



City of
Mount Gambier

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**I hereby give notice that a Special Audit and Risk Committee Meeting
will be held on:**

Date: Monday, 11 September 2023

Time: 5.30 p.m.

**Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier**

AGENDA

Special Audit and Risk Committee Meeting

11 September 2023

**Sarah Philpott
Chief Executive Officer
7 September 2023**

Order Of Business

1	Acknowledgement of Country	3
2	Apology(ies).....	3
3	Questions without Notice.....	3
4	Reports	4
4.1	Review of Council Policies - Update – Report No. AR23/59098	4
4.2	Infrastructure Valuation – Report No. AR23/60163.....	40
5	Motions without notice.....	48
6	Meeting Close	48



1 ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Boandik peoples as the traditional custodians of the land where we meet today. We respect their spiritual relationship with the land and recognise the deep feelings of attachment our indigenous peoples have with this land.

2 APOLOGY(IES)

Nil

3 QUESTIONS WITHOUT NOTICE



4 REPORTS

4.1 REVIEW OF COUNCIL POLICIES - UPDATE – REPORT NO. AR23/59098

Committee:	Audit and Risk Committee
Meeting Date:	11 September 2023
Report No.:	AR23/59098
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services
Summary:	This report provides a status update for review of Council Policies since January 2022 and presents draft revised and new policies for Audit and Risk Committee review.
Strategic Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR23/59098 titled 'Review of Council Policies - Update' as presented on 11 September 2023 be noted.
2. That the draft revised policies as referenced below and as attached to Report No. AR23/59098 having been reviewed by the Audit and Risk Committee on 11 September 2023 be adopted:
 - (a) P415 - Prudential Management Policy;
 - (b) Asset Accounting Policy; and
 - (c) Internal Controls Policy.
3. That the new draft policy as referenced below and as attached to Report No. AR23/59098 having been reviewed by the Audit and Risk Committee on 11 September 2023 be adopted:
 - (a) External Grant Funding Policy.



TYPE OF REPORT

Legislative

BACKGROUND

1. **Audit and Risk Committee Terms of Reference** - The following section of the Audit and Risk Committee Terms of Reference is relevant to this report:

The Committee shall:

12.1.2 *Review and challenge - where necessary:*

- *The consistency of, and/or any changes to accounting policies.*

2. **2021/2022 Interim Audit Action** - At the June 2023 Audit and Risk Committee Meeting, the Committee requested that a progress report regarding leases/licences and mandatory policies be brought back every 6 months.
3. **Progress Prior to June 2023** - A report was brought to the Audit and Risk Committee meeting on 31 July 2023 showing that the process for the review of all policies had commenced, additionally, the following policies were reviewed and updated prior to the June Committee Meeting:
 - C305 - Council and Committee - Caretaker Policy;
 - Asset Accounting Policy;
 - A900 - Asset Management;
 - P420 - Procurement & Disposal of Land and Assets Policy;
 - W125 - Waste Management - Kerbside Refuse Collection Policy;
 - T120 - Tree Policy;
 - C410 - Code of Practice for Access to Meeting and Documents / Meeting Procedures Policy; and
 - S140 - Street Numbering Policy.
4. **Reviewed/Revoked Policies Prior to June 2023** - Council also reviewed and endorsed revoking the following policies:
 - C375 - Council Vehicles - Provision and Replacement;
 - S175 - Safe Environment Policy; and
 - E240 - Expiation Notices - Cancellation or Waiver.
5. **Executive Review of Policies** - An action plan has been developed and reporting on the progress is being presented to the Executive Leadership Team (ELT) on a fortnightly basis.
6. **August 2023 Council Meeting** - A total of 14 policies were reviewed and endorsed by Council as detailed below:
 - A515 Animal Control - Dogs;
 - A520 Animal Control;
 - C700 Corporate Branding and Identity;
 - D150 Building and Swimming Pool Inspections;
 - F125 City Burning;
 - F135 Flammable Undergrowth;



- F500 Footways and Council Land - Removal of Objects;
 - F505 Footways and Council Land - Sale of Commodities;
 - F510 Inspectoral - Footways and Council Land - Fundraising and Promotion;
 - Illumination of Assets;
 - L230 Licensed Premises;
 - P135 Entertainment Venues;
 - P155 Privacy; and
 - W115 Waste Management - Receiving of Waste - Caroline Landfill.
7. **P415 - Prudential Management Policy** - The City of Mount Gambier (the Council) is committed to excellence in governance and using a best practice approach to transparent and accountable decision making. The Council recognises the importance of prudential management of all projects it undertakes and that it is sound business practice to have a Prudential Management Policy (position) documented and reviewed periodically.
- Section 48 of the Local Government Act 1999 (the Act) requires Council to develop prudential management policy, practices and procedures for the assessment of projects to ensure that the Council:
 - (a) acts with due care, diligence and foresight;
 - (b) identifies and manages risks associated with a projects;
 - (c) makes informed decisions; and
 - (d) is accountable for the use of Council and other public resources
 - **Review** - In January 2019 Council adopted *Policy P415 Prudential Management* which is now due for a periodic review.
8. **Asset Accounting Policy** - The new Asset Accounting policy was reviewed by the Audit and Risk Committee at the meeting on 28 March 2022 and adopted by Council on 19 April 2022. The policy has been subsequently updated as follows:
- **Council Meeting August 2022** - The policy was reviewed at the Audit and Risk Committee meeting in July 2022 and adopted by Council at the August 2022 reflecting minor changes relating to the removal of library books and treatment of this expenditure as an operating expense.
 - **Council Meeting January 2023** - The policy was reviewed at the Audit and Risk Committee meeting in December 2022 and adopted by Council at the January 2023 reflecting minor changes relating to the breakdown of Infrastructure asset classes and creation of the "Heritage Space and Open Place" asset class and in recognition of the new assets acquired for the Wulanda Recreation and Convention Centre.
9. **Internal Controls Policy** - Following the 2021/2022 interim audit with Dean Newbery, the Finance Team decided to create this policy required for compliance purposes and to ensure alignment with other South Australian councils. This was reviewed at the July 2022 Audit and Risk Committee meeting and adopted at the August 2022 Council meeting. The initial policy was due for review in August 2023.

PROPOSAL

1. **P415 - Prudential Management Policy** - Further to benchmarking to other South Australian Councils and a comprehensive review, changes have made to the policy as shown in red so that the policy (as per Attachment 1) clearly articulates the following:
- Definitions;
 - Roles and responsibilities;



- Due diligence report details and
 - Training and education.
2. **Asset Accounting Policy** - The policy has been amended as shown in red in the attached policy (Attachment 2) to include the following:
- **Definitions** - Updated to provide further clarity;
 - **Valuation of Assets** - References the AASB 13 fair value hierarchy;
 - **Asset Useful Lives** - Have been broken down to more granular level. Asset lives have also been adjusted aligned with the unaudited Infrastructure Asset Valuation;
 - **Frequency of Revaluation** - Has been incorporated aligned with previous Audit and Risk Committee member feedback;
 - **Public Lighting** - Has been included as a separate asset class further to the completion of the LED Phase 1 project in 2022/2023.
 - **Recreation and Open Space** - This asset class is included (with a minor change to the name from the previous version of the policy).
 - **Borrowing Costs** - The capitalisation of borrowing costs as per AASB 123.
 - **Aggregation** - The principle of aggregation of assets has been incorporated further to prior feedback from members of the Audit and Risk Committee.
3. **Internal Controls Policy** - Only minor changes have been included in this policy as detailed in red (as per Attachment 3).
4. **External Grant Funding Policy** - This new policy has been developed further to the 2022/2023 self-assessment of internal financial controls, the 2021/2022 interim audit and a further review of the external grants process with Council's Executive team (as per Attachment 4). Benchmarking with other South Australian Councils has been undertaken in the development of this policy.
- Purpose** - The purpose of the External Grants Policy is to enable Council to secure grants for specific projects or purposes arise periodically and provide efficient service delivery by:
- **Framework** - Establishing an effective, sustainable and risk-focused framework for managing, monitoring and evaluating grants provided by external organisations; and
 - **Strategic Alignment** - Determining a consistent and objective analysis aligned to Corporate Strategy prior to application for external grant funding.

LEGAL IMPLICATIONS

As shown in the background section.

