

Flying Minute - LGIS Board Member Contribution Strategy - CONFIDENTIAL

By Zac Donovan, Executive Manager, Commercial and Communications

That State Council endorse the decision of the LGIS Board to implement the Member Contributions Strategy as proposed which is anticipated to deliver a total saving to Members of between \$7million to \$9m in 2020/21.

RESOLUTION 45.FM/2020

CARRIED

Executive Summary

- The COVID-19 pandemic presents financial challenges to Local Governments both in retaining revenue and maintaining economic activity.
- WA Local Governments are requested by State Government to freeze rates while still maintaining employment levels without the support of the Federal Government JobKeeper program available to other organisations.
- In addition financial hardship in the community from business closures as the result of social distancing requirements and consequent increased unemployment, threatens to impede payment of residential and commercial rates.
- In recognition of the extraordinary circumstances confronting Local Governments the LGIS Board has proposed a strategy to draw on the Scheme's retained capital and contribution reserve to reduce contributions required of Members in 2020/21.
- With the objective of delivering the greatest possible benefit to Members within responsible financial management parameters, the strategy as proposed by the LGIS Board is anticipated to provide total savings to Members of between \$7m to \$9 million.

Attachments

Nil

Policy Implications

The Local Government Insurance Service is enabled to be established by the WA Local Government Association under a Trust Deed that provides for WALGA as Trustee of the Scheme and to carry out the objects and purposes of the Trust and Scheme.

As such WALGA has a Management Agreement for the provision of LGIS WA with JLT(Marsh) to manage the Scheme to "the best advantage of WALGA and the Members" in accordance with the directions of the LGIS Board as delegated to it by WALGA (State Council).

The LGIS Board has a number of delegated responsibilities within the Trust Deed including (at 19.1) discretion in allocation of any surplus "subject to any directions by WALGA". In effect WALGA (State Council) is required to review any decision on surplus distribution.

The LGIS Corporate Governance Charter includes a State Council delegation that the LGIS Board may "consider advice of the Scheme Manager and make determinations" on levying additional contributions and allocation of surpluses within the contest of making the recommendation to State Council for endorsement as per the Trust Deed (19.1) as as per recent adopted practice.

Budgetary Implications

There are no direct additional effect on the WALGA 2019/20 budget as a consequence of State Council endorsing the Recommendation.

Background

The strategy that anticipates will provide a \$7m to \$9m saving to Member 2020/21 contributions encompasses two parts. These are:

- **Reduced Capital Adequacy**

The LGIS Scheme operates by carrying funds to cover its obligations with a target Minimum Capital Requirement of 150%. Throughout the year due to operational variations, the minimum capital held by the Scheme can increase to in excess of 200%. By reducing the Scheme Capital to the 150% lower limit, funds are then available to return to the Members. It is anticipated this action will potentially provide up to \$2m to the sector in contribution savings.

- **Access Contributions Reserve**

The consequence of a favorable operating environment in recent periods has enabled the Scheme to create a Member Contribution Reserve to provide staged contribution offsets over an extended period. However given the extraordinary circumstance confronting the sector, the LGIS Board has opted to bring forward the staged reductions to contribute \$7m of the reserve to contribution savings.

It needs to be recognized that the \$7m to \$9m estimated saving to Members in the 2020/21 financial year is defined as an anticipated benefit with recognition that the Scheme's exact year-end financial position will not be finalized until the completion of the audit process in September.

As to the benefit to individual Local Governments of a total saving in contributions of \$7m to \$9m, Members should apply the context of the most recent distributions that were distributed as the result of a \$6m surplus.

Comment

LGIS Board members include WALGA President Mayor Tracey Roberts and WALGA CEO Nick Sloan.

In addition to the author of the Item, Mayor Roberts and Mr Sloan are also available to provide any further explanation that may be sought by State Council.

FLYING MINUTE OUTCOMES

Total Invited to Survey: 24

Total Finished Survey: 14

That State Council endorse the decision of the LGIS Board to implement the Member Contributions Strategy as proposed which is anticipated to deliver a total saving to Members of between \$7million to \$9m in 2020/21.

Signature Page

First Name	Last Name	Completed Date
Phillip	Blight	Not Completed
Jenna	Ledgerwood	17/04/2020 at 8:32
Paul	Kelly	Not Completed
Malcolm	Cullen	Not Completed
Cheryl	Cowell	Not Completed
Stephen	Strange	Not Completed
Chris	Mitchell JP	Completed
Les	Price	15/04/2020 at 22:57
Russ	Fishwick JP	16/04/2020 at 9:09
Karen	Chappel	17/04/2020 at 12:49

Ken	Seymour	Not Completed
Peter	Long	17/04/2020 at 10:53
Ronnie	Fleay	16/04/2020 at 17:00
Catherine	Ehrhardt	Not Completed
Cate	McCullough	17/04/2020 at 10:07
Mark	Irwin	15/04/2020 at 11:14
Michelle	Rich	Not Completed
Julie	Brown	16/04/2020 at 9:05
Doug	Thompson	17/04/2020 at 11:46
Carol	Adams OAM	17/04/2020 at 11:22
Logan	Howlett JP	17/04/2020 at 12:18
Tony	Dean	14/04/2020 at 17:58
Ruth	Butterfield	Not Completed

RESPONSES

Created: 14/04/2020 at 15:58 Results Exported: 17/04/2020 at 5:37
 (14) Endorse Recommendation

Jenna Ledgerwood (on: 17/04/2020 at 8:32), Les Price (on: 15/04/2020 at 22:57), Russ Fishwick JP on: 16/04/2020 at 9:09), Karen Chappel (on: 17/04/2020 at 12:49), Julie Brown (on: 16/04/2020 at 9:05), Carol Adams OAM (on: 17/04/2020 at 11:22), Logan Howlett JP (on: 17/04/2020 at 12:18), Tony Dean (on: 14/04/2020 at 17:58), Peter Long (on: 17/04/2020 at 10:53), Ronnie Fleay (on: 16/04/2020 at 17:00), Cate McCullough (on: 17/04/2020 at 10:07), Mark Irwin (on: 15/04/2020 at 11:14) Cr Chris Mitchell.

(2) Endorse Recommendation subject to comment below

(0) Oppose Recommendation

COMMENTS

Doug Thompson on 17/04/2020 at 11:46

Is this item confidential at the moment or can I let my Council know.

Russ Fishwick on 16/04/2020 at 9:18am

Notwithstanding the above a minor concern with the MOU is that I would prefer to have the President of WALGA being named as the signatory to the document or the CEO rather than “a WALGA representative”.

SECRETARIAT COMMENT

The following responses are provided to the comments provided:

- Cr Doug Thompson – The item remains confidential until further notice.
- Cr Russ Fishwick – Agreed and the document will be changed accordingly.