and Buildings	\$5 000.00
Plant and Equipment	\$5,000.00
Furniture and Equipment	\$5,000.00

Expenditure of items of equipment under \$5,000.00 are not capitalised, rather they will be recorded on an asset inventory listing.

f) Fair Value of Assets and Liabilities

When performing a revaluation, the Shire of Kent uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the Shire of Kent would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire of Kent selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire of Kent are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of an asset at its current service.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire of Kent gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

g) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Shire of Kent becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire of Kent commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- a) the amount in which the financial asset or financial liability is measured at initial recognition;
- b) less principal repayments and any reduction for impairment; and
- c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss. Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire of Kent has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as noncurrent.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Shire of Kent no longer has any significant continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h) Impairment of Assets

In accordance with Australian Accounting Standards the Shire of Kent's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired. Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard. For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

i) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Shire of Kent prior to the end of the financial year that are unpaid and arise when the Shire of Kent becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

j) Employee Benefits

Short-term employee benefits

Provision is made for the Shire of Kent's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave.

Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Shire of Kent's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Shire of Kent's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur. The Shire of Kent's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire of Kent does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

k) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

l) Provisions

Provisions are recognised when the Shire of Kent has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

m) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire of Kent, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

Investment in Associates

An associate is an entity over which the Shire of Kent has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire of Kent's share of net assets of the associate. In addition, the Shire of Kent's share of the profit or loss of the associate is included in the Shire of Kent's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire of Kent's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired. Profits and losses resulting from transactions between the Shire of Kent and the associate are eliminated to the extent of the Shire of Kent's interest in the associate.

When the Shire of Kent's share of losses in an associate equals or exceeds its interest in the associate, the Shire of Kent discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire of Kent will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

n) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required. Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire of Kent's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

o) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

p) Superannuation

The Shire of Kent contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire of Kent contributes are defined contribution plans.

q) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire of Kent's operational cycle.

In the case of liabilities where the Shire of Kent does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Shire of Kent's intentions to release for sale.

r) Rounding Off Figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar.

s) Comparative Figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year. When the Shire of Kent applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

t) Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

3.1.2 PURCHASING & CREDITOR CONTROL

Policy Objective

- To provide compliance with the Local Government Act, 1995 and the Local Government Act (Functions and General) Regulations, 1996 (as amended in March 2007).
- To deliver a best practice approach and procedures to internal purchasing for the Shire of Kent.
- To ensure consistency for all purchasing activities that integrates within all the Shire of Kent operational areas.

Purpose

The Shire of Kent is committed to setting up efficient, effective, economical and sustainable procedures in all purchasing activities. This policy:

- Provides the Shire with a more effective way of purchasing goods and services.
- Ensures that purchasing transactions are carried out in a fair and equitable manner.
- Strengthens integrity and confidence in the purchasing system.
- Ensures that the Shire receives value for money in its purchasing.
- Ensures that the Shire considers the environmental impact of the procurement process across the life cycle of goods and services.
- Ensures the Shire is compliant with all regulatory obligations.
- Promotes effective governance and definition of roles and responsibilities.
- Uphold respect from the public and industry for the Shire's purchasing practices that withstand probity.

ETHICS & INTEGRITY

All officers and employees of the Shire of Kent shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the Local Government.

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- Full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;
- All purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Shires policies and code of conduct;
- Purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently;
- All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements;

- Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- Any information provided to the Shire of Kent by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

VALUE FOR MONEY

Value for money is an overarching principle governing purchasing that allows the best possible outcome to be achieved for the Shire of Kent. It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing, and service benchmarks.

An assessment of the best value for money outcome for any purchasing should consider:

- a) All relevant whole-of-life costs and benefits whole of life cycle costs (for goods) and whole of contract life costs (for services) including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal.
- b) The technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality;
- c) Financial viability and capacity to supply without risk of default. (Competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history);
- d) A strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

SUSTAINABLE PROCUREMENT

Sustainable Procurement is defined as the procurement of goods and services that have less environmental and social impacts than competing products and services.

The Shire of Kent is committed to sustainable procurement and where appropriate shall endeavour to design quotations and tenders to provide an advantage to goods, services and/or processes that minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money outcomes in accordance with the Shire's sustainability objectives.

Practically, sustainable procurement means the Shire shall endeavour at all times to identify and procure products and services that:

- Have been determined as necessary;
- Demonstrate environmental best practice in energy efficiency / and or consumption which can be demonstrated through suitable rating systems and eco-labelling.
- Demonstrate environmental best practice in water efficiency.
- Are environmentally sound in manufacture, use, and disposal with a specific preference for products made using the minimum amount of raw materials from a sustainable resource, that are free of toxic or polluting materials and that consume minimal energy during the production stage;
- Products that can be refurbished, reused, recycled or reclaimed shall be given priority, and those that are designed for ease of recycling, re-manufacture or otherwise to minimise waste.
- For motor vehicles – select vehicles based on vehicle type and within the designated price range and best value to Council;
- For new buildings and refurbishments – where available use renewable energy and technologies.