STRATEGIC PLAN

N/A

COUNCIL POLICY

[A900 Asset Management Policy](#)

[Asset Accounting Policy](#)

[P420 Procurement and Disposal of Land and Assets Policy](#)

[B300 Budget Framework Policy](#)

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A



SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

N/A

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

N/A

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

Policies will be published on Council's website once adopted by Council.

IMPLEMENTATION STRATEGY

Policies once adopted will be rolled out to relevant staff with supporting internal procedures if required.

CONCLUSION AND RECOMMENDATION

The following policies are key Council policies that have been created/reviewed to consider previous external audit findings, benchmarking compared to other South Australian councils, and organisational requirements:

- Asset Accounting Policy;
- P415 - Prudential Management Policy;
- Internal Controls Policy; and
- External Grant Funding Policy.

It is recommended that these policies are presented to Council for review and adoption.

ATTACHMENTS

1. Draft Council Policy P415 - Prudential Management [↓](#)
2. Draft Council Policy - Asset Accounting Policy [↓](#)
3. Draft Council Policy - Internal Controls Policy [↓](#)
4. Draft Council Policy - External Grant Funding Policy [↓](#)



 <p>City of Mount Gambier</p>	<p>P415 PRUDENTIAL MANAGEMENT</p>	Version No:	23
		Issued:	September 2023
		Next Review:	September 2027

1. INTRODUCTION:

This document sets out the policy of the City of Mount Gambier for prudential management of its projects. This policy applies to all projects (as defined below) regardless of size.

2. PURPOSE:

This Policy is intended to provide further guidance to Council, the Community and Employees in regard to the management of prudential projects and issues. It is intended to enhance the legislative directions provided in the Act (Local Government Act 1999), rather than repeat or replace the existing requirements.

3. PROJECT DEFINITIONS:

Key Term – Acronym	Definition
Project	<ul style="list-style-type: none"> • "A new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset" • may include a new or discrete undertaking or activity of a temporary nature that involves the expenditure of money, deployment of resources, incurring or assuming a liability or accepting an asset. • It will typically involve more than merely purchasing an asset or infrastructure; it does not need to entail expenditure as it may be based around the receipt of land or assets for free, or the granting of permission for a private activity on Council land. • A project has a defined beginning and end. Regular, ongoing deliveries of Council services are not "projects".
Prudential Project	<ul style="list-style-type: none"> • A project or commercial activity being undertaken by Council or a subsidiary of Council that requires prudential legislative requirements to be followed.
Engage in a Prudential Project	<ul style="list-style-type: none"> • When Council has agreed to commit funds to a project.
Due Diligence	<ul style="list-style-type: none"> • The conduct of a systematic review of a transaction, prior to entering the transaction. It has been defined in landmark legal cases as: <i>"a minimum standard of behaviour involving a system which provides against contravention of relevant regulatory procedures and adequate supervision ensuring the system is carried out" and "indistinguishable from the obligation to exercise reasonable care."</i>
DDR	<ul style="list-style-type: none"> • Due Diligence Report.

 <p>City of Mount Gambier</p>	<p>P415 PRUDENTIAL MANAGEMENT</p>	Version No:	23
		Issued:	September 2023
		Next Review:	September 2027

Key Term – Acronym	Definition
Prudential Management	<ul style="list-style-type: none"> Requires the financial risks or adverse financial consequences of a project to be considered, minimised or offset to ensure that the proposed benefits of the project are achieved.
Whole of Life Costs	<ul style="list-style-type: none"> The total cost of owning an asset over its entire life such as design and building costs, operating costs, associated financing costs, depreciation, and disposal costs. Whole-life cost also includes environmental impact and social costs.

A project may be defined as

“A new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset.”

This should not be interpreted to mean that all Council activities are projects. Regular, ongoing deliveries of Council services are not ‘new and discrete’ activities so therefore are not included within this definition. A project is a temporary endeavour with a defined beginning and end. The temporary nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to provide services.

Simply purchasing an item of plant or equipment, (e.g. a single vehicle) or a parcel of land may constitute a ‘project’ if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council’s Procurement Policy. However, a ‘project’ may typically involve more than merely purchasing. It may involve Council Officers time, often in undertaking activities in association with other organisations. On the other hand, a project need not entail any expenditure. It may include, for example, receiving land or other assets for free, or granting permission for a private activity on Council land.

All projects should be considered as a minimum in the context of this Policy and Council’s Risk Management Framework Policy, its Procurement, and Disposal of Land and Assets Policy, and Comprehensive Holistic Assessment Tool (CHAT).

4. ROLES AND RESPONSIBILITIES:

Responsible Officer	Roles & Responsibilities
Council	Ensure policies in place to assist staff with prudential management.
Audit and Risk Committee	Review - The Committee shall provide advice on the management of any prudential reports prepared for Council and provide advice to Council. The Committee will also review the subsequent report produced after project completion.
Chief Executive Officer	Receive regular reports on prudential management.
General Managers	To ensure that relevant projects are assessed as to the level of due diligence that is required.

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Page 2 of 7

 City of Mount Gambier	P415 PRUDENTIAL MANAGEMENT	Version No:	23
		Issued:	September 2023
		Next Review:	September 2027

Responsible Officer	Roles & Responsibilities
Project Managers	For each project determine what level of due diligence assessment is required.

5. POLICY STATEMENT:

This document sets out the policy of the City of Mount Gambier Council for prudential management of all its projects. This policy applies to all projects regardless of size.

6. POLICY OBJECTIVES:

This policy has ~~two~~ three objectives.

- 6.1** To ensure that a Council project is undertaken only after an appropriate level of "due diligence" is applied to the proposed project; ~~and~~
- 6.2** To ensure that each Council project is managed during the project and evaluated after the project (i.e. a post implementation review) to assess achievements against identified public benefits or needs; and to minimise financial risks; ~~and~~
- 6.3** Gives consideration to Council's strategic plans.

~~The objectives of this Policy shall be considered in a report on any potential project, regardless of the financial impact or the size of the project.~~

7. LEGISLATION:

This Policy is made pursuant to section 48(aa1) of the Local Government Act 1999 (the Act) which provides:

"A Council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the Council:

- a) acts with due care diligence and foresight; and*
- b) identifies and manages risks associated with a project; and*
- c) makes informed decisions; and*
- d) is accountable for the use of Council and other public resources.*

As such, this Policy may apply to all Council projects, no matter how large or small, to ensure compliance with this provision and that decision-making in respect of projects is made with reliable, accurate and timely information.

8. DECIDING UPON AN APPROPRIATE LEVEL OF DUE DILIGENCE

Any proposed project must first be assessed as to the level of due diligence that is required.

The Council's record of delegations lists the powers that the Council has delegated to the Chief Executive Officer and/or other Council Officers, including the power (depending upon budgetary allocations and other Council policies) to approve some projects.

Therefore, for a particular proposed project the decision-maker may be the Council, the Chief Executive Officer, or another Council Officer.

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Page 3 of 7

 City of Mount Gambier	P415 PRUDENTIAL MANAGEMENT	Version No:	23
		Issued:	September 2023
		Next Review:	September 2027

8.1 Appropriate Level of Due Diligence:

When approval is being sought or considered for a specific proposed project, information must be provided to the **authorised** decision-maker to indicate approximately, at first instance:

- **Benefits** - The specific benefits or needs to be addressed by the proposed project;
- **Past Experience** - The extent to which the proposed project may be substantially similar to other past projects;
- **Whole Of Life Costs** - The expected whole-of-life costs of the proposed project; and
- **Financial Risk** - That, if anything, is known about the levels of financial risk that may be involved.

8.2 Two-threshold questions Assessment of Due Diligence

The **authorised** decision-maker must make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project.

