



# **APPENDICES**

## **Ordinary Council Meeting**

**Monday, 25 November 2019**



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SY172-11/19 LGIS 2019 Surplus Distribution

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SHIRE OF YORK	
FILE	FR INS
OFFICER	INITIALS
Cr Wallace	
Paul	
Matthew	
14 AUG 2019	
J175084	
REFERRED TO COUNCIL	
DATE	INITIALS



Our Ref: LC/CC

5 August 2019

Cr David Wallace  
Shire of York  
PO Box 22  
YORK WA 6302

Dear Cr Wallace

I am pleased to advise you that LGIS expects to report a surplus for the most recent financial year which will mean a return to your Local Government of part of your initial contribution.

Final confirmation, including the amount allocated to be returned to your Local Government should be finalised in October.

In the likely event of a surplus, your Council will have the option of receiving the refund as an electronic transfer or opting for LGIS to retain the funds to offset your contribution next year.

There are advantages to either approach and I will discuss them briefly below, however whichever is preferred by your Council, when advised of your surplus allocation, WALGA will require a formal motion from an ordinary meeting of your Council to implement.

LGIS is a WALGA service, for which we partner with JLT, and which is governed on behalf of WALGA by a board that comprises three independent directors; representatives of officers and Elected Members from metropolitan and non-metropolitan Councils; and the WALGA President and CEO.

It was the decision of the LGIS board, endorsed by State Council, that each Local Government should be given the opportunity to decide on how they wished to apply any surplus share by determination of an ordinary Council meeting so as to ensure that all Elected Members were involved in the process.

Once the surplus distribution amounts are finalised, representatives from WALGA and LGIS would appreciate the opportunity to present to an ordinary meeting of each Member Council.

As to the options, a decision to immediately take the refund would likely be the preferred decision for a Council that finds it has an unbudgeted operational shortfall or has a project in mind that has been on hold due to a lack of current funding.

Alternatively a Council with no immediate need for the additional funds may wish to opt for the surplus share to be retained by LGIS to offset the next year's contribution and as such lower the impact on rates the following year.

Regardless it was the clear direction of the LGIS board and WALGA State Council that the Elected Members at each individual Council should determine what is best for their community.

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At this point I would also like to offer some explanation as to how the circumstances that have provided for the surplus this year. To do so will also be to briefly provide some context as to how the LGIS Scheme operates.

The LGIS Scheme is a WALGA service started in 1995 and now extending to offer cover for Liability, WorkCare, Property and Bushfire Volunteers. For all other insurance needs WALGA offers a broking service to Local Governments on a case by case basis also in partnership with JLT.

As a mutual scheme limited to Local Governments, the performance of LGIS is underwritten by the annual contributions of its member Councils.

This year due to a lower than anticipated number of claims in Property and WorkCare; a better than expected performance in investments; and a reduced requirement of the capital needed to be carried by the Scheme, the initial contributions are expected will be in excess to that ultimately required.

I should point out that along with a more sympathetic claims process, the capacity to return any surplus to members is one of the main advantages of LGIS being a mutual scheme. In an alternative commercial model, any additional contributions would have been retained by the provider as profit.

That said of course, while the LGIS Scheme is forecast to achieve a surplus this year, there is no assurance it will continue to be the outcome given the vagaries in estimating claims and funding requirements, in effect trying to predict the future.

However I believe it is better to take a conservative side, and return any surplus to Councils, rather than underestimate the potential obligations and possibly put the Scheme at risk. Such an approach ensures Councils ultimately only pay the minimum required while also maintaining the resilience of their mutual facility and cover.

To this end, while participation in the LGIS mutual is a voluntary decision by Local Governments, I would like to take the opportunity to thank you for your continued support of this WALGA service. I will be in touch again around October when the surplus distribution amount is finalised.

Yours sincerely

A handwritten signature in black ink, appearing to read "Lynne Craigie".

**Cr Lynne Craigie OAM**  
**President**