PURCHASING THRESHOLDS

Where the value of procurement (excluding GST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:-

Amount of Purchase	Model Policy
Up to \$5,000	Direct purchase from suppliers requiring no quotations.
\$5,001 - \$19,999	Obtain at least two verbal or written quotations where possible.
\$20,000 - \$39,999	Obtain at least three written quotations where possible
\$40,000 - \$149,999	Obtain at least three written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations) where possible.
\$150,000 and above	Conduct a public tender process.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$150,000 threshold (excluding GST). If a decision is made to seek public tenders for Contracts of less than \$150,000, the normal tendering process is to be followed in full.

i) Up to \$5,000

Where the value of procurement of goods or services does not exceed \$5,000, no quotations are required.

This purchasing method is suitable where the purchase is relatively small and low risk.

ii) \$5,001 to \$19,999

This category is for the procurement of goods or services where the value of such procurement ranges between \$5,001 and \$19,999. At least two verbal or written quotations (or a combination of both) are required. Where this is not practical, e.g. due to limited suppliers, it must be noted through records relating to the process.

The general principles for obtaining verbal quotations are:

- Ensure that the requirement / specification is clearly understood by the Local Government employee seeking the verbal quotations.
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.
- Read back the details to the Supplier contact person to confirm their accuracy.
- Written notes detailing each verbal quotation must be recorded.

i) \$20,000 to \$39,999

For the procurement of goods or services where the value exceeds \$20,000 but is less than \$39,999, it is required to obtain at least three written quotes (commonly a sufficient number of quotes would be sought according to the type and nature of purchase).

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements.

NOTES: The general principles relating to written quotations are;

- An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion.
- The request for written quotation should include as a minimum:
 - Written Specification
 - Selection Criteria to be applied
 - Price Schedule
 - Conditions of responding
 - Validity period of offer
- Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond.

- Offer to all prospective suppliers at the same time any new information that is likely to change the requirements.
- Responses should be assessed for compliance, then against the selection criteria, and then value for money and all evaluations documented.
- Respondents should be advised in writing as soon as possible after the final determination is made and approved.

The Local Government Purchasing and Tender Guide produced by the Western Australian Local Government Association (WALGA) should be consulted for further details and guidance.

ii) \$40,000 to \$149,999

For the procurement of goods or services where the value exceeds \$40,000 but is less than \$149,999, it is required to obtain at least three written quotations containing price and a sufficient amount of information relating to the specification of goods and services being purchased.

The Local Government Purchasing and Tender Guide has a series of forms including a Request for Quotation Template which can assist with recording details. Record keeping requirements must be maintained in accordance with record keeping policies.

For this procurement range, the selection should not be based on price alone, and it is strongly recommended to consider some of the qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience and any other relevant factors as part of the assessment of the quote.

REGULATORY COMPLIANCE

i) Tender Exemption

In the following instances public tenders or quotation procedures are not required (regardless of the value of expenditure):

- An emergency situation as defined by the Local Government Act 1995;
- The purchase is under a contract of WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (permitted Common Use Arrangements), Regional Council, or another Local Government;
- The purchase is under auction which has been authorised by Council;
- The contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
- Any of the other exclusions under Regulation 11 of the Functions and General Regulations apply.

ii) Sole Source of Supply (Monopoly Suppliers)

The procurement of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply.

Every endeavour to find alternative sources must be made. Written confirmation of this must be kept on file for later audit.

iii) Anti-Avoidance

The Local Government shall not enter two or more contracts of a similar nature for the purpose of splitting the value of the contracts to take the value of consideration below the level of \$150,000, thereby avoiding the need to publicly tender.

iv) Tender Criteria

The Shire of Kent shall, before tenders are publicly invited, determine in writing the criteria for deciding which tender should be accepted.

The evaluation panel shall be established prior to the advertising of a tender and include a mix of skills and experience relevant to the nature of the purchase.

For Requests with a total estimated (Ex GST) price of:

- Between \$40,000 and \$99,999, the panel must contain a minimum of 2 members; and
- \$150,000 and above, the panel must contain a minimum of 3 members.

v) Advertising Tenders

Tenders are to be advertised in a state wide publication e.g. "The West Australian" newspaper, Local Government Tenders section, preferably on a Wednesday or Saturday. The tender must remain open for at least 14 days after the date the tender is advertised. Care must be taken to ensure that 14 **full** days are provided as a minimum.

The notice must include;

- A brief description of the goods or services required;
- Information as to where and how tenders may be submitted;
- The date and time after which tenders cannot be submitted;
- Particulars identifying a person from who more detailed information as to tendering may be obtained;
 - Detailed information shall include; such information as the local government decides should be disclosed to those interested in submitting a tender;
 - Detailed specifications of the goods or services required;
 - The criteria for deciding which tender should be accepted;
 - Whether or not the local government has decided to submit a tender; and
 - Whether or not tenders can be submitted by facsimile or other electronic means, and if so, how tenders may so be submitted.

vi) Issuing Tender Documentation

Tenders will not be made available (counter, mail, internet, referral, or other means) without a robust process to ensure the recording of details of all parties who acquire the documentation.

This is essential as if clarifications, addendums or further communication is required prior to the close of tenders, all potential tenderers must have equal access to this information in order for the Shire of Kent not to compromise its Duty to be Fair.

vii) Tender Deadline

A tender that is not received in full in the required format by the advertised Tender Deadline shall be rejected.

viii) Opening of Tenders

No tenders are to be removed from the tender box, or opened (read or evaluated) prior to the Tender Deadline. Tenders are to be opened in the presence of the Chief Executive Officer's delegated nominee and preferably at least one other Council Officer. The details of all tenders received and opened shall be recorded in the Tenders Register.