~~As a first step,~~ The **authorised** decision-maker must ascertain **whether**:

- **Funding** - ~~Whether~~ Funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long-term financial plan; **and**
- **Financial Risk** - ~~Whether~~ The proposed project will (or might) generate any additional financial risk for the Council; **and**
- **Whole of Life Costs** - The whole-of-life costs and the financial risks have been accounted for. If not, a due diligence report must be prepared

~~Seeking the answers to these two questions is a threshold 'due diligence' test. If the decision-maker is sure that whole-of-life costs and financial risks are already accounted for, then no further action is necessary. However, in many cases, the decision-maker will not be sure of these answers, and will require a second step.~~

8.3 Due Diligence Report

Sections 48(1)(a) and (b) of the Local Government Act 1999 ("the Act") requires a full prudential report be prepared for Council for large projects excluding road works and drainage as specified in the legislation:

- **Five Year Expenditure** - Where the expected expenditure of the Council over the ensuing five years is likely to exceed 20% of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements; or
- **Expected Capital Cost** - Where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed based on Adelaide CPI September 2009 divided by the September Adelaide CPI directly preceding the date of the project).

A full prudential report may also be commissioned under Section 48 for any other project for which the Council considers that it is necessary or appropriate.

A prudential report prepared under Section 48 of the Act will be regarded as the highest level due diligence report for the purposes of this Policy.

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Page 4 of 7

 City of Mount Gambier	P415 PRUDENTIAL MANAGEMENT	Version No:	23
		Issued:	September 2023
		Next Review:	September 2027

Depending upon the context of due diligence required by the authorised decision-maker (General Manager or Project Sponsor), a due diligence report of greater or lesser detail will be prepared. This due diligence report will include, in relation to the proposed project:

- **Need/Demand** - An analysis of the need or demand;
- **Benefits** - Identification and quantification of the expected financial and other benefit;
- **Whole Of Life Costs** - Identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;
- **Financial Risks** - Assessment of the associated financial risks (including the financial risks of not proceeding or delaying the proposed project) and consideration of ways they can be managed and/or mitigated; and
- **Evaluation** - An evaluation that weighs up all the factors above.

~~To resolve any doubt, the decision-maker must request preparation of a **due diligence report** (DDR). See section 6 below.~~

~~For large commercial or non-commercial projects, section 48(1) of the Act requires that a full prudential report be prepared for Council. A report under section 48 will be regarded as the highest-level, most thorough type of DDR for the purposes of this Policy.~~

~~A full prudential report may also be commissioned under section 48, for 'any other project for which the Council considers that it is necessary or appropriate'.~~

~~If a full prudential report is not sought, the Council will record its reason(s) for not obtaining such a report. This might be satisfied by noting (if appropriate) that the proposed project has been assessed under 5.1 of this policy, or under a DDR as being of low or negligible financial risk.~~

9. **DUE DILIGENCE BEFORE A DECISION ON WHETHER TO PROCEED**

~~Depending upon the extent of due diligence required by the decision-maker, a DDR of greater or lesser detail will be prepared. This DDR may include, in relation to the proposed project:~~

- ~~• An analysis of the need or demand~~
- ~~• Identification and quantification of the expected financial and other benefits~~
- ~~• Identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs~~
- ~~• Assessment of the associated financial risks, (including the financial risks of not proceeding or delaying the proposed project) and consideration of ways they can be managed and/or mitigated~~
- ~~• An evaluation that weighs up all of the factors above.~~

~~For the smallest projects with least financial risk, this DDR may comprise only a single page and may be prepared by a single Council Officer. Larger, more complicated and/or financially riskier projects will require a DDR containing correspondingly more information and assessment, as required by the decision-maker, with input from two or more officers.~~

~~For example, the decision-maker may request a DDR from a working party of Council Officers, or an external consultant, or a combination of both. Consideration will be given to whether those preparing a DDR require special skills such as engineering, finance, project management, town planning, etc.~~

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Page 5 of 7

 <p>City of Mount Gambier</p>	<p>P415 PRUDENTIAL MANAGEMENT</p>	Version No:	23
		Issued:	September 2023
		Next Review:	September 2027

10. DUE DILIGENCE DURING A PROJECT:

After a decision has been made to commence a project, it will be managed according to the principles of due diligence.

The Council will take action to manage the project so that:

- **Benefits/Needs** - The project remains focussed upon the expected outcomes and public benefits or needs that have been identified in the DDR; and
- **Financial Risks** - identified in the DDR are managed appropriately.

11. DUE DILIGENCE AFTER A PROJECT:

After a project has been completed, it will be evaluated, according to the principles of due diligence, to determine the extent to which the project has:

- Achieved the expected outcomes and public benefits or needs identified in the DDR that it was intended to achieve or satisfy; and
- Avoided or mitigated the financial risks identified in the DDR.

The subsequent report will be provided to Council's Audit and Risk Committee and Council.

12. TRAINING/EDUCATION:

Training will be provided to key members of staff, the Executive Leadership Team and Elected Members as required.

13. REVIEW OF POLICY & EVALUATION:

~~This Policy will be reviewed at least once during each term of Council and may be revised or reviewed at any time (but not so as to affect any project that has already commenced).~~

This Policy will be reviewed in four years or earlier in the event of changes to legislation or related Policies and Procedures or if deemed necessary by the General Manager Corporate and Regulatory Services.

14. FURTHER INFORMATION AVAILABILITY OF POLICY:

This Policy will be available for inspection at the Council office listed below and is available for download from Council's website www.mountgambier.sa.gov.au

Civic Centre
10 Watson Terrace
Mount Gambier SA 5290

Monday to Friday 8:30am – 5:00pm
Telephone (General Enquiries) (+61) 08 8721 2555

Postal Address
PO Box 56
Mount Gambier SA 5290

A copy of this Policy will be provided to any person upon request following payment of a fee as prescribed in Council's Schedule of Fees and Charges.

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Page 6 of 7

 <p>City of Mount Gambier</p>	<p>P415 PRUDENTIAL MANAGEMENT</p>	Version No:	23
		Issued:	September 2023
		Next Review:	September 2027

File Reference:	AF11/1740 AF18/48
Applicable Legislation:	Local Government Act 1999 (s48)
Reference:	Community Plan 2016-2020 Strategic Plan 2020-2024
Related Policies:	F225 Fraud and Corruption Prevention R305 Risk Management Framework Policy P420 Procurement and Disposal of Land and Assets Policy B300 Budget Framework Policy
Related Procedures:	
Related Documents:	LGA Prudential Management Information Paper 27

15. DOCUMENT DETAILS

Responsibility:	Manager Governance and Property General Manager Corporate and Regulatory Services
Version:	2-0-3.0
Last revised date:	
Effective date:	
Minute reference:	
Next review date:	
<u>Document History</u>	
First Adopted By Council:	25 November 2014
Reviewed/Amended:	15 January 2019,

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Page 7 of 7

 <p>City of Mount Gambier</p>	<p>COUNCIL POLICY ASSET ACCOUNTING POLICY</p>	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

1. INTRODUCTION:

The purpose of this policy is to ensure that all Council owned assets are valued and depreciated in accordance with relevant Australian Accounting Standards ("the Standards") pursuant to Local Government Act 1999 under section 303(4).

2. PURPOSE:

The purpose of this policy is to provide clear direction to management, staff and Council in relation to the Asset Accounting function.

Council will only acquire assets after due consideration of the service needs of the community and the operating needs of the Council. Service levels will be determined in consultation with the community and in line with the Council's 'duty of care' to the community.

3. SCOPE:

The scope of this policy is to ensure:

- **Asset Life** - That Council makes a distinction between costs incurred on long-lived assets and costs incurred on goods and services for immediate consumption;
- **Depreciation** - All depreciation estimates are prepared and maintained in accordance with the Standards and reviewed annually; and
- **Revaluations** - Are performed at a sufficient frequency to ensure that the carrying amount does not differ materially from the fair value at the reporting date.

This Policy is applicable to all Council owned assets.

The scope of this policy includes 'right-of-use assets' as defined in AASB 16 Leases.

The scope of this policy excludes library books have been treated as an operating expense from the 2022/23 financial year.

4. DEFINITIONS:

Key Term - Acronym	Definition
Amortisation	The systematic allocation of the depreciable amount of an asset over its useful life (e.g. for an asset valued at \$500,000 with a 5 year useful life the annual amount amortised would be \$100,000 per annum).
Asset	A resource with economic value that is owned or controlled by an entity with the expectation that it will provide a future benefit.
Asset Class	A group of assets having a similar nature or function in the operations and for purpose
Asset Consumption Ratio	Value of infrastructure assets/gross current replacement cost of infrastructure assets.

