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## 12.1 Southern Regional Livestock Exchange

**Reference:** 7170  
**Report Author:** Chief Financial Officer  
**Authoriser:** Deputy General Manager Operations, Finance and Risk  
**Link to Delivery Program:** Ensure systems and processes are in place to achieve mutual trust and collaboration

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### **PURPOSE**

The purpose of this report is to present to Council a comprehensive report on the operations and financial performance of the Southern Regional Livestock Exchange during the period 2015-2017. The report is in response to Notice of Motion (CM190/17) adopted by Council on the 10 May 2017.

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### **RECOMMENDATION**

**THAT Council note the contents of this report and endorse the allocation of \$35,000 from the Capital Improvement Fund to facilitate the installation of a diesel powered air compressor.**

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### **REPORT**

#### **BACKGROUND**

The Southern Regional Livestock Exchange (SRLX) is a Council owned and managed facility which supports both the local and regional cattle industry through the provision of a sales facility and holding yards. The facility is located on Berrima Road and covers an area of approximately 20 hectares.

The SRLX was ranked eighth out of 61 livestock selling facilities for its number of throughput of cattle in New South Wales during 2016. Therefore is an important facility to both local and regional producers.

The Southern Highlands Region holds a long association with livestock selling yards. The first livestock selling yards commenced operations in Moss Vale in 1876. Council purchased the saleyards at its present location in 1962; and a fully covered modern selling ring system was constructed in 1991 at a cost of \$750,000.

Following a fatality at the Saleyards in 2001, Council appointed an independent consultant to review the operations of the facility. Subsequent recommendations from the review included; that management address and continue to monitor all Work Health and Safety (WHS) issues, ensure that an appropriate management structure was in place to effectively manage the saleyards operations; and the establishment of an advisory board to support Council in strategic matters.

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Since 2004 there has been a significant tightening in government regulations in regards to WHS, animal welfare and biosecurity. The introduction of the National Livestock Identification System (NLIS) for lifetime traceability for all cattle across Australia has also required extensive upgrades to equipment and infrastructure at all saleyards. The combination of tightened regulations and the demand for improvements in technology have led to many smaller regional saleyards closing over the past decade.

In 2005 Council allocated \$400,000 towards NLIS infrastructure, catwalks, perimeter fencing, ramp upgrades and improvements to drainage and effluent disposal. This allocation was also used to improve site security and to install a truck wash as Council continued to work towards new Australian and Industry standards.

In June 2010 Council was advised that it had secured \$4.1 million under the Regional and Local Community Infrastructure Program (Federal Grant) for the construction of a roof over the external yards. This grant was supplemented with an internal loan made available by Council of \$730,800. This project was completed in June 2011, providing a covered area of approximately 10,000 square meters.

### **BUSINESS STRUCTURE**

The SRLX is identified as one of the 30 services provided by Council in the adopted 2017-2021 Delivery Program. The SRLX forms part of the Business Services Branch, which reports to the Deputy General Manager – Operations Finance and Risk.

The SRLX is managed and operates under business principles. It is not a separate entity from Council. The SRLX operates under business principles as stakeholders who use the facility; such as the producers, agents and buyers generate a commercial return from its use. It is therefore important that the SRLX is managed on the basis that a financial return is also generated to the community (ratepayers).

As part of the Annual Budget and Revenue Policy, Council adopts a pricing structure (fees and charges) to recover the cost of operating and managing the SRLX facility. It is important to note that Council does not receive, account or report on the revenue generated through livestock sales at the SRLX in its General Purpose Financial Reports. Council's role could be best described as the "landlord" with the livestock selling agents operating the sale as tenants of the facility.

Council generates income through invoicing the agents in line with the adopted fees and charges schedule. Invoicing is undertaken after each sales event. For the year ended 30 June 2016, the total value of livestock sales reported at the SRLX was \$70.2 million. The total income received by Council for the same reporting period was \$1.052 million.

Further information regarding the financial performance of the SRLX is provided on pages 50 to 53.

The SRLX is a registered business name through the Australian Securities and Investment Commission (ASIC). The registered owner is Wingecarribee Shire Council. The purpose of registering the business name was to protect the naming rights of the facility. The registration of the business name does not add any further reporting requirements or

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disclosures. Other similar activities where Council has registered business names include the Wingecarribee Family Day Care service and the Southern Highland Arts Studio Trail.

The Manager Business Services is responsible for the management and operations of the SRLX. The manager is responsible for ensuring the site is managed within Council's WHS obligations, monitoring and reviewing financial performance and directing staff to ensure the SRLX provides a consistently high standard of service to all stakeholders.

The SRLX is supported by an advisory committee which consists of local and industry specific representatives, including three Councillors. The Advisory Committee provides advice and recommendations to Council on long-term strategic priorities, market conditions, business opportunities and network building within the industry. The Advisory Committee also assists with identifying priorities to Council. The committee meets on a quarterly basis.

#### Strategic Plan 2012-2017

The Southern Regional Livestock Exchange Strategic Plan 2012-2017 was prepared in 2012. The plan outlined the strategic goals and targets set by Council for the facility over a period of five years. While the strategy is an important document to guide future decision-making, it needs to be updated to reflect current market competition and market share availability. It should also be supported by a broader Marketing Strategy which outlines the actions and initiatives which will be employed to retain and increase market share. Although it could be argued that the Livestock selling agents, who would be a significant beneficiary of increased throughput, should be asked to financially contribute to any marketing campaigns.

A review of the Strategic Plan will be conducted during the 2017/18 financial year (in conjunction with the SRLX service review) and will involve consultation with the SRLX Advisory Committee and stakeholder groups.