Tenders are to be opened in accordance with the advertised time and place. There is no obligation to disclose or record tendered prices at the tender opening, and price information should be regarded as *commercial-in-confidence* to the Local Government. Members of the public are entitled to be present.

The Tenderer's Offer form, Price Schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two Local Government Officers present at the opening of tenders.

ix) No Tenders Received

Where the Shire of Kent has invited tenders, however no compliant submissions have been received, direct purchases can be arranged on the basis of the following:

- a sufficient number of quotations are obtained;
- the process follows the guidelines for seeking quotations between \$40,000 & \$99,999 (listed above);
- the specification for goods and/or services remains unchanged;
- purchasing is arranged within 6 months of the closing date of the lapsed tender.

x) Tender Evaluation

Tenders that have not been rejected shall be assessed by the Shire of Kent by means of a written evaluation against the pre-determined criteria. The tender evaluation panel shall assess each tender that has not been rejected to determine which tender is most advantageous.

xi) Addendum to Tender

If, after the tender has been publicly advertised, any changes, variations or adjustments to the tender document and/or the conditions of tender are required, the Shire of Kent may vary the initial information by taking reasonable steps to give each person who has sought copies of the tender documents notice of the variation.

xii) Minor Variation

If after the tender has been publicly advertised and a successful tenderer has been chosen but before the Shire of Kent and tenderer have entered into a Contract, a minor variation may be made by the Local Government.

A minor variation will not alter the nature of the goods and/or services procured, nor will it materially alter the specification or structure provided for by the initial tender.

xiii) Notification of Outcome

Each tenderer shall be notified of the outcome of the tender following Council resolution. Notification shall include:

- The name of the successful tenderer
- The total value of consideration of the winning offer

The details and total value of consideration for the winning offer must also be entered into the Tenders Register at the conclusion of the tender process.

xiv) Records Management

All records associated with the tender process or a direct purchase process must be recorded and retained. For a tender process this includes:

- Tender documentation;
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation;
- Notification and award documentation.

For a direct purchasing process this includes:

- Quotation documentation;
- Internal documentation;
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the State Records Act, and the Local Government's internal records management policy.

3.1.3 AUTHORITY TO MAKE PAYMENTS FROM MUNICIPAL AND TRUST FUNDS

Policy Objective

To ensure there are appropriate financial control systems in place to authorise payments from Municipal and Trust funds in order to safeguard financial resources.

Policy Scope

This policy applies to the authorisation of all payments made from the Municipal or Trust funds.

Policy Statement

That the Chief Executive Officer and Deputy Chief Executive Officer be authorised to sign jointly from Council's Municipal Fund Account, Trust Fund Account, plus all Reserve Accounts held by Council, cheques and electronic funds transfers to a maximum of \$150,000.00 for payment of;

- Refunds of overpayments, deposits and bonds
- Postage
- Salaries
- Petty cash recoup
- Payment of creditors with discount available
- Nomination fees and expenses of delegations including authorised expenditure
- Shire vehicle licences
- Special emergency payments as authorised
- Loan Repayments
- Fortnightly creditor payments to be listed and endorsed at the next Council Meeting held after payment
- Transfer of monies between Council accounts as required

Where expenditure over \$150,000.00 is incurred in the course of administering larger projects, provided that the appropriate budget provision and tendering arrangements have been made and undertaken, the Chief Executive Officer and Deputy Chief Executive Officer will be authorised to authorise payments for the associated goods and services.

This policy is to be reviewed annually with other delegations with reference to approval for signatures for the financial year.

Where both signatories are not available, cheques may be signed by the available signatory and either the Shire President or Deputy Shire President.

3.1.4 REGIONAL PRICE PREFERENCE POLICY

Policy Objective

To assist local businesses with the opportunity to quote competitively with other businesses from outside the Shire of Kent and surrounding Shires.

Businesses within the Shire of Kent

A price preference policy is offered to suppliers of goods and services with business premises within the Shire of Kent which provides direct employment within the boundaries of the Shire of Kent. The price preference is for 10% of the value of the goods and services to a maximum purchase price of \$5000.

Businesses based within surrounding shires

A price preference is offered to suppliers of goods or services with business premises within the Shires of Katanning, Dumbleyung, Lake Grace, Gnowangerup and Jerramungup which provide direct employment within the boundaries of these Shires. The preference is for 5% of the good or services to a maximum purchase price of \$1000

Eligibility of Businesses for Regional Price Preference

The price preference is to be applied to businesses within the designated areas that have operated continuously for not less than 6 month.

Conclusion

Council staff are to ensure that every opportunity is given to utilise the goods & services provided by businesses under the abovementioned designated areas. Staff and councillors are to promote a "buy local" ethos within the community.

3.1.5 REVENUE COLLECTION

Policy Objective

To provide guidance to the accounts receivable staff of the Shire to ensure sound credit management and recovery of sundry debtors and collection of rates in a timely manner.

Policy Scope

This policy applies to Council staff responsible for recovery of all revenues owed to the Shire, including outstanding rates, service charges and all other general debts.

A significant proportion of revenue generated by the Shire is from property rates/charges and general fees and charges. Council will operate effective billing and debt collection processes including the efficient management of accounts receivable and related credit management, when a sundry debtor charge is raised.