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Page 1 of 11



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

Key Term - Acronym	Definition
Asset Management	The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner.
Asset Renewal Funding Ratio	Capital expenditure on renewal or replacement of existing assets as a percentage of asset management plans allocation. Capital expenditure on renewal or replacement of existing assets / Asset Management Plan.
Asset Register	A register for reliably recording inventory type details of an asset and may incorporate other information such as condition, valuation and location.
Carrying Amount	The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
Cost	The amount of cash or cash equivalents paid, or the fair value to acquire an asset at the time of its acquisition or construction.
Cost Model	After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
Depreciation	The monetary value of an asset decreases over time (useful life) due to use, wear and tear or obsolescence. This decrease is measured as depreciation. Depreciation is the measure of 'using up' or consumption of the asset, in providing that asset to the community and is measured on an annual basis.
Depreciable Amount	The cost of an asset or any other amount substituted for cost, less its residual value.
Fair Value	Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Gifted Assets	Is an asset constructed by a party other than a Council (typically a developer) and transferred to Council to maintain.
Impairment Loss	Is the amount by which the carrying amount of an asset exceeds its recoverable amount.
Intangible Assets	Are identified as non-monetary assets without physical substance. Some examples of intangible assets include; licences, intellectual property and computer software.

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Page 2 of 11



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024


Key Term - Acronym	Definition
Maintenance	Regular ongoing day-to-day work necessary to keep assets operating, and does not extend the asset's useful life e.g. road patching. This is an operating expense as this does not increase the value of the asset.
Materiality	Information is material if its omission, mis-statement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or elected representatives of the Council.
New Asset	Is the creation of a new asset to meet additional service level requirements, e.g. a new building.
Non-current assets	Are assets that have an estimated life of greater than one year. They also include some financial assets that are not expected to be recovered within a year of the reporting date.
Operations	Regular activities of the council e.g. street sweeping, grass mowing, street lighting.
Right Of Use Asset	A right of use asset, or ROU, is a lessee's right to use an asset over the course of a lease.
Renewal or replacement	Of an asset is where a previously existing asset is replaced, or its service life extended, without enhancement of the service capability except where this is incidental and unavoidable. e.g. gravel re-sheeting, reseal, etc.
Residual value	Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal at the end of its useful life.
Revaluation Model	After initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.
Upgrade	Is the enhancement of an existing asset to provide a higher level of service, e.g. sealing an unsealed road.
Useful life	Is defined as the period over which an asset is expected to be available for use by the entity.

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Page 3 of 11



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY		Version No:	4.0
			Issued:	September 2023
			Next Review:	September 2024

5. ROLES & RESPONSIBILITIES:

5.1 Council:

Council is responsible for adopting the policy, allocating resources, and providing high level oversight of the delivery of the Council's asset accounting policy. The Council is also responsible for ensuring that organisational resources are appropriately funded to guarantee adherence with this policy.

5.2 Chief Executive Officer:

The Chief Executive Officer is responsible for resourcing the implementation of the asset accounting policy and supporting procedures.

5.3 General Managers, Asset Managers, Manager Financial Services:

General Managers, Asset Managers and the Manager, Financial Services are responsible for the application of the asset accounting policy and supporting procedures.

5.4 Employees:

Employees are responsible for adhering to the policy.

6. POLICY STATEMENTS:

- 6.1 This Policy applies the provisions of the Local Government Act 1999 (the Act) Section 124 (Accounting Records to be Kept) regarding Council's Fixed Assets and how financial information pertaining to Fixed Asset transactions and reconciliations are undertaken across all Council operations.
- 6.2 This Policy underpins how Council treats various categories of transactions recorded on its fixed asset register and fixed asset transactions, culminating in their publication in the annual financial statements required under Section 127 (Financial Statements) of the Act.



 <p>City of Mount Gambier</p>	<p>COUNCIL POLICY ASSET ACCOUNTING POLICY</p>	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

7. POLICY PRINCIPLES

7.1 Valuation:

Valuation of Assets:

Fair Value - The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

Fair Value Hierarchy - AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

- **Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7.2 Depreciation:

Recognition of Depreciation Expense:

- **Commencement** - Depreciation expense commences from the time the asset is first put into use or held ready for use. Work-in-progress will not be depreciated until the asset is first put into use or held available for use.
- **Cessation** - Depreciation of an asset ceases when the asset is fully depreciated, or if the asset is determined to be held for sale. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.
- **Calculation** - In calculating depreciation on assets, each component of the asset which has a cost that is significant in relation to the total cost of the asset and has a materially different useful life, is to be depreciated separately.
- **Leasehold Improvements** - Where improvements are made to a leasehold property, these improvements will be allocated progressively over the unexpired portion of the lease or the useful lives of the improvements, whichever is the shorter. The unexpired period of the lease should include any options to extend the lease term when the exercise of the option is reasonably certain.
- **Non-Recognition Of Depreciation** - Council does not recognise depreciation on the following:
 - Inventories, as they are current assets;
 - Non-current assets whilst classified as held for sale;
 - Land, works of art, rare books, manuscripts, unique historical and cultural objects where their service potential is not expected to diminish with time or use.

7.3 Impairment:

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Page 5 of 11



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

- An asset is impaired if the amount at which it is recognised in the Council's financial records is greater than its fair value. Council will ensure that the amount at which an asset is capitalised does not exceed its fair value. This will be reviewed on an annual basis and all impairment losses are to be shown in the operating statement as expenditure.

7.4 Depreciation Methodology:

- Asset Lives** - All assets with a useful life of more than one year (with the exception of the asset classes shown in the Non-Recognition Of Depreciation section above), including intangible assets are depreciated over the useful life of the asset in accordance with Accounting Standards.

Asset-Useful-Lives	
Asset-Class	(Years)
Infrastructure:	
Sealed-Roads	12-150
Unsealed-Roads	40-75
Paving-and-Footpaths,-Kerb-&-Gutter	10-70
Carparks	20-60
Stormwater-Drainage	50-70
Buildings-&-Other-Structures	10-to-100
Waste-Management—Landfill Assets	Capacity-in-use
Open-Space-and-Heritage-Place	10-to-100
Plant-&-Equipment-and-IT	3-to-25
Artworks-&-Historical-Collections	Indefinite
Other	10-to-15
Right-of-Use-Assets	Life-of-the-lease

Asset Useful Lives	
Asset Class	(Years)
Infrastructure:	
Sealed Roads - Surface	15 - 40
Sealed Roads - Road Pavement	40 - 80
Sealed Roads - Road Subbase	120 - 240
Unsealed Roads	12 - 75
Paving and Footpaths	10-40
Kerb & Gutter	60 - 80
Carparks	15 - 240
Public Lighting	20
Stormwater Drainage	50 - 70
Buildings & Other Structures:	
Buildings	15 - 100

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Page 6 of 11



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

Park Structures	20 - 30
Playground Equipment	20 - 30
Benches, seats, etc	10 - 30
Waste Management – Landfill Assets	Capacity in use
Recreation and Open Space	10 - 100
Plant & Equipment and IT	3 - 30
Artworks & Historical Collections	Indefinite
Other	10 - 15
Right of Use Assets	Life of the lease

- **Depreciation** - Are calculated on a "straight line basis" i.e. the depreciable amount divided by the useful life of the asset.
- **Asset Additions** - Any expenditure that increases the value of the asset, are depreciated over the remaining useful life of the asset to which it relates.
- **Useful Life** - The useful life of an asset will be reviewed at least at the end of each annual reporting period.

7.5 Revaluations


Revaluation Methodology:

- **Asset Valuation** - Council treat the valuation of assets in two ways:
 - Firstly, where an asset is carried at cost and has some useful life after it has been fully depreciated, revaluation of the asset will not occur.
 - Secondly, assets that are carried at fair value will be revalued to ensure assets are not fully depreciated before the end of their useful life.
- **Current Replacement Costs** - Are calculated using Council's own current contract unit rates, industry benchmarks and information supplied by other Councils where available. These costs are independently assessed by an appropriately qualified professional.
- **Condition Audits** - Are undertaken to determine the consumption of the asset and hence its fair value in respect to the replacement cost.

Frequency of Revaluation:

- **Fair Value Assets** - All assets carried at fair value are reviewed annually. To achieve this Council review replacement costs and apply incremental adjustments where material and appropriate for each asset class.
- **Condition Audits** - Are performed as per the asset management plans or where there is a material movement between the carrying value and fair value of the assets.