#### STAKEHOLDER ENGAGEMENT

There are a number of stakeholder groups which have a financial interest in the operations of the SRLX and the conduct of the regular livestock sales. A brief outline of each of the stakeholder groups is provided below:

**Producers** - Livestock producers who use the SRLX facility range from small hobby farmers to large primary producers who use the facility for the sale of hundreds of head of cattle per annum. There are currently 2,250 active producers who sell through the facility. Cattle are sold for domestic and export markets, breeding and re-stocking for later resale.

**Agents** – There are currently three companies which act as agents at the SRLX. Previously up to five companies had operated at the facility. The agents act on behalf of the producers to obtain optimum sale prices and are also responsible for pre-sale inspections, animal welfare prior to sale, scanning of National Vendor Declarations and the actual sales process.

Council is currently in the process of entering into new contract arrangements with each of the three agents, although there has been no “competitive” process conducted to test the market to ensure the best outcome for council and the community.

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**Buyers** - The buyers who attend sale days can either be independent buyers or agents acting on the behalf of major producers and meat processors. A review of records shows there are approximately 400 active buyers who purchase cattle from the facility.

#### Engagement Initiatives

Council is committed to working with each of the various stakeholder groups which rely on the SRLX as a sales facility. Council has recently introduced a number of initiatives to improve stakeholder engagement; these include:

**Industry Forum:** Council has recently established a stakeholder forum which consists of representatives from the local producers, transporters and buyers. These forums will allow for constructive discussions on risk management, industry codes of practice, facility improvements and improving communication with all stakeholders.

**Agents Meetings:** Council has also recently re-established a monthly meeting with the agents who use the facility. Representatives from each of the agents are invited to attend. These meetings will focus on discussions regarding daily operations, maintenance schedules and to update the agents on current and planned improvements, both physical and process improvements.

Council has committed to ensuring up-to-date and accurate information regarding the SRLX is posted on the community noticeboard located in the main selling ring. This will include the minutes of the quarterly Advisory Committee meeting.

#### **COMPLIANCE REQUIREMENTS**

The SRLX operates under a regulatory licence issued by the NSW Environment Protection Agency (EPA). This licence was issued in March 2012 and primarily relates to the discharging of effluent into the dam at the rear of the site. There are a number of conditions under the approved licence which include submitting soil samples for independent testing. Council is also required to keep detailed records on the volume of water discharged into the dam and submit an annual return to the EPA.

There have been no breaches of this licence since it was approved in March 2012.

The NSW Local Land Services also attends sale-days to inspect National Vendor Declarations forms to ensure they are completed by the Agents and that the cattle in the yards are fit for sale and identified correctly. The officer also inspects the pens for condition and compliance.

#### Industry Certification – National Saleyard Quality Assurance Program

The National Saleyard Quality Assurance Program (NSQA) was developed by AUS-MEAT, an industry body which sets accreditation systems and standards for meat production across Australia. AUS-MEAT is owned by Australian meat and livestock industries. While accreditation is not mandatory, it demonstrates to facility users and the broader community that a facility is managed in line with industry best practice guidelines.

Council has been working towards achieving accreditation under this program for a number of years. Accreditation would demonstrate to all stakeholders at the SRLX that Council has a genuine commitment to working within industry standards regarding operations, animal welfare and WHS.

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A key requirement of the accreditation process is the development of a quality assurance operations manual using the guidelines provided by NSQA. This has been under development by staff for some time and is currently undergoing final review. The review is to ensure the manual reflects the recent improvement made to the SRLX maintenance schedules (which are discussed further on in this report).

The manual is a comprehensive document which outlines:

- All standard operating procedures
- Risk assessments and mitigation strategies
- Safe work method statements
- Material data safety sheets
- Reporting requirements
- Maintenance schedules
- Regulation requirements
- Administrative procedures

A major obstacle for Council obtaining accreditation is the requirement that the site and its associated infrastructure meet industry standards. Due to the age of much of the infrastructure at the SRLX, Council does not currently meet this standard. Council could obtain accreditation if it were able to demonstrate that a capital works program is in place (and funded) to meet industry standards over time, noting that a preliminary assessment has identified up to \$2.944 million of required capital works to bring the facility to best practice standards.

### **THROUGHPUT STATISTICS**

A key performance indicator of the SRLX is the number of throughput of cattle sold on an annual basis. The table below shows the number of throughput of cattle sold at the facility over the past five years:

Year	No of Head Sold	Total Sales*
2016/17	51,359	\$58,348 M
2015/16	68,432	\$70.269 M
2014/15	58,321	\$44.818 M
2013/14	58,583	\$30.425 M
2012/13	46,059	\$26.285 M

*\*As mentioned earlier in this report, the total revenue generated from the facility is remitted directly to the agents. This income is not received by Council.*

A review of the historical throughput of cattle sold at the SRLX, when compared to the forecasts included in the 2012-2017 Strategic Plan would suggest a significant under-performance. However this would be an unreasonable comparison, as throughput projections were prepared on the assumption that saleyard facilities operating out of Camden and Nowra would close. Both of these facilities are still operating under private ownership.

Future projections regarding throughput will need to carefully consider the impact of the recently constructed saleyard facilities in Yass which opened in August 2016.

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#### **FINANCIAL PERFORMANCE**

The financial performance of the SRLX is monitored and reviewed in line with Council's quarterly budget review process. Variations to budget are reported to the Finance Committee as part of the Quarterly Budget Review Statement.

The following table provides a summary of the financial performance of the SRLX over the past three years. Note: Figures for 2016/17 are based on budget forecasts.