Debts will be recognised at the time services are provided. The tax invoice will contain sufficient information so that the debtor can recognise the transactions included on the invoice and reconcile the debt if required.

Recovery of Rates and Service Charges

1. That a final notice be issued immediately following the expiration of 3 calendar months from the date of the rate notice, allowing fourteen days to pay or make suitable arrangements with the Chief Executive Officer for payment.
2. If payment is not forthcoming from the final notice, appropriate legal action to be instigated at the discretion of the Chief Executive Officer with approval of Council.
3. The Chief Executive Officer to continue issue of Warrant of Execution after delivery of summons unless some arrangement comes forward.
4. If rates and service charges remain **unpaid for two years** the Chief Executive Officer be authorised to lodge caveats on land where rates and service charges are in arrears and it is considered appropriate that the interest of the Council should be protected.
 - i. *The Chief Executive Officer be authorised to withdraw caveats lodged on land where the owner has met his/her obligation in relation to the rates and service charges outstanding.*

Recovery of Non-Rates Charges

If the invoice is not paid by the due date then the following procedure will take place:

1. A letter or reminder notice will be issued advising the debtor to contact administration otherwise payment is expected within two weeks of the issue date of the letter
2. If no response from (i) a demand notice may be sent to the debtor advising that if payment is not made within two weeks of this notice, then further action may be taken to recover the debt which could involve legal action. The debtor is to be advised that any fees incurred in recovering the debt will be passed on to the debtor.

3. Before any third party, such as a debtor recovery service, is engaged to recover the outstanding debt, the Chief Executive Officer must authorise the need to undertake further action.
4. Once all reasonable attempts to either locate the debtor or to obtain payment have failed, staff are to submit a written request to the Chief Executive Officer for the debt to be considered for write-off. Approval will then be sought from Council to have the debt written off.

Payment arrangements

Payment arrangements must be duly noted and authorised by a responsible officer. Defaulted arrangements will activate enforcement.

Write – off for Small Amounts Owing

The Chief Executive Officer is authorised to approve the write-off for amounts under \$50 each on outstanding rates and debtor accounts prior to 30 June each year.

Reporting

Finance staff will prepare a report for the Deputy Chief Executive Officer at the end of each month. The report will contain the reconciliation between the general debtor ledger and the Debtors Trial Balance and detail the amount outstanding into terms of current, 30 days, 60 days and 90+ days.

The reconciliation will also contain a schedule detailing follow up action for those outstanding debtors exceeding trading terms and the status of any special arrangements currently in place.

Taxation

Council will comply with its taxation and legislative obligations. GST applies to all invoices except in circumstances where the goods and/or services are not subject to GST.

3.1.6 CORPORATE CREDIT CARD

General

1. An agreement shall be signed by the cardholder and the local government which sets out the cardholder's responsibilities and legal obligations when using the credit card;
2. A register of all current cardholders shall be kept which includes, card number, expiry date of the credit card, credit limit and details of goods and services the cardholder has authority to purchase;
3. All new and existing cardholders shall be provided with a copy of the policies in relation to the use of credit cards;
4. The card is withdrawn in the event their employment ceases, an extended period of leave is taken or they are moved to a position, which does not require the use of a credit card, the card holder must notify the Chief Executive Officer two weeks before termination date, to arrange cancellation and to ensure all receipts and their credit card has been settled;
5. In the event that the cardholder loses or misplaces their credit card they will need to report this to the issuing financial institution by telephone. Written notification must also be forwarded to the Chief Executive Officer;
6. Cardholders cannot transfer the Corporate Credit Card to other users. An Account Number will only be assigned to one cardholder;
7. When the Corporate Credit Cards issued by the financial institution include reward schemes, these will be accumulated in the name of the Shire of Kent. The Chief Executive Officer, at their discretion, will decide how these rewards are to be utilised and could include offering these to charitable institutions, or sporting clubs. Under no circumstances is the reward scheme to be used for a Staff/Councillor private benefit;
8. All surrendered Corporate Credit Cards must be return to the Chief Executive Officer who will make arrangements for the destruction of the card; and
9. Where the cardholder fails to meet the policy guidelines, the Chief Executive Officer may request that the card be withdrawn or a temporary disqualification from use of the credit card or alternative action taken by the Chief Executive Officer.

Cardholders breaching Corporate Credit Card Policy

1. Any officer that believes a cardholder is entering into transactions that are seen to be unauthorised, excessive, and unreasonable should report the issue to the Chief Executive Officer. Any breach by a cardholder will require an investigation into activities and, if necessary, action to be taken by the Chief Executive Officer, resulting in withdrawal of the card or termination of employment;
2. Cardholders who do not follow any component of the Policy, at the discretion of the Chief Executive Officer, may have their Corporate Credit Card cancelled;
3. If the purchase has a component that is private in nature, the entire purchase will be recovered by the cardholder as private expenditure.

Purchasing

1. Corporate credit cards are only to be used for purchasing goods and services on behalf of the Shire of Kent which is authorised in the Current Budget. Cardholders must follow 4.11 Shire of Kent Purchasing Policy;
2. Personal expenditure is prohibited;
3. Corporate Credit Cards are not to be used for cash withdrawals;
4. Maximum credit limits are to be based on the cardholder's need - \$10,000 for the Chief Executive Officer, \$5,000 for the Deputy Chief Executive Officer and \$3,000 for the Works Manager; and
5. Where the purchase has been made via facsimile, telephone, or over the internet an invoice or receipt is required in all circumstances and must contain details of the purchase.
6. For Fringe Benefit Tax purposes, any expenditure must include the number of people who were in attendance and the full names of any Shire staff.