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

- **Frequency Of Revaluation** - Frequency of revaluation for each asset class is shown in the table below:

Asset Category	Valuer	Frequency
Land	Valuer General	Every 2 years
Buildings & Structures	External	Every 4 years
Infrastructure	External	Every 4 years
Recreation and Open Space	Internal and External	Every 4 years
Storm Water Drainage	External	Every 4 years
Caroline Landfill Waste Costs	Internal	Annually

Revaluations and Accumulated Depreciation:

- **Accumulated Depreciation** - Following a revaluation the accumulated depreciation is restated proportionately to the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount. This is a requirement to achieve a comparative in the calculation of the asset consumption ratio.
- **Assets Not Subject To Revaluation** - Plant and equipment, **Public Lighting**, and **IT and Office Equipment** are recognised at actual cost less accumulated depreciation and any accumulated impairment.

7.6 Capitalisation:

Recognition and Thresholds:

- An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.
- AASB 116 states:

'The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity;

and

(b) the cost of the item can be measured reliably.'
- Council transfer assets to the asset register only when complete.
- Council recognises the capital cost of an asset comprises of:
 - **Purchase Price** - Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - **Directly Attributable Costs** - Any costs directly attributable to bringing the asset to the location and condition necessary (for example costs of site preparation,

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Page 8 of 11



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

installation and assembly) for it to be capable of operating in the manner intended by Council;

- **Employee Benefits** - Costs of employee benefits arising directly from the construction or acquisition of the item of property, plant equipment e.g. project management costs;
- **Testing** - Costs of testing whether the asset is functioning properly, after deducting net proceeds from selling any items needed to bring the asset to that location and/or condition;
- **Demolition/Removal** - Costs associated with the dismantling and/or removal of the asset and restoration or rehabilitation of the site on which it was located; and
- **Gifted Assets** - AASB 116 provides for a specific example relating to Local Government entities where an asset may be gifted to Council at no or nominal measurable cost. When this occurs, Council's administration is obliged to recognise the asset at fair value.
- **Borrowing Costs** - In relation to qualifying assets (net of offsetting investment revenue i.e. interest) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in the annual financial statements and the amount (if any) of interest revenue offset against borrowing costs.
- Council will classify all capital expenditure into the following categories:
 - New / Upgrade; and
 - Renewal.
- **Threshold** - The following principles will apply:
 - **Materiality** - A capitalisation recognition threshold is applied to each asset type using the concept of materiality. Costs below these thresholds are accordingly treated as an operating expense.
 - **Aggregation** - Where a number of the same assets for the same purpose are purchased at the same time and the cumulative value is greater than the threshold, the cumulative value can be capitalised.
 - **Excluded Classes** - No capitalisation threshold will be applied to the acquisition of land, interest in land, ~~works of art, rare books, manuscripts, unique historical and cultural objects or the Riddoch art collection.~~

Asset Class:	Capital Threshold
<i>Infrastructure:</i>	
Road construction and reconstruction	\$5,000
Paving & Footpaths, Kerb & Gutter	\$5,000
Carparks	\$5,000
Stormwater Drainage	\$5,000
Buildings & Structures	\$5,000
Waste Management - Landfill Assets	\$5,000
Park & Playground Furniture & Equipment	\$1,000-\$5,000

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Page 9 of 11



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

Open Space and Heritage Place	\$5,000
Other (including IT)	\$1,000 \$5,000
Plant & Equipment	\$5,000
Right of Use Asset	\$5,000

7.7 Disposal Of Assets:

- **Gain Or Loss** - The difference between any net proceeds from disposal (after deducting selling costs) and the remaining carrying value of an asset will be treated as either a gain or loss in the year the asset is retired or disposed of.
- **Renewal** - Where existing assets are renewed the value of the component of the asset that has been renewed is to be disposed and a new asset created. If the part of the asset disposed of has been retained, its value needs to be recognised in the new asset or separated into a new asset component if its useful life differs materially to the new asset.
- **Further Guidance** - Further guidance and controls over the disposal of assets is provided under Council Policy 'P420 Procurement and Disposal of Land and Assets Policy'.

8. TRAINING / EDUCATION

Relevant staff will be adequately trained and qualified to implement and comply with this policy.

9. REVIEW

This Policy will be reviewed annually; or


- The frequency dictated in legislation; or
- Earlier in the event of changes to legislation or related policies and procedures; or
- If deemed necessary by the Manager, Financial Services.

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Page 10 of 11



 City of Mount Gambier	COUNCIL POLICY ASSET ACCOUNTING POLICY	Version No:	4.0
		Issued:	September 2023
		Next Review:	September 2024

10. ACCESS TO THE POLICY

This Policy will be available for inspection at Council's principal office during ordinary business hours and on the Council's website www.mountgambier.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

File Reference:	AF18/48
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Reference: Strategic Plan – Beyond 2015	Goal 3, Strategic Objective Our Diverse Economy
Related Policies:	A900 Asset Management Policy P420 Procurement and Disposal of Land and Assets Policy B300 Budget Framework Policy
Related Procedures:	

DOCUMENT DETAILS


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Page 11 of 11



 <p>City of Mount Gambier</p>	<p>DRAFT - COUNCIL POLICY INTERNAL CONTROLS POLICY</p>	Version No:	2.0
		Issued:	September 2023
		Next Review:	September 2027

1. INTRODUCTION:

- **Effective Risk Management** - Internal control is a key factor in ensuring that the Council is effectively and efficiently managed and that its resources are not misused or misappropriated. These controls are integral to the effective risk management of Council activities and to ensure there are appropriate policies and procedures that promote the achievement of Council's goals and objectives.
- **Internal Control System** - Internal control is not limited to financial matters. An effective internal control environment will provide the means by which Council can successfully address and mitigate many risks. The internal control system should be designed to consider the financial, information, technological, human resource, political and legislative activities of Council.
- **Residual Risk** - In establishing and assessing internal control practices it is necessary to recognise that a certain level of risk will continue to exist. The purpose of internal control is to provide assurance that the internal risks faced by Council are minimised or contained to acceptable levels.


2. PURPOSE:

- **Legislation** - Consistent with the objectives and requirements of the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011, Council has a responsibility to ensure that its activities are conducted in an efficient and risk effective manner that is compliant with its policies and procedures.
- **Framework** - This Policy describes the purpose and major factors to be considered in the development of an effective internal control framework. It provides a framework to assist in the development of policies, practices and procedures to collectively ensure that the financial and non-financial activities of Council are conducted in a proper manner.
- The purpose of internal control and this policy is to provide assurance that:
 - **Internal Risks** - The internal risks faced by Council are contained to acceptable levels;
 - **Management** - Council is effectively managed;
 - **Council Resources** - Council's resources are not misused or misappropriated;
 - **Policies and Procedures** - Council is managed efficiently and effectively, with appropriate policies and administrative procedures that promote the achievement of its goals and objectives; and
 - **Risk Management** - Effective risk management is integrated into Council operations.

3. SCOPE:

This Policy is applicable to all Council Staff.



 City of Mount Gambier	DRAFT - COUNCIL POLICY INTERNAL CONTROLS POLICY	Version No:	2.0
		Issued:	September 2023
		Next Review:	September 2027

4. DEFINITIONS:

Key Term - Acronym	Definition
Internal Control	Can be broadly defined as a process supported by the Organisation's policies, procedures and practices which collectively provide a reasonable assurance the achievement of objectives in the following categories: <ul style="list-style-type: none"> • Effectiveness and efficiency of operations; • Reliability and accuracy of financial data; and • Compliance with policies, procedures, legislation and regulations.
Internal Control Framework	Refers to policies, practices and procedures of Council which are designed to provide assurance that the activities and functions of council are carried out in an effective and efficient manner, with records being maintained accurately and the assets of council being protected and secured.
Management	Includes the General Managers, Managers and Co-ordinators.
Employee	Includes persons employed by the Council, volunteers, trainees, work experience placements, independent consultants and contractors and other authorised personnel offered access to the Council's resources.

5. ROLES & RESPONSIBILITIES:

5.1 Council:

Council is responsible for the Internal Controls Policy of Council and for the adoption of this policy.