	2014/15 Actual	2015/16 Actual	2016/17 Budget	Comments
<b>Operating Income</b>				
User Charges and Fees	\$15,058	\$8,197	\$14,300	-
Overhead Selling / Turnover Contribution	\$151,889	\$250,539	\$155,000	1
NLIS Income	\$112,068	\$136,988	\$110,000	-
Yard Fees and Dues	\$430,309	\$539,083	\$400,000	2
Other Income	\$173,141	\$117,650	\$146,100	-
Capital Improvement Levy	-	-	\$135,000	3
<b>Total Operating Income</b>	<b>\$882,465</b>	<b>\$1,052,457</b>	<b>\$960,400</b>	
<b>Operating Expenses</b>				
Employee Costs	\$236,043	\$339,895	\$365,126	4
Borrowing Costs (Interest)	\$37,514	\$35,425	\$33,170	-
Maintenance and Repairs	\$3,430	\$38,872	\$39,000	-
Information Technology	\$8,528	\$8,714	\$21,340	5
Materials and Contracts	\$192,955	\$272,282	\$158,743	6
Utilities	\$25,360	\$22,626	\$35,000	-
Corporate Support	\$52,000	\$52,000	\$52,000	-
Other Expenses	\$27,607	\$147,729	\$95,040	7
<b>Total Operating Expenses</b>	<b>\$583,437</b>	<b>\$917,543</b>	<b>\$799,419</b>	
<b>Net Operating Result</b>	<b>\$299,028</b>	<b>\$134,914</b>	<b>\$160,981</b>	
<b>Budget Reconciliation</b>				
<b>Net Operating Result (as above)</b>	<b>\$299,028</b>	<b>\$134,914</b>	<b>\$160,981</b>	
Less:				
Capital Expenditure	\$42,938	\$7,576	\$121,081	8
Loan Principal Repayments	\$35,532	\$37,619	\$39,830	-
Transfer to Operating Reserve	\$132,068	-	-	-
Transfer to Capital Improvement Fund	-	-	\$135,000	9
Add:				
Transfer from Operating Reserve	-	\$16,371	\$110,640	10
Transfer from Capital Improvement Fund	-	-	\$124,290	-
Transfer from Revotes Reserve	\$17,600	-	-	-
<b>Financial Return to General Fund (Dividend)</b>	<b>\$106,090</b>	<b>\$106,090</b>	<b>\$100,000</b>	

As outlined earlier in this report, the SRLX is used by agents and producers on the basis of generating a commercial return; therefore it is appropriate that the facility generates a financial return to the General Fund (ratepayers). There have been a number of years over the past decade where Council has foregone this return due to lower than expected throughput at the facility.



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The return is typically set as part of the Annual Budget, with any additional surplus being restricted to the SRLX Operation Reserve.

#### Comments on Financial Performance 2015-2017

##### 1 – Overhead Selling / Turnover Contribution

Income reported in the 2015/16 financial year was significantly higher than previous financial years and current 2016/17 forecasts. This was due to the number of throughput of cattle sold during the year (68,432 head of cattle). The volume of cattle and sale prices are the primary drivers of revenue at the facility. Revenue forecasts for the 2016/17 financial year are based on conservative estimates which were reviewed by SRLX management in March 2017. Based on a more recent review of throughput numbers for the 2016/17 financial year, it is anticipated that revenue will exceed current budget estimates.

##### 2 – Yard Fees and Dues

Income reported in the 2015/16 financial year was significantly higher than previous financial years and current 2016/17 forecasts. This was due to the number of throughput of cattle sold during the year (68,432 head of cattle). The volume of cattle and sale prices are the primary drivers of revenue at the facility. Revenue forecasts for the 2016/17 financial year are based on conservative estimates which were reviewed by SRLX management in March 2017. Based on a more recent review of throughput numbers for the 2016/17 financial year, it is anticipated that revenue will exceed current budget estimates.

##### 3 – Capital Improvement Levy

The Capital Improvement Levy was introduced in July 2016. The levy is charged at \$3.00 per head of cattle (GST Exclusive) and is collected for the purpose of funding capital improvements required at the SRLX. Revenue generated through the levy is restricted to the Capital Improvement Fund. Capital works are then funded through this reserve.

##### 4 – Employee Costs

Employee costs have increased significantly over the past three financial years. This is in part due to the correct distribution of labour costs between the Resource Recovery Centre and the SRLX. In previous years, the distribution of employee costs across these two services had not correctly reflected the labour requirements of each facility. Employee costs have also increased due to the additional management requirements of the facility, which is specifically aimed at ensuring that Council meets its risk management obligations.

##### 5 – Information Technology

Funding was allocated in the 2016/17 financial year to undertake an upgrade of the computer network at the SRLX. This project was funded through the Capital Improvement Fund. Expenditure in each financial year was in line with budget expectations. Note: the increase in 2016/17 reflects licence and software costs. Contractor expenses were also incurred and have been reported against materials and contracts.

##### 6 – Materials and Contracts

There was a significant increase in material and contracts expenses during the 2015/16 financial year. There are a combination of factors which led to this increase including; additional operational and security related expenditure, and an increase in hay cutting expenditure (which is subsequently recouped through hay sales). It is important to note that

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while this is significantly higher than previous years, the level of expenditure reported only exceeded budget projections in the 2015/16 financial year by \$22,000.

#### 7 – Other Expenses

Other expenses are significantly higher in the 2015/16 financial year as it includes two years of agent rebates. This rebate was payable to agents who exceeded agreed throughput targets. The expense shown in the 2015/16 financial year includes both the rebate payable for the 2014/15 and 2015/16 financial year. This rebate no longer forms part of the contract arrangements with agents at the facility.