Payments

1. There will be a monthly account statement that will be sent to the respective cardholder to certify statement and they will also be required to attach all invoices/receipts for transaction. All paperwork must be returned to the Chief Executive Officer within 7 days of receiving statement.
2. Once the cardholder has returned the statement, it must be signed by their manager. The Shire President will be required to authorise and sign the Chief Executive Officer's statement.
3. All invoices/receipts must include the suppliers ABN, amount and whether GST applies, and a brief description of goods and services purchased.
4. Expenditure on entertainment shall be as per Chief Executive Officer's pre-approval.

Financial Institution

The Shire Corporate Credit Cards are to be issued by the financial institution that municipal transactions are made (referred to as transaction account).

Authorised Use and Limits

1. Corporate Credit Cards may be issued to the Chief Executive Officer and any authorised officers that would benefit from using this payment method.
2. Council must approve the use of a credit card to the Chief Executive Officer and any changes to their credit card limit.
3. The Chief Executive Officer may approve the use and any changes to credit card limits for any authorised officers.
4. The Local Government Act 1995 does not allow for the issue of Corporate Credit Cards to elected members. There are no provisions within the Act which allow an elected member to incur a debt, as would be the case with a credit card.

Chief Executive Officer

Council approves the following conditions for the Chief Executive Officer:



1. That a Corporate Credit Card be issued.
2. The card limit is \$10,000 and may only be used for Shire of Kent transactions.
3. The Shire President or Council must approve the monthly statements for the Chief Executive Officer.
4. All other terms and conditions set out in this policy and other relevant policies must apply.

Finance Staff Responsibilities

Finance Services must:

1. Arrange the issue and cancellation of Corporate Credit Cards when requested by the Chief Executive Officer.
2. Maintain a register of all cardholders.
3. Provide cardholders with the Policy, and where required any changes to the policy and their responsibilities and obligations as cardholders.
4. Process payments of Corporate Credit Cards. This includes ensuring all receipts and tax invoices have been attached and the relevant authorising officers have signed off on the statements.
5. Arrange for all cardholders to sign the Corporate Credit Card Agreement (refer to Appendix A) on receipt of the issue of the new card and ensure the signed agreement is placed in the Corporate Credit Card Register.

Cardholders Responsibilities and Obligations

Cardholders must:

1. Keep their card in a safe place.
2. Make payments that are within their card limit, budget, and authority to do so.
3. Adhere to the policy and procedures in relation to Corporate Credit Policy and Purchasing Policy.
4. Ensure that all receipts and tax invoices are kept and submitted to Finance Staff with credit card statements, within seven (7) days of receipt.
5. Costing accounts must be against each item of the credit card statements.

Delegated Authority

Other Relevant Policies and Documents

Local Government Act 1995

Other relevant legislation

Work Procedures

Nil



Appendix A - AUTHORITY FOR ISSUE OF CORPORATE CREDIT CARD

Name of Cardholder:	
Position:	
From:	Chief Executive Officer
Date:	

CORPORATE CARD USER AGREEMENT

As the Chief Executive Officer, I have authorised the issue of a Shire of Kent Corporate Credit Card in line with your official duties as a Shire Officer. The following conditions apply:

1. You have been authorised a card limit of \$ _____
2. All transactions are within the allocated budget provisions of the _____ (respective business unit) you have authority to purchase under.
3. The card is issued in your name, however it is a corporate credit card and all transactions must be official transactions on behalf of the Shire of Kent. Under no circumstances must the card be used for private purposes. When a transaction has a small component of private expenditure in nature, the entire transaction must be refunded.
4. At anytime, the Chief Executive Officer can call an enquiry into the use of the card, and any findings of transactions that are unauthorised, excessive or unreasonable will result in disciplinary action.
5. The card must be kept in a safe place.
6. Under no circumstances can cash be withdrawn from the card.
7. All tax invoices and receipts must be kept to validate transactions. Note, a credit card statement or EFTPOS receipt is not acceptable (GST cannot be claimed as it does not meet GST requirements to claim a refund). Cardholders must ensure tax invoices and receipts contain the following:
 - a. Suppliers Name.
 - b. Suppliers ABN
 - c. Brief description of goods and services supplied.
 - d. Identifies transactions where GST applies.
 - e. If the transaction relates to entertainment, the cardholder must document how many people they entertained, and the names of the Shire Officers that attended (for Fringe Benefit Tax purposes).
8. Cardholders must mark next to all transactions the costing accounts and ensure all tax invoices and receipts are attached to the monthly account. The cardholder must certify that the transactions on the statement are correct and has seven (7) working days, from the receipt of statement, to return to Finance Services.
9. Only supervisors can sign off on credit card statements, and in case of the Chief Executive Officer, this must be signed off by the Shire President.
10. If the card is lost or stolen, you must contact Commonwealth Bank Customer Service on 13 222. The Chief Executive Officer must also be notified in writing to arrange a replacement card.
11. If your employment is terminated, your card and all tax invoices and receipts must be submitted to the Senior Finance Officer, two (2) weeks before employment is ceased to ensure the account is settled.
12. If you agree to abide by the terms above and all other conditions set out in Council Policy Manual 4.11.8 – Corporate Credit Cards, please sign and return this statement to the Chief Executive Officer.