5.2 Chief Executive Officer:

The Chief Executive Officer is responsible for the development and implementation of the Internal Control Framework to ensure that the objectives of Council are achieved in an effective and efficient manner.

5.3 Management (as defined above):


Management are responsible for the development of adequate internal controls and their implementation, evaluation and revision on an ongoing basis in respect to all of the functions of Council under their control to ensure as far as practicable that:

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Page 2 of 7



 City of Mount Gambier	DRAFT - COUNCIL POLICY INTERNAL CONTROLS POLICY	Version No:	2.0
		Issued:	September 2023
		Next Review:	September 2027

- **Reports** - Financial records and other relevant information databases completely and accurately reflect the actual operational activities and the timely preparation of reports;
- **Assets** - Are safeguarded from unauthorised use or disposal;
- **Irregularities** - Are prevented, or detected and corrected if they occur;
- **Legislative Compliance** – Is maintained; and
- **Risk Approach** - Management when developing the framework is encouraged to adopt a risk management approach when identifying and assessing Councils risks and applying a cost/benefit analysis in the development of internal controls.

5.4 Employees:

Employees are responsible for:

The day to day management of the Internal Control Framework in their respective work areas.

- **Duties** - Conducting their duties in accordance with Council policies, operating guidelines and practices of Council.
- **Reporting** – Reporting to management instances where they consider that internal control procedures are inadequate or are not being met.
- **Best Practice** - Promoting a best practice approach in support of effective business practices and properly functioning controls.
- **Assessments and Reviews** - Conducting assessments and reviews of internal controls and entering the results of these into relevant internal control framework databases.

5.5 Audit and Risk Committee:

- The Audit and Risk Committee is responsible for the monitoring and review of the effectiveness of Council's internal controls and risk management systems.
- Where appropriate the Committee may recommend and provide feedback on the statements to be included in the annual report concerning internal controls and risk management.
- In addition, if required, the Audit and Risk Committee should also raise concerns with Council staff and Council.

5.6 External Auditor:

The external auditor must give an audit opinion on the audited financial statements of Council. The financial statement must also comply with accounting standards and principles along with information as prescribed in the Local Government (Financial Management) Regulations 2011.

Section 129 of the Local Government Act 1999 and regulation 19(3) of the Local Government (Financial Management) Regulations 2011 provide that the auditor in addition to the above must examine the internal controls exercised by the Council. These controls are in relation to the following:


- **Money** - Receipt, expenditure and investment of money;
- **Property** - The acquisition and disposal of property; and

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Page 3 of 7



 City of Mount Gambier	DRAFT - COUNCIL POLICY INTERNAL CONTROLS POLICY	Version No:	2.0
		Issued:	September 2023
		Next Review:	September 2027

- **Liabilities** - The incurring of liabilities' and provide an audit opinion as to whether the controls are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.

6. INTERNAL CONTROL ENVIRONMENT:

- 6.1 Strategies to maintain sound internal controls are based on risk analysis of the internal operations of Council, with a focus on the key elements of:
- **Organisation Environment** - The structure and broad policies adopted to manage the organisation and assist employees to carry out their roles and functions.
 - **Information System** - The methods and procedures used to collect collate and distribute financial and non-financial information.
 - **Processing System** - The mechanisms in place to ensure that transactions are captured checked and verified. The use of technology with automated controls and strengthens the internal control environment.
- 6.2 **Approach** - An internal control framework should be based on a pro-active risk management approach that includes regular review and identification of the risks that exist within the Council operations. Council will maintain an effective Risk Management Framework with internal controls included as an integral part of that framework. An appropriate internal control measure is applied to each key activity in order to reduce the inherent risk of that activity to an acceptable level.
- 6.3 **Risks** - Risks should be identified and assessed, and then an appropriate internal control framework developed and implemented to reduce the potential impact of those risks. This should include an analysis to assess whether the cost of a new or modified control is likely to provide a net positive benefit.
- 6.4 **Risk Assessment** - In establishing and assessing internal control practices, it is necessary to recognise that in practical terms a certain level of risk will always exist within organisations.
- 6.5 Controls can be allocated to three categories:
- **Preventative** - Processes put in place to avoid undesirable events from occurring.
 - **Detective** - Processes put in place to detect and subsequently correct undesirable events that have already occurred.
 - **Directive** - Processes put in place to encourage a desirable event to occur.

7. POLICY PRINCIPLES

The Principles guiding a strong Internal Controls environment include:


- **Existence** - Assets and liabilities of the entity exist at a given date;
- **Valuation** - Assets or liabilities are recorded at the appropriate carrying value;
- **Occurrence** - Recorded transactions or other events occurred during the relevant period;
- **Authorisation** - Control is established at source and only properly authorised transactions are processed;
- **Segregation of duties** - Responsibility for executing a transaction, recording the transaction and maintaining custody of the assets and/or liabilities resulting from a transaction should be assigned to different individuals or departments;
- **Completeness** - There are no unrecorded assets, liabilities, transactions or other events or undisclosed items;

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Page 4 of 7



 City of Mount Gambier	DRAFT - COUNCIL POLICY INTERNAL CONTROLS POLICY	Version No:	2.0
		Issued:	September 2023
		Next Review:	September 2027

- **Measurement / Recording** - A transaction or event is recorded at the proper amount and revenue or expense is allocated to the proper period (facilitated by the use of IT data integrity); and
- **Disclosure** - Particular components of the financial report are properly disclosed, classified and described.

8. TRAINING / EDUCATION:

- 8.1 It is the responsibility of Council Administration to provide adequate training and support for staff.
- 8.2 Training will be provided to staff as part of the induction process and be refreshed as part of the two yearly review process.

9. REPORTING:

- 9.1 ~~Governance and Property Department~~ **Financial Services Department** - The Manager ~~Governance and Property~~ **Financial Services** will present a report outlining the results of the review to the Executive Leadership Team and Audit and Risk Committee. The Manager will also monitor progress of action plans and regularly report to the Executive Leadership Team and the Audit and Risk Committee.
- 9.2 **Audit and Risk Committee** - The Audit and Risk Committee will receive progress reporting of actions taken by the Administration in relation to required control improvements. The Audit and Risk Committee will monitor the scope of the assessment and the recommended improvements to ensure best practice, accountability and efficient, effective and compliant systems

10. REVIEW:

This Policy will be reviewed **annually in four years**; or


- The frequency dictated in legislation; or
- Earlier in the event of changes to legislation or related policies and procedures; or
- If deemed necessary by the General Manager, Corporate and Regulatory Services.

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Page 5 of 7



 City of Mount Gambier	DRAFT - COUNCIL POLICY INTERNAL CONTROLS POLICY	Version No:	2.0
		Issued:	September 2023
		Next Review:	September 2027

11. ACCESS TO THE POLICY

This Policy will be available for inspection at Council's principal office during ordinary business hours and on the Council's website www.mountgambier.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

File Reference:	AF18/53
Applicable Legislation:	Local Government Act 1999 Sections 125, 126, -and 129, and 130. Local Government (Financial Management) Regulations 2011 Regulations 4, 10A, and 19 (3)
Reference: Strategic Plan – 2020-2024	Goal 3, Strategic Objective Our Diverse Economy
Related Policies:	A900 Asset Management Policy P420 Procurement and Disposal of Land and Assets Policy B300 Budget Framework Policy Risk Management Policy
Related Procedures:	Better Practice Model - Financial Internal Control for South Australian Councils (SALGFMG)

DOCUMENT DETAILS


Responsibility:	General Manager Corporate and Regulatory Services
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Page 6 of 7



 City of Mount Gambier	DRAFT - COUNCIL POLICY INTERNAL CONTROLS POLICY	Version No:	2.0
		Issued:	September 2023
		Next Review:	September 2027



 City of Mount Gambier	DRAFT - COUNCIL POLICY EXTERNAL GRANT FUNDING POLICY	Version No:	1.0
		Issued:	September 2023
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1. INTRODUCTION:

There is a diverse range and level of funding that Council can apply for in relation to its own activities or any regional activities that Council is involved with. This policy outlines the factors that must be considered prior to applying for External Grant Funding.