#### 8 – Capital Expenditure

The increase in capital expenditure in the 2016/17 financial year is primarily due to the introduction of the Capital Improvement Levy. Projects funded during the 2016/17 financial year include the purchase and installation of a site generator, an upgrade of the external rails and building refurbishment works.

#### 9 – Transfer to Capital Improvement Fund

The Capital Improvement Levy was introduced in July 2016. The levy is charged at \$3.00 per head of cattle (GST Exclusive) and is collected for the purpose of funding capital improvements required at the SRLX. Revenue generated through the levy is restricted to the Capital Improvement Fund. Capital works are then funded through this reserve.

#### 10 – Transfer from Operating Reserve

The SRLX Operational Reserve has been in place for a number of years. Council has a standing practice where operational surplus' are restricted to this reserve and used to offset any unexpected increase in expenditure in subsequent years.

#### Internal Loan

As outlined earlier in this report, in June 2010 Council secured \$4.1 million under the Regional and Local Community Infrastructure Program (Federal Grant) for the construction of a roof over the external yards. This grant was supplemented with an internal loan made available by Council of \$730,800. This project was completed in June 2011.

The loan was sourced from the Property Development Reserve. The loan was for a period of 15 years at a fixed interest rate of 5.75%. It is important to note that this rate was comparable to market rates at the time the internal loan was approved.

The loan repayment schedule for this loan has been factored into Council's Long Term Financial Plan, both as a source of revenue for General Fund, and as an expense against the SRLX operating budget. Any changes to the repayment terms of this loan would require Council to amend its Budget and Long Term Financial Plan.

The principal outstanding as at 30 June 2017 is \$552,595. The loan will be fully repaid by 30 June 2027.

#### Capital Improvement Fund

As part of the 2016/17 Budget, Council introduced a \$3.00 per head of cattle (GST Exclusive) for the purpose of funding capital improvements required at the SRLX. It is expected that this levy will generate approximately \$135,000 per annum. It is important to note that the majority of capital improvements identified at the SRLX are asset renewal and/or rectifications works.



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Funds raised through the levy will be restricted for the purpose for which they were collected and retained within the Capital Improvement Fund. A summary of the Capital Improvement Fund is provided below:

Capital Improvement Fund	
Transfer to Reserve	\$135,000
Less Projects:	
Computer and Network Upgrade	\$33,209
External Rails Upgrade	\$52,231
Purchase and Installation - Generator	\$38,850
<b>Projected Closing Balance – 30 June 2017</b>	<b>\$10,710</b>

Council has identified security improvements to the site as its priority for capital funding for the 2017/18 financial year, with an allocation of \$80,000 included in the 2017/18 Budget. It is also proposed to install a diesel powered air compressor at a cost of approximately \$35,000 to provide improved back up for existing systems.

#### Financial Audit Requirements

In accordance with Section 417(2) of the *Local Government Act 1993*, Council's Auditor must provide a statement as to whether, in their opinion, Council's financial reports have been prepared in accordance with the requirements of the Local Government Act, are consistent with accounting records, presents fairly Council's financial position and are in accordance with applicable Accounting Standards.

Council prepares its General Purpose Financial Reports on a consolidated basis as required under the Australian Accounting Standards. The financial results of the SRLX are included within Council's consolidated General Purpose Financial Reports.

It is important to note that Section 415(4) of the *Local Government Act 1993* requires a Council's Auditor to also audit the financial reports of any council entity and report on that audit as part of the report on the council by the auditor.

A "council entity" is defined as a partnership, trust, corporation, joint venture, syndicate or other body (whether or not incorporated) that a council has formed or participated in forming or has acquired a controlling interest in, other than an entity of a class prescribed by the regulations.

As outlined earlier in this report, while the SRLX operates on business principles, it is not a separate commercial entity of Council.

#### Quarterly Financial Reports

Financial reports will be submitted to the SRLX Advisory Committee on a quarterly basis. These reports will align with the quarterly budget review conducted by Council staff. The reports will include the following information:

- Income Statement – Including reconciliation to the Budget
- Cash Reserves Statement
- Borrowings Statement

## **INFRASTRUCTURE BREAKDOWN ISSUES**

Council staff recently completed a review of infrastructure breakdown incidents at the facility over the period 2015-2017. Due to the lack of a formal reporting system for infrastructure breakdowns, staff were unable to locate any reports of incidents during the period January - June 2015. This has now been addressed and an infrastructure breakdown register has been introduced.

In summary, a total of 33 breakdown incidents occurred during the period July 2015 to May 2017. These incidents range from minor; which were addressed by staff within a very short period of time; to more major incidents which resulted in significant delays to sales. A copy of the breakdown incident register for the period July 2015 to May 2017 is provided at **Attachment 1**.

The table below summarises the number of breakdown incidents and their impact on sales at the SRLX.

<b>Incident</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Pre Maintenance Check (No delay in sales)	1	-	3
Sales Day Incident (No delay in sales)	1	3	4
Sale Day Incident (Delay in sales)	-	12	9
<b>Total Incidents</b>	<b>2</b>	<b>15</b>	<b>16</b>

It reviewing these statistics it is important to note the following:

- Limited information was available relating to breakdown incidents during 2015, therefore this figure is likely to be understated; however in the absence of any other data, this cannot be verified.
- There are 21 reported incidents of breakdowns which have impacted on sale day during the period 2016–2017. Four (4) of these incidents resulted in delays of several hours. The majority of these incidents were resolved within 10 minutes to 2 hours.