3.1.7 INVESTMENT

Policy Objective

This policy is to provide guidance for investing surplus Council funds, that may not be required for immediate use, at the most favourable rate of interest whilst having due consideration to the risk and taking into account legislative requirements.

Policy Scope

This policy applies to all funds (including general, reserve funds and other restricted funds) invested by Council.

Delegated Authority

That the Chief Executive Officer be given full authority to arrange the lodgement of interest bearing deposits, in accordance with the Local Government Act, of any temporary surplus in the Municipal, Loan Capital or Trust Funds.

Process

1. The Chief Executive Officer upon review of current funds required and available may direct the Finance Officer to invest a nominated amount in an investment or term deposit account with a financial institution.
2. The Finance Officer will:
 - i. Invest the nominated funds in a new term deposit fund; or
 - ii. Invest the nominated funds within an existing term deposit if there are funds maturing.
3. When determining the term for any investments, consideration will be given to other term deposit maturity dates, and expected expenditure for the deposit term.
4. When investing money under section 6.14(1), a local government may not do any of the following:
 - i. deposit with an institution except an authorised institution;
 - ii. deposit for a fixed term of more than 12 months;
 - iii. invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
 - v. invest in bonds with a term to maturity of more than 3 years;
 - vi. invest in a foreign currency.
5. Upon a term deposit maturing, consideration will be given as per 2(c) to what funds if any will be reinvested, and for what new term.
6. All instructions to the institution and transactions will be recorded in an investment register detailing:
 - i. Date invested
 - ii. Term
 - iii. Maturity date
 - iv. Interest rate
 - v. Institution reference number
 - vi. Previous institution reference number (if applicable)



- vii. Transaction type – capital invested, interest earned, capital withdrawn, investment balance, interest earned credited to municipal funds, date credited in cash book
- viii. Any comments that may be relevant

Investor Selection

The Council's preferred investing institution is the Commonwealth Bank, but periodically other institutions will be checked to ensure Council is investing funds at a competitive rate.

Council is not committed to invest with any one institution.

Any intended investments outside the normal banking institutions are referred to Council prior to commitment of funds.

3.1.8 REQUESTS FOR DONATIONS AND FINANCIAL ASSISTANCE

Policy Objective

The purpose of this policy is to provide guidelines for the application; assessment and determination of requests received for funding from not for profit community based organisations, event organisers and individuals to support the promotion and development of projects with social, economical, recreational and cultural benefits to the community.

Policy Scope

This policy will provide guidance to community groups, individuals and organisations seeking financial support from Council.

From this policy, guidance will be provided to Councillors and Council staff in assessing requests for donations and financial support from Council.

Eligibility

The following criteria will be applied when evaluating the eligibility of requests for donations and financial assistance from Council:

- Be a not-for-profit community based group or organisation that are either based within the Shire of Kent or provide services and activities within the area that make a positive contribution to the Shire of Kent.
- Include within the request information that shows direct benefits to the community.
- Demonstrate within the request their contribution in the form of cash, voluntary service, other grant funding or in-kind support.

Ineligibility

Council does not make donations under this Policy to:

- Individuals;
- Profit making businesses;
- Political parties or lobby groups (religious groups may be eligible if it can be demonstrated that the program or project is of benefit to the wider community);
- Organisations based outside the boundary of Kent Shire, unless the demonstrated benefits are primarily to the Kent community.
- Council will only enter into a donation arrangement with an organisation/group whose reputation and image is consistent with the values, objectives and policies of the Council.

Recurring Donations

The following are recurring grants which are reviewed annually by Council and are subject to this policy:

Nyabing News	\$1,000
Pingrup Post	\$1,000
Pingrup Races	\$ 500
Golf Club (Kent Shield)	\$ 500
Nyabing and Pingrup Parents & Citizens Associations Swimming Lessons	\$2,500
Pingrup Recreation Reserve	\$3,000**

Nyabing Recreation Reserve

\$3,000**

*** Subject to annual Budget consideration, Council will match the Ground Improvement Committee's contributions to the recreation reserves, on a one to one basis to a maximum of \$3,000 each. However should a committee be unable to commit a matching contribution of \$3,000 the balance of that contribution is to be offered to the other sporting committee on matching basis ***

Rates

Council may at its discretion, grant a donation of up to 100% of the rates, levied on land, leased by various bodies for the purpose of raising funds to be utilized on improvements to the facilities.

Sundry Donations

Donation requests up to the value of \$300 will be submitted to the Chief Executive Officer for consideration and the final decision.

Requests over \$300 will be submitted to the Council at the next meeting of the Council for consideration and make the final decision in the form of a resolution of the Council.

Waiver of Fees and Charges

All eligible requests for a Waiver of a Fee and Charge will be assessed at the discretion of the Chief Executive Officer with limitations under delegated authority.

Provision of In-Kind Support

For in-kind support requests to be assessed, they are to outline the support required by Council in detail.

The Chief Executive Officer in conjunction with Council, will consider requests for the provision of in-kind support such as:

- Provision of venues;
- Labour and plant assistance;
- Administrative assistance;
- Promotion through the Shire's communication channels or other non-monetary resources for a specific event or initiative;

The activity, event, competition or project must be offered within the Shire of Kent boundaries.