2. PURPOSE:

- 2.1 **Secure Grant Funding** - Council recognises that opportunities to secure grants for specific projects or purposes arise periodically.
- 2.2 **Purpose** - The purpose of the External Grants Policy (the "Policy") is to enable Council to pursue such opportunities and provide efficient service delivery by:
 - **Framework** - Establishing an effective, sustainable and risk-focused framework for managing, monitoring and evaluating grants provided by external organisations; and
 - **Strategic Alignment** - Determining a consistent and objective analysis aligned to Corporate Strategy prior to application for external grant funding.

3. SCOPE:

- 3.1 This policy applies to all grants that require applications to be made. The policy applies to all Council staff as follows:
 - **Partners** - Where Council is one of a number of partners in a joint external funding application;
 - **On Behalf Of Others** - Where Council auspices an external grant on behalf of another organisation;
 - **Grant Renewal** - Where an application is being made for renewal of a currently held grant;
 - **Variations** - Where funding provided approves a grant application with variations to the original proposal.

4. DEFINITIONS:

Key Term - Acronym	Definition
Arrangement	Means the agreement that governs the award of funds upon successful application. This includes arrangements of both unconditional 'once-off' payments and arrangements which prescribe specific terms, conditions, and/or obligations in order to secure the funds.
Budgeted amount	Means the amount allocated for a particular project by a Council adopted budget.



 City of Mount Gambier	DRAFT - COUNCIL POLICY EXTERNAL GRANT FUNDING POLICY	Version No:	1.0
		Issued:	September 2023
		Next Review:	September 2027

Key Term - Acronym	Definition
External Grant	Any assistance by way of a sum of money or other resource provided to Council by State, Federal or non-government agencies on the condition that the assistance is used for a specified purpose.
Funding Agreement	<p>A legally enforceable agreement setting out the terms and conditions governing funding determined by the grant-giving organisation. The form of the agreement will depend on the intent of the grant and the degree of control required.</p> <p>The forms of enforceable funding agreements include:</p> <ul style="list-style-type: none"> • Deed; • Contract; and/or • Exchange of letters.
Management	Includes the General Managers, Managers and Co-ordinators.
Short Lead Time	The deadline by which the application is to be submitted is such that Council approval at an upcoming meeting is not viable; or to achieve Council approval prior to submission of an application would result in a failure to meet the application deadline.

5. ROLES & RESPONSIBILITIES:

5.1 Council:

Council is responsible for the External Grant Funding Policy of Council and for the adoption of this policy.

5.2 Chief Executive Officer:

The Chief Executive Officer is responsible for the development and implementation of the External Grant Funding Policy to ensure that the objectives of Council are achieved in an effective and efficient manner.

5.3 Management (as defined above):

Management is responsible for the provision of background information and recommendations in relation to applications in their areas of work.

5.4 Relevant Staff:

- **Grant Register Administration** - It is the responsibility of the respective Finance Officer to ensure that data is maintained on a consistent basis and is complete.

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Page 2 of 6



 City of Mount Gambier	DRAFT - COUNCIL POLICY EXTERNAL GRANT FUNDING POLICY	Version No:	1.0
		Issued:	September 2023
		Next Review:	September 2027

- **Grant Register Data Provision** - It is the responsibility of the staff member with responsibility for the grant application/management to ensure that all relevant information is provided for inclusion in the register.

6. POLICY CONTENT:

- 6.1 **Grant Terms Compliance** - Before applying for a grant, it is important to ensure that Council is able to comply with the terms of the grant.
- 6.2 **Type Of Grant Funds** - There are a number of grant funds that generally have one or more of the following attributes:
 - **Restricted** - Grant funds to be used for specific programs or purposes;
 - **Unrestricted** - Grant Funds may be used for any operating purpose;
 - **Refundable** - Grant Funds to be returned if terms of the grant are not met' and
 - **Non-Refundable** - Grant Funds are retained regardless of outcome.
- 6.3 **Authorisation/Approval:**
 - **Formal Council Resolution** - Is required in the following circumstances:
 - **Above \$50k** - prior to grant funding being applied for where Council's contribution is more than \$50,000.00 that are not included in the Annual Budget.
 - **Grant Term Compliance** - Where there is a requirement to have a Council resolution in support of the grant application.
 - **Council Approval Not Required** - For the avoidance of doubt, Council approval will not be sought for an application that does not impact Council's budget, and any additional costs or resourcing is provided for by the funding amount.
 - **Short Lead Time** - It is recognised that at times there is a short lead time for external grant applications that does not allow sufficient time for the proper authorisations. Should this occur, the Chief Executive Officer will authorise the application, if the funding application is successful, a report must be provided to Council before the funding agreement is signed.
 - Grants must not be applied for unless approval is obtained from one of the following:
 - **Staff With Appropriate Delegations** - Employees delegated to commit expenditure that has been allocated in an existing budget line; or
 - **Council** - Supported by a Council resolution.
- 6.4 **Assessment Process:**
 - **Considerations** - Before applying for a grant, an assessment should be carried out on the likely impact of the grant on Council. Questions to consider include:
 - **Strategic Alignment** - Does the grant align with Council's Strategic Management Plan?
 - **Partnerships** - What are the links and/or partnerships it will provide?
 - **Impact** - What impacts will it have on Council business?

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Page 3 of 6



 City of Mount Gambier	DRAFT - COUNCIL POLICY EXTERNAL GRANT FUNDING POLICY	Version No:	1.0
		Issued:	September 2023
		Next Review:	September 2027

- **Capacity/Capability** - Does Council have the capacity and expertise to carry out the task for which they are receiving the grant?
 - **Governance/Compliance** - Are the necessary processes and requirements in place i.e. legal, governance, supervision, record-keeping etc.?
 - **Risks** - What are the risks and emerging issues that may affect council's obligations to fulfil the obligations under the grant?
 - **Whole of Life** - Whole of Life cost impacts if relevant (in particular maintenance and renewal in the case of assets).
 - **Council Contribution** - Councils required contribution (both cash and in-kind)
- 6.5 **Conflict of Interest** - Council members must be committed to making decisions without bias and in the best interests of the whole community and comply with the relevant conflict of interest provisions of the Local Government Act 1999.
- 6.6 **Grant Revenue Recognition** - Is aligned with *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Non-for-Profit Entities*:
- **Tied Grants** - i.e. the performance obligation(s) arising from the transaction are 'sufficiently specific' and 'enforceable' which means a specific project with agreed outcomes with grant money that would need to be paid back if performance obligations are not met. In terms of recognition this means:
 - **Grants received in advance** - Revenue is not recognised in the income statement and a liability is recognised until performance obligations are met; or
 - **Grants received in arrears** - Revenue is recognised when the performance obligations are met.
 - **Untied Grants** - For grants where there is no specific performance obligation the revenue is recognised upon receipt of funds.

7. TRAINING / EDUCATION:

- 7.1 It is the responsibility of Council Administration to provide adequate training and support for staff.
- 7.2 Training will be provided to relevant staff as part of the induction process and be refreshed as and when required.

8. REPORTING:

- 8.1 **Executive Leadership Team (ELT Reporting)** - An information report will be provided to ELT that summarises the following
- **Application Outcome** - Where external Grant Funding applications are successful or unsuccessful;
 - **Scope Change** - Where the scope of a funded project is significantly changed to the extent that was originally agreed; and
 - **Project Completion** - Where external Grant Funding expenditure is completed.

9. RISK MANAGEMENT:

This policy incorporates principles of risk management while application of the policy will occur consistent with the council Risk Management Framework.

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Page 4 of 6



 City of Mount Gambier	DRAFT - COUNCIL POLICY EXTERNAL GRANT FUNDING POLICY	Version No:	1.0
		Issued:	September 2023
		Next Review:	September 2027

10. REVIEW:

This Policy will be reviewed in four years; or

- The frequency dictated in legislation; or
- Earlier in the event of changes to legislation or related policies and procedures; or
- If deemed necessary by the General Manager, Corporate and Regulatory Services.

11. ACCESS TO THE POLICY

This Policy will be available for inspection at Council's principal office during ordinary business hours and on the Council's website www.mountgambier.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

File Reference:	AF18/53
Applicable Legislation:	Local Government Act 1999: Section 133 states that Council may obtain funds as permitted by or under this or another Act as may otherwise be appropriate in order to carry out its functions under this or another Act i.e. by obtaining grants and other allocations of money.
Reference: Strategic Plan – 2020-2024	Goal 3, Strategic Objective Our Diverse Economy
Related Policies:	A900 Asset Management Policy P420 Procurement and Disposal of Land and Assets Policy B300 Budget Framework Policy Risk Management Policy
Related Procedures:	To be developed further to the adoption of this policy.