There is a direct correlation between the level of breakdown incidents at the facility and the lack of capital renewal investment over the past decade. As highlighted earlier in this report, capital funding has been historically re-directed to projects aimed at ensuring compliance with industry and environmental standards, including WHS.

### **Power Supply Incidents**

Since July 2016, there have been four reported incidents where power supply has been lost at the facility due to issues with infrastructure owned by the electricity provider, Endeavour Energy. These incidents occurred on the following dates; 6 July 2016, 20 July 2016, 12 December 2016 and 1 March 2017.

With the exception of the last incident, Endeavour Energy was contacted on each occasion and attended the site to restore the power supply. In the case of the most recent loss of power, Council took immediate action by contacting its electrical contractor to reinstate

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power. This action was taken to minimise the disruption of the power loss on the sales event and as a result, the delay in sales was contained to 1.5 hours.

A permanent power supply is now provided on site with the recent installation of a back-up generator. This was purchased through the Capital Improvement Fund.

#### Maintenance Schedule Improvements

Since the start of 2017, a range of pro-active maintenance plans and schedules have been developed and introduced to mitigate the likelihood and impact of breakdowns on sale days. These include:

- Pre-Sale Day – Maintenance Checks and Testing

These checks and tests are undertaken to ensure all systems are functional prior to sale day.

- Sale Day Checks

A separate inspection of critical systems and equipment is completed at 5.30am prior to the sale commencing.

- Post Sale Day - Maintenance Inspections

These inspections are carried out every Thursday to ascertain if any equipment and/or infrastructure was damaged on sale day and to allow for sufficient time for repairs to be completed prior to the next sale day.

SRLX Management and staff have also recently introduced a Maintenance Action Plan which documents all maintenance activities, including operational (daily) maintenance tasks and planned /scheduled maintenance tasks.

Daily inspections are also conducted every morning to ensure that no damage has occurred over night in the external pens. All maintenance checks and plans are documented and are required to be signed off by the appropriate staff member once completed.

#### **CAPITAL WORKS PLANNING**

At the SRLX Advisory Committee Meeting held on the 28 April 2017, the committee was presented with a report titled - Draft Capital Works and Asset Renewal Program. The report outlined a priority program of works to address the current condition and age of infrastructure and equipment at the facility.

In presenting the report to the committee, Council staff outlined that the prioritisation of programmed works was based on a risk management approach. It is intended that this program of works will be used to inform future decision making regarding the allocation of funds from the Capital Improvement Levy.

The total estimated value of infrastructure backlog works at the facility is \$2.944 million. A copy of the report has been provided as **Attachment 2**.

It is important to note that no funding has been allocated to the SRLX through the Special Rate Variation which was approved by the Independent Pricing and Regulatory Tribunal (IPART) in May 2016.

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While the Capital Improvement Levy will provide much needed funding in future years, it will not address all outstanding works in the short-term. A more formal direction from Council would be required to investigate other funding options. These options may include a review of the fees and charges, an increase in the Capital Improvement Levy (currently at \$3.00 per head excluding GST) or a review of the dividend returned to Council.

Loan borrowings could be considered to address the infrastructure backlog; however this would need to be underpinned by a prudent funding strategy for the recurrent debt servicing costs, which would likely require increases in fees for the SRLX. Council will continue to actively pursue grant funding opportunities which may become available to assist with the funding of the proposed Capital Works Program.

As outlined in the report to the Advisory Committee on the 28 April 2017, any decision regarding a long term funding solution should be made in the context of the Service Delivery Review Program and Council's decision on the most appropriate service delivery model for this service.

#### IMPACT ON COUNCIL'S FIT FOR THE FUTURE IMPROVEMENT PLAN

This report does not impact on Council's Improvement Plan.

#### CONSULTATION

##### Community Engagement

As outlined within this report, a number of improvements have been made in recent months regarding consultation with the various stakeholders of the SRLX.

##### Internal Consultation

Executive

Manager Business Services

SRLX Staff

##### External Consultation

None

#### SUSTAINABILITY ASSESSMENT

- **Environment**

There are no environmental issues in relation to this report.

- **Social**

There are no social issues in relation to this report.

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- **Broader Economic Implications**

The Southern Regional Livestock Exchange supports both the local and regional cattle industry.

- **Culture**

There are no cultural issues in relation to this report.

- **Governance**

There are no governance issues in relation to this report.

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#### **COUNCIL BUDGET IMPLICATIONS**

This report recommends that \$35,000 be allocated from the SRLX Capital Improvement Fund to install a diesel powered air compressor which will provide improved back up for existing systems.

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#### **RELATED COUNCIL POLICY**

None

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#### **CONCLUSION**

There have been a number of incidents at the SRLX over the period 2015-2017 which have led to unacceptable delays in sales at the facility. This reports details the improvements introduced over the past several months which are aimed at reducing the number of breakdown incidents at the site. The report also details initiatives which have been recently introduced aimed at improving stakeholder engagement and general operations.

The report provides details on the financial performance of the facility over the past two financial years and expected performance for the current financial year. A draft capital works and asset renewal program has been developed and presented to the SRLX Advisory Committee.