Halls and Pavilions – Hire Fees

The fee rate for Halls, Pavilions and equipment hire shall be as set annually by Council.

Where the following bodies hire Halls, Pavilions, furniture and equipment, the hire fee will be donated subject to the usual conditions of hire:-

- Health Department of WA Clinics
- Doctors
- Police
- Kent District Based Groups:-

- Church Groups
- Country Women's Association
- Dancing Schools (volunteer only)
- Guides & Brownies
- Kindergartens
- Music Teachers (volunteer only)
- Schools
- Parents & Citizens Associations (for the purpose of fundraising only)
- Service Clubs
- Sporting Association
- St. John Ambulance Association
- Craft Groups
- "Other non-profit Community Groups"

The actual setting of fees and charges for the hire of halls, pavilions and equipment is reviewed annually as part of Council's Budget process, and it is therefore inappropriate that any reference to such should be made in Council Policy.

It is appropriate, however, for Council to have a Policy in relation to the provision of facilities to community groups free of charge.

Any users wishing to have free usage of facilities are to apply in writing to Council.

3.1.9 RELATED PARTY DISCLOSURES

Background

Effective from 1 July 2016 in accordance with *Australian Accounting Standard AASB124 – Related Party Disclosures*, local governments must disclose certain related party relationships and related party transactions together with information associated with those transactions in the annual financial report in order to comply with the standard.

In June 2017 the then Department of Local Government and Communities released an implementation guide for AASB124 Related Party Disclosures. The objective of this guide is to ensure local government financial statements contain the disclosures necessary to draw attention to the possibility that its financial position may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

It is important to note that AASB124 is not designed to detect and report fraud or misconduct. It is more so to enhance transparency and accountability of Council transactions.

Purpose

The purpose of this policy Related Party Disclosures is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for the Shire of Kent to achieve compliance with the AASB124 - Related Party Disclosures.

Identification of Related Parties

Related parties includes a person who has significant influence over the reporting entity, a member of the key management personnel (KMP) of the entity, or a close family member of that person who may be expected to influence that person.

KMP are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. For the purposes of determining the application of the standard, the Shire of Kent has identified the following persons as meeting the definition of Related Party:

- An elected Council member
- Key management personnel being a person employed under section 5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer or Director
- Close members of the family of any person listed above, including that person's child, spouse or domestic partner, children of a spouse or domestic partner, dependents of that person or person's spouse or domestic partner.
- Entities that are controlled or jointly controlled by a Council member, KMP or their close family members. (Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs).

The Shire of Kent will therefore be required to assess all transactions made with these persons or entities.

Identification of Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Shire of Kent (reporting entity) and the related party, regardless of whether a price is charged.

For the purposes of determining whether a related party transaction has occurred, the following transactions or provision of services have been identified as meeting this criteria:

- Paying rates
- Fines
- Use of Council owned facilities such as [public buildings, library, parks, ovals and other public open spaces (whether charged a fee or not)]
- Attending council functions that are open to the public
- Employee compensation whether it is for KMP or close family members of KMP
- Application fees paid to the Council for licences, approvals or permits
- Lease agreements for housing rental (whether for a Council owned property or property sub-leased by the Council through a Real Estate Agent)
- Lease agreements for commercial properties
- Monetary and non-monetary transactions between the Council and any business or associated entity owned or controlled by the related party (including family) in exchange for goods and/or services provided by/to the Council (trading arrangement)
- Sale or purchase of any property owned by the Council, to a person identified above.
- Sale or purchase of any property owned by a person identified above, to the Council
- Loan Arrangements
- Contracts and agreements for construction, consultancy or services

Ordinary Citizen Transactions (OCT's)

Some of the transactions listed above, occur on terms and conditions no different to those applying to the general public and have been provided in the course of delivering public service objectives. These transactions are those that an ordinary citizen would undertake with council and are referred to as an Ordinary Citizen Transaction (OCT). Where the Council can determine that an OCT was provided at arms length, and in similar terms and conditions to other members of the public and, that the nature of the transaction is immaterial, no disclosure in the annual financial report will be required.

The Shire of Kent exempts the following OCT transactions from reporting:

- Paying rates
- Fines and other Fees and Charges
- Use of Shire of Kent owned facilities such as recreation centres, public halls, libraries, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public
- Supply of gravel sand or other materials, goods or services that any other ratepayer can or does provide to Council.



Frequency of Disclosures

Elected Council members and KMP will be required to complete a Related Party Disclosures - Declaration form each quarter.

Disclosures must be made by all Councillors immediately prior to any ordinary or extraordinary election.

Disclosures must be made immediately prior to the termination of employment of/by a KMP.

Confidentiality

All information contained in a disclosure return, will be treated in confidence. Generally, related party disclosures in the annual financial reports are reported in aggregate and as such, individuals are not specifically identified. Notwithstanding, management is required to exercise judgement in determining the level of detail to be disclosed based on the nature of a transaction or collective transactions and materiality. Individuals may be specifically identified, if the disclosure requirements of AASB124 so demands.

Policy Position 3.2 – Administration Policies (FA3.2)

3.2.1 RECORD KEEPING POLICY

Policy Objective

The purpose of the Shire of Kent's Record Keeping Policy is to define the principles that outline the Shire of Kent's record keeping function and the roles and responsibilities of those individuals who manage or perform record keeping processes on behalf of the Shire of Kent. This policy establishes a framework for the management of Shire of Kent records in accordance with legislative requirements and best practice standards.

Policy Statement

Roles & Responsibilities

- *Elected Members:* All Elected Members are to create, collect and retain records relating to their role as an Elected Member for the Shire of Kent in a manner complying with legislation and the Shire of Kent's policies and procedures for record keeping. Electoral and personal records of Elected Members are exempt.
- *Chief Executive Officer:* The Chief Executive Officer is to ensure that an organisational system for the capture and management of records is established that is compliant with legislative requirements and best practice standards.
- *Managers:* All Managers are to ensure record keeping policy and procedures are known and adhered to in their area of responsibility.
- *Administration:* The Administration staff are to develop, maintain, monitor, promote and support an organisational system for the capture and management of records that is compliant with legislative requirements and best practice standards.
- *All Staff:* All staff (including contractors) are to create, collect and retain records relating to the business activities they perform. They are to identify and ensure significant records are captured into the Record Keeping System and that all records are handled in a manner complying with legislation and the Shire of Kent's policies and procedures for record keeping.

Creation and Closure of Records

All Elected Members, staff and contractors will create full and accurate records, in the appropriate format, that properly and adequately record the performance of the Shire of Kent's business decisions and transactions to meet all legislative, business, administrative, financial, evidential and historical requirements.

Any closing of files is to be done in accordance with the General Disposal Authority for Local Government Records and approved by the Chief Executive Officer.

Capture and Control of Correspondence and Records

All records created and received in the course of Shire of Kent business are to be captured at the point of creation, regardless of format, with required metadata, into appropriate record keeping and business systems, and that are managed in accordance with sound record keeping principles.

Security and Protection of Records

All records are to be categorised as to their level of sensitivity and adequately secured and protected from violation, unauthorised access or destruction, and kept in accordance with necessary retrieval, preservation and storage requirements.

Access to Records

Access the Shire of Kent's records by staff and contractors will be in accordance with designated access and security classifications. Access to the Shire of Kent's records by the general public will be in accordance with the Freedom of Information Act 1992 and Shire of Kent policy. Access to the Shire of Kent's records by Elected Members will be via the Chief Executive Officer in accordance with the Local Government Act 1995.

Appraisal, Retention and Disposal of Records

All records kept by the Shire of Kent will be disposed of in accordance with Disposal Authorities approved by the State Records Commission of WA.

Mail Distribution

Incoming and outgoing mail must be dealt with using the following procedures;

Incoming Mail

- Mail is collected, opened and stamped by the Administration Officer on a daily basis
- It is then recorded in the Correspondence Register program on the system and passed onto the Chief Executive Officer to be allocated to an Officer and the urgency of the mail is also noted using the following codes;

URR	Urgent Response Required	(3 days)
RR	Response Required	(7 days)
NRR	No Response Required	
IB	Information Bulletin	
- The mail is then passed onto the Deputy Chief Executive Officer to be allocated a file number and then given back to the Administration Officer to be photocopied, placing the original copy in the 'Weekly' file, one copy to appropriate officer and other copy on appropriate file
- The Correspondence Register is then completed by the Administration Officer

Outgoing Mail

- Two photocopies of any outgoing correspondence are taken with one placed on the appropriate file and the other into the week file
- All mail is recorded in the outgoing mail book and recorded on the postage mailing statement – one copy of the mailing statement taken with the mail to the post office and the other placed on file

Electronic Records

Emails are forwarded from the Administration email on a regular basis to the appropriate person/s and at the end of each week are printed and placed into the 'Weekly' file. A back-up of the server is also completed daily, and to access the server is by password only which is known only by the Deputy Chief Executive Officer and external IT programmers. The Shire of Kent website is password protected and currently in the process of being updated and reviewed.

3.2.2 COMMON SEAL

Policy Statement

As per Section 9.49 of the Local Government Act, a document, is, unless the Act requires otherwise, sufficiently authenticated by a local government **without** its common seal if signed by the Chief Executive Officer or an employee of the local government who purports to be authorised by the Chief Executive Officer to so sign.

Council policy is that, when the Act requires the Common Seal to be affixed, the seal of the Municipality is to be affixed to documents in the presence of the Shire President and the Chief Executive Officer only. In the absence of either the Shire President or the Chief Executive Officer, and only when documents need to be executed urgently, the Seal may be affixed in the presence of the person/s acting in the capacity of the Shire President and/or the Chief Executive Officer.

A report is to be given to each Ordinary meeting of Council listing each document with which the common seal was executed.

3.2.3 ALCOHOL CONSUMPTION – COUNCIL FACILITIES

Policy Objective

The purpose of this policy is to manage the responsible consumption of alcohol within any Council owned facility.

Policy Scope

This policy will provide clarity to all users of any Council facility regarding their requirements in relation to the sale and consumption of alcohol.

Policy Statement

Council has no objection to the sale and consumption of liquor by local organisations in Council facilities, assuming that the individual hirer has already made arrangements to hire Council facilities and such facilities are available, and subject to compliance with the requirements of the Department of Racing, Gaming and Liquor, as appropriate.

The Chief Executive Officer or in his/her absence the Deputy Chief Executive Officer may permit the consumption of alcohol at Halls and Pavilions.