DOCUMENT DETAILS

Responsibility:	General Manager Corporate and Regulatory Services
Version:	
Last revised date:	
Effective date:	

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Page 5 of 6



 City of Mount Gambier	DRAFT - COUNCIL POLICY EXTERNAL GRANT FUNDING POLICY	Version No:	1.0
		Issued:	September 2023
		Next Review:	September 2027

Minute reference:	
Next review date:	
<u>Document History</u> First Adopted By Council: Reviewed/Amended:	

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4.2 INFRASTRUCTURE VALUATION – REPORT NO. AR23/60163

Committee:	Audit and Risk Committee
Meeting Date:	11 September 2023
Report No.:	AR23/60163
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services
Summary:	The purpose of this report is to summarise the combined financial impacts of the draft unaudited external asset revaluation and the revised useful economic lives.
Strategic Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR23/60163 titled 'Infrastructure Valuation' as presented on 11 September 2023 be noted.



TYPE OF REPORT

Other

BACKGROUND

- Australian Accounting Standards Requirement** - Australian Accounting Standards require assets to be periodically independently revalued. Generally accepted accounting practice is for this to occur at least once every five years. Council Infrastructure assets were last independently valued in 2018 so an external revaluation is required in 2023.
- Previous Infrastructure Valuations** - Previous condition audits and valuations were undertaken by Council staff.
- Outsourcing of Condition Audits and Valuations** - Further to initial discussions with Dean Newbery and Partners (external auditors), it was decided that Council would outsource both the condition audits and valuations for this significant asset class.
- Interim Audit 2022/2023 Detailed Audit Findings** - Further to the interim audit and recommendation Council Administration committed to bring a report to a Special Audit and Risk Committee Meeting in August/September 2023 (as shown in the table below).

Audit Matter Reference	Audit Priority Rating	Audit Finding & Recommendation	Management's Response	Expected Completion Date
1.	Moderate	<p>Council is currently in the process of completing revaluations of the Roads, Footpaths, Kerbs and Guttering asset classes. Council has engaged external consultants to perform the asset valuations which is to be applied with an effective valuation date of 30 June 2023.</p> <p>It is important that Council's Administration also undertakes its own internal due diligence on all asset valuation information and data prior to being adopted by Council to ensure that assumptions applied (by external valuers) are consistent with Council's own adopted asset service standards and asset management practices.</p> <p>Given the material nature of asset valuations, we recommend that the due diligence performed by the Administration along with the asset valuations reports be presented to the Audit and Risk Committee for their consideration.</p> <p>Once asset valuations have been completed, we recommend Council undertakes an update to its Infrastructure Asset Management Plans (IAMP) and Long-Term Financial Plan (LTFP), to ensure that updated assumptions regarding future maintenances funding, asset replacement cost and forecasted depreciation expense are all reflected.</p>	<p>Further to the condition audits for all Infrastructure asset categories Council staff have contracted out the completion of the revaluation.</p> <p>City Infrastructure and Financial Services staff are working with the consultants to build the revaluation.</p> <p>The asset valuation reports will be brought to a special Audit and Risk Committee to be scheduled in August/September along with a revised Asset Accounting policy that will be aligned with the recommendations from the revaluation.</p> <p>Further to the IAMP and LTFP review undertaken with current draft documents endorsed by Council for public consultation, another version of both documents will be taken to Council for review in December for adoption in January.</p>	<p>August/September 2023</p> <p>January 2024</p>

- Condition Audits** - This activity for the Infrastructure asset class was outsourced and undertaken from December 2022 to March 2023.
- Asset Valuation** - An external organisation were selected to undertake the valuation for the Infrastructure assets. They were able to deliver the required service within agreed milestones and are recognised as sector experts with access to a database including information from approximately 250 councils.

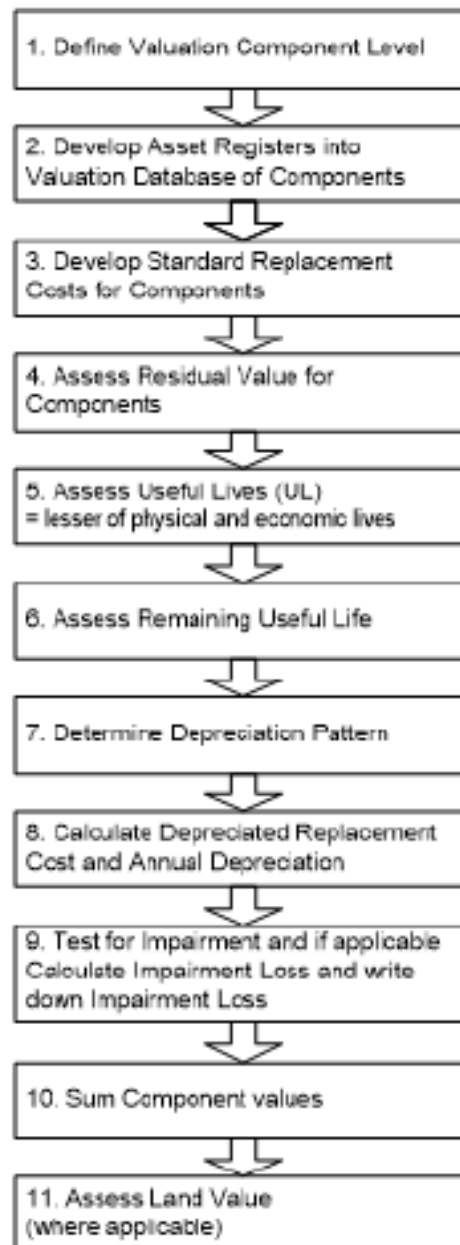
PROPOSAL

- Revaluation Undertaken** - The valuers undertook a revaluation of Council's Infrastructure (non-current assets) Financial Class, for the purposes of Accounting Compliance (Fair Value) in accordance with the Australian Accounting Standards which include:
 - AASB13 – Fair Value Measurement;
 - AASB116 – Property Plant and Equipment;
 - AASB5 – Assets Held for Sale; and
 - AASB136 – Impairment.



2. **Procedures and Methodology** - As shown below:

- 2.1 **Valuation Approach** - In performing the valuation is in accordance and guidance of the relevant Australian Accounting Standards and the Code Update 28. 1 The Australian Infrastructure Financial Management Guidelines (AIFMG) issued by the Institute of Public Works Engineering Australasia has been applied to guide the revaluation process.



- 2.2 **Fair Value** - The asset values are based upon the Fair Value of these assets as per AASB13 Fair Value Measurement (i.e. fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date).

- 2.3 **Valuation techniques used to derive fair value** - Are as follows:

- **Specialised Assets** - Most public sector infrastructure assets are considered specialised assets, as they are designed to provide goods or services to meet specific community obligations that cannot be feasibly fulfilled through other means. As a result, these assets often have no practical alternative uses, as Council is mandated to continue providing these essential services to the community.



Therefore these assets were valued using Level 3 valuation inputs using the cost approach.

- **Componetisation** - The approach estimates the replacement cost for each asset by componentising each asset into significant parts with different useful lives and considering a range of factors, where appropriate.
- **Highest and Best Use** - All assets valued at Fair Value are being used for their highest and best use.

3. **Valuation Scope** - The Infrastructure financial sub-classes included in the valuation scope with an effective valuation date of 30 June 2023 and valued on the fair value basis are as follows:

- Roads;
- Kerbing and footpaths;
- Car parks; and
- Traffic signals.

4. **Assets not included in the valuation scope** - The following assets have been excluded from this valuation:

- **Assets owned by others** - Transport infrastructure assets owned and maintained by other government authorities and/or private owners.
- **Stormwater Assets** - have also been excluded from this valuation and will be valued as at 1 July 2023.
- **Public Lighting** - Whilst part of this asset class, public lighting will be valued at cost for the luminaires purchased as part of the LED Lighting project delivered in the Financial Year 2023.

5. **Valuation Summary** - The table below shows the fair value of the assets covered by the attached valuation report:

Asset Type/Component	Level of Valuation Input	Replacement Cost	Accumulated Depreciation	