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#### **ATTACHMENTS**

1. Attachment1 - Breakdown Incident Register
2. Attachment 2 - Infrastructure Backlog Works



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ATTACHMENT 1 Attachment1 - Breakdown Incident Register

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**ATTACHMENT 1**

Incident Date	Impact	Incident Description	Action Taken	Incident Duration
27/07/2015	Pre Maintenance Check	Site Infrastructure - Replaced hi-bay lights above multiple pens 111 - 119, 87 - 100, 129 - 135	Changed out 3 x high bay lights that had blown - Lighting is required to be checked on pre-sale days during winter months.	no delay
18/11/2015	Sale Day - No Delay	Sale Infrastructure - Count down timer failed	Agents had to use stop watch to count time for auctioning, the timer was replaced the following day.	no delay
10/02/2016	Sale Day - No Delay	Site Infrastructure - Lighting issues resulted in less than optimum sale conditions - too dark under roof to see cattle	Outdoor sales were moved indoors as per adopted procedure. Electrician was called to find fault and repair - 2 hours to fix issue	no delay
15/04/2016	Sale Day - Delay	Site Infrastructure - Lighting failure in main ring	Electrician called to reset circuit breaker. There was a delay of 30 minutes in selling cattle in the main ring.	30 minutes
18/05/2016	Sale Day - Delay	Sale Infrastructure - Scanner on main ring failed	All cattle being sold inside the main ring had to be weighed and sold outside on the export scales. The scanner was repaired the next day by contractors. The battery inside the unit had failed and was subsequently replaced.	Several hours
24/08/2016	Sale Day - No Delay	Site Infrastructure - Replace two blown hi-bay lights under main roof	Electrician called in to replace lights.	no delay
21/06/2016	Sale Day - Delay	Site Infrastructure - Power failure	Generator bought in to run power and compressor to complete sale.	2 hours
6/07/2016	Sale Day - Delay	Site Infrastructure - Power Failure (Endeavour Infrastructure)	Endeavour Energy attended to the incident and repaired the phase on the pole at the front of the site.	Several hours
6/07/2016	Sale Day - Delay	Site Infrastructure - Compressor Failure (Contactor in air compressor control panel)	Electrician contacted immediately to replace faulty contactor. The compressor was fixed and sale commenced.	45 minutes
20/07/2016	Sale Day - Delay	Site Infrastructure - Power Failure (Endeavour Infrastructure)	Staff again contacted Endeavour. Repairs were carried out by Endeavour Energy and power restored by 3:58pm	Several hours
27/07/2016	Sale Day - Delay	Site Infrastructure - Power Failure	This was a black out that impacted on the entire Moss Vale region. All of the region had no power or phones. Not a direct issue with SRLX infrastructure.	Several hours
3/08/2016	Sale Day - Delay	Network Infrastructure - Network connection failures	Investigation undertaken by technical staff, carried out system checks and found redundant cabling interfering with signal. Redundant cabling was removed and system restored, Technical staff attended site following week to undertake a review of network and associated cabling.	approx. 2 hours
14/09/2016	Sale Day - Delay	Network Infrastructure - Computer Repairs	Technical staff repaired computer to allow sales to proceed. Computers need to be replaced - Note new computers were installed at the SRLX in October 2016.	approx. 2 hours
6/11/2016	Sale Day - Delay	Network Infrastructure - Bottom Weighbridge (weigh bridge not communicating with livestock exchange)	Technical staff came on site to rectify issues. Identified that a switch that was not connected properly. Issue located and repaired within a short period.	approx. 2 hours
10/11/2016	Sale Day - Delay	Network Infrastructure - Printer failure	Technical staff contacted to reconnect printer to the SRLX network.	30 minutes
24/11/2016	Sale Day - No Delay	Network Infrastructure - Software failure	Issues with live stock exchange and local software. Technical staff were contacted and reconfigured computers ready for sale day.	no delay
12/12/2016	Sale Day - Delay	Site Infrastructure - Power Failure (Endeavour Infrastructure)	Endeavour were advised at 11:15am that a transformer was arching at the front of site. Endeavour attended and power restored by 3.30pm.	5 hours

12.1 Southern Regional Livestock Exchange  
ATTACHMENT 1 Attachment1 - Breakdown Incident Register



Incident Date	Impact	Incident Description	Action Taken	Incident Duration
1/02/2017	Sale Day - Delay	Site Infrastructure - Compressor Failure (Relay blew in fixed compressor)	Electrician attended the site and found a fault with relay. There were no relays available for replacement so contactor replaced the relay with smaller relay which failed. Staff subsequently arranged for a back up compressor to be brought onto site and sales commenced.	approx. 2 hours
1/02/2017	Sale Day - No Delay	Network Infrastructure - PDA Frozen	Export Cattle had to be weighed and scanned on the back weigh bridge due to frozen PDA. Replacement order immediately from supplier in Queensland.	no delay
8/02/2017	Sale Day - Delay	Site Infrastructure - Compressor Failure (Soft start relay blew in fixed compressor)	Compressor could not be fixed. Staff subsequently arranged for a back up compressor to be brought onto site and sales commenced.	45 minutes
8/02/2017	Sale Day - Delay	Site Infrastructure - Ram on Gate 3 failed	SRLX staff tightened fitting and sale commenced.	15 Minutes
15/02/2017	Pre Maintenance Check	Site Infrastructure - Screen Replacement.	On faulty screen was not available for viewing. Two other screens working on the day. Replacement screens purchased the following week.	no delay
1/03/2017	Sale Day - Delay	Site Infrastructure - Power Failure (Endeavour Infrastructure)	Electrician attended site to restore power to parts of the building to allow sales to commence. Back up compressor used to run air gates as Compressor was drawing to much load to be used.	approx. 1.5 hours
1/03/2017	Sale Day - No Delay	Network Infrastructure - Computer software upgrade	SRLX and technical staff had to reconfigure software to allow screens to be viewed by the buyers in the top sales ring.	no delay
8/03/2017	Sale Day - Delay	Site Infrastructure - Lower Scales Failure	Staff rebooted livestock system and called livestock exchange to assist.	30 minutes
8/03/2017	Sale Day - Delay	Sale Infrastructure - PA Failure	System was not switched on. System switched on and sales commenced.	15 minutes
8/03/2017	Sale Day - Delay	Site Infrastructure - Compressor Failure	Backup compressor turned on and sales commenced.	10 minutes
29/03/2017	Sale Day - No Delay	Site Infrastructure - Broken Pneumatic lever in paint box - caused by User (not WSC)	Temporary repair to get through sale was organised by SRLX staff. Damage was caused by users. Contractors attended the site the following week to undertake repairs.	no delay
5/04/2017	Sale Day - Delay	Site Infrastructure - Top scales Weighing Error	Error was due to a wedged spacer which was removed so that sales could commence.	15 minutes
19/04/2017	Sale Day - Delay	Site Infrastructure - Pneumatic Ram Failure	WSC staff repaired fitting on ram and sales commenced	15 minutes
26/04/2017	Sale Day - No Delay	Network Infrastructure - Main Screen	WSC replaced screen before ring selling started no impact sales	no delay
9/05/2017	Pre Maintenance Check	Site Infrastructure - Compressor Failure	Pre-sale checks picked up that compressor would not start. Mobile compressor used on sale day. No delay in sales. Compressor isolation switch was faulty and subsequently replaced.	no delay
9/05/2017	Pre Maintenance Check	Site Infrastructure - Generator Failure	Identified flat battery. Operational staff attended the site and started the generator. Generator was ready for sale day as this was picked up in pre sale day inspections.	no delay

12.1 Southern Regional Livestock Exchange  
ATTACHMENT 2 Attachment 2 - Infrastructure Backlog Works



ASSET RENEWAL CAPITAL WORKS RISK MATRIX

ATTACHMENT 2

Description	Estimated Cost	Quoted Cost	Rating	What triggered this requirement and the benefits
Install automatic security gates with number plate recognition linked to AVDATA to track out of hours usage with Transit cattle and charge accordingly		\$80,000	High	No security to site, presently only a locked gate that anyone can access with an AVDATA key, very loose system that allows multiple transporters to share keys and no ability to track movements after hours with Transit Cattle and people accessing the facility. Number plate recognition would be linked to the gates and AVDATA to help track transit movements.
Air Gates to replace old gates on External Weighbridge		\$15,000	High	Safety recommendation show that the current design of our external weighbridge poses a risk to the safety of agents using the facility, they presently have two gates on the external weighbridge, one on the entry and the other on the exit, these are manually opened by a person which places them at risk of being injured or killed by rouge beasts exiting or entering the weighbridge, proposal is to replace both these gates with air gates which will eliminate the need for someone to manually open the gates and eliminate the risk of injury from that operation. Critical project that will remove the biggest risk presently on site.
ATV replacement		\$24,000	High	The use of an ATV on any site should not be permitted, these units have proven to be related to the most deaths in the Agricultural business, they are consistently injuring or killing more workers and farmers than any other farming machinery, a business case was presented to previous management in relation to the statistic on injury and an alternative four wheel farm vehicle with articulation to prevent roll over was sought and presented to council for consideration, we believe that this is the safest option and not hindering on operational needs.
Power upgrade - feed from Power pole back to SRLX 3 phase including switchboard (22mm cable)		\$45,000	High	Power supply from external sources has become unreliable and it is recommended to run 95mm wire from pole to pole at the SRLX to allow better power feed to SRLX and minimise interruptions. Private Contractor to install new power board to cope with increased supply as recommended to 200 amps
Drafting Yards to be installed at Sale Yard, this will be part of the upgrade required at SRLX which is part of a major upgrade		\$90,000	High	This is the first stage of the PROWAY concept and an agreed project with Council and Agents to remove WH&S risk in cattle handling when drafting cattle, the SRLX does not have a drafting area that meets Australian Standards, this development will allow agents to draft safely with elevated platforms and 5 way holding yards controlled by air gates removing the agent from the beast on sale day and removing inherent risk
Replace current compressor with continual air compressor		\$15,000	High	SRLX has experienced several failures on sale day with air supply to the air gates on the main ring in the arena, problem is wrong compressor for task, cycling too many times and becoming unreliable
Mobile Diesel Compressor to be used as standby in the event main Compressor fails on sale day.		\$20,000	High	To be used as back up air supply for main ring gates and possibly for drafting yard operations and bottom weighbridge air gates
Compliance signage - replace all current signage to comply with GHS signage	\$15,000		High	Replace all current signage from Audit conducted recently, identified all signage to be either non compliant or not clear, signage to include conditions or entry, hazards, prohibitions and WH&S requirements. Reviewed with Malcolm Lindsay
Scanner on Ramp 4 - After Hours Ramp	\$34,000		High	ALIES Scanner to be installed on Ramp 4 to capture cattle if tagged, this will assist in identifying cattle that are left on site a transit cattle that arrive at all hours and ensure charges can be applied to cattle using the facility outside of sale day, this has never been captured and charged for which has allowed transporters and buyers to use the SRLX and its facilities free of charge. This scanner will prevent cattle being missed ensuring all are counted and charged for when staff are not on site (After hours and weekend activity)
Cattle Reveal Area - Truck/Receiving area including two new ramps.		\$120,000	High	The purpose of this development is to allow a safer and more controlled loading and unloading of cattle, it will also give the transporter better cattle movement and safety with elevated walkways and narrow yards allowing better stack up of cattle and safer methods of loading and unloading allowing better movement and control of cattle minimising stress to the beast.
Transit Paddock to be developed in Paddock 1 - including laneway back to main roof area	\$80,000		High	Reuse paddock 1 into a transit reveal dispatch area, this would include the design and development of several pens inside paddock one with ramp being constructed to scan an=d record all movements of cattle being housed overnight at the SRLX, this will also keep the cattle separated from sale cattle and prevent cattle being mixed up and incorrectly transported. also allow the SRLX to charge accordingly for cattle using the facility to rest up which has not occurred previously.
PROWAY Yard refurbishment of all pens, laneways and walkways under the main for of the SRLX		\$1,450,000	High	Complete refurbishment of all pens under the main roof at the SRLX, this would include new ramps, pens, throughs, walkways for Buyers and Agents, this would also include upgrades to weighbridge and other yard areas within the SRLX, it would allow for safer interactions with buyers and cattle also with staff interactions and selling would be more visible to the buyers
CCTV cameras to be installed at SRLX to cover all areas, currently a lot of black spots that leave Council at risk with WH&S and insurance liabilities		\$147,000	High	Lack of security after hours and during a sale, too many black spots and no coverage if there are investigations required such as animal welfare claims, workers compensation claims or public liability claims. This leave Council at a financial risk.
<b>SUBTOTAL</b>	<b>\$2,135,000</b>		Note:	*Based on \$3 per head capital contribution charge @ 55K head per year this will take 13 years to fund. *Based on \$5 per head capital contribution charge @ 55K head per year this will take 8 years to fund.

12.1 Southern Regional Livestock Exchange  
ATTACHMENT 2 Attachment 2 - Infrastructure Backlog Works



ASSET RENEWAL CAPITAL WORKS RISK MATRIX

Description	Estimated Cost	Quoted Cost	Rating	What triggered this requirement and the benefits
Hi-Bay lighting under main roof to be replaced with LED		\$48,000	Medium	The lighting currently in use at the SRLX under the main roof is of the old Mercury type pumps which are expensive to run and expensive to replace, using LED lighting which we have replaced as lighting fails is proving to be a cost effective measure, reducing electrical charges dramatically, in most cases the LED lighting use one fifth of the consumption of the Mercury Vapour lamps, this will see significant savings with power bills and maintenance, the LED lights also have a 25 year replacement warranty which makes them a very attractive option.
Skid Steer replacement at SRLX	\$80,000		Medium	SRLX skid steer loader will need replacing by the end of 2018 as per Council Vehicle/Plant policy, the unit will be sourced mid 2018 and secured before 2019 budget starts. Plant Fund
Digital Load Cells on Top Weight bridge		\$15,000	Medium	Current load cells are Analogue and need replacing, this is due to age and type, Digital are used today to secure accuracy and more reliant, also will meet current standards and regulations
<b>SUBTOTAL</b>	<b>\$143,000</b>		Note:	*Based on \$3 per head capital contribution charge @ 55K head per year this will take 6 months to fund. *Based on \$5 per head capital contribution charge @ 55K head per year this will take 8 years to fund.
Main Ring Seating replacement (129 Chairs replaced at \$150.00 per chair)	\$19,350		Low	Seating inside the main area has become old and tattered with a minor amount of chairs either removed leaving a gap in the seating or becoming unsafe to use. All seating needs to be replaced, based on 150 seats at \$90 per seat is what we have based the cost on
Install Lift at SRLX and civil works to allow installation including electrical.		\$80,000	Low	Disabled lift needs to be installed to allow access to selling ring top floor, this will be located outside the existing entrance to the toilets and will allow one person to be conveyed to the top floor via a commercial lift.
Disabled Parking Bay at SRLX	\$7,000		Low	Hard Surface, bollard and sign post a suitable car parking space in the designated disabled car parking area to allow disabled people to park safely and access the building without incident.
Repair pot holes in entrance and restabilise driveway from Entrance to Cattle Recieveal area	\$35,000		Low	numerous potholes and damage caused on the due to rain and traffic, needs to be resurfaced and stabilised to make safe and not damage vehicles accessing the sale yard parking area.
Car park bitupave remaining dirt area left after previous coating near RRC fence. Bitupave required due to truck turning area	\$45,000		Low	Continue on sealing the dirt car park area beside SRLX which will eliminate dust and encourage people to park in that area, also allow trucks to turn without damaging roadway.
Truck wash upgrade with spray bar installation and expanding sump areas to accommodate better recycling of manure from trucks, also speed up clean times allowing faster turnaround	\$180,000		Low	Truck wash area does not currently recycle any water used on site, this is an unacceptable practice in todays standards, our truck wash facility does not meet current standards, concept will be to add recycling pits and filtration, the SEPCOM system will assist in the filtration process, also the area that the truck was is sitting would be expanded to include an additional bay with spray bars to wash the external of the truck, this will allow the driver to wash the external of the truck without climbing unsupported on the outside to ensure the vehicle is clean before leave the SRLX.
SEPCOM - Manure recycling Project to reuse the manure for soft footing for pens and also compost for sale at RRC, de-sludge both dams using bio earth technology.		\$300,000	Low	Closed loop recycling will be the efficiencies from this project we will have the ability to use the product removed from sale pens (manure) and recycle to be used as a soft footing (MLA Certified) the water would also be recycled and used in the truck wash facility as recycled water for wash vehicles. This would also remove the need to use saw dust which is currently being purchase at approximately \$5,000 per annum
<b>SUBTOTAL</b>	<b>\$666,350</b>		Note:	*Based on \$3 per head capital contribution charge @ 55K head per year this will take 4 years to fund. *Based on \$5 per head capital contribution charge @ 55K head per year this will take 2.5 years to fund.
	<b>\$2,944,350</b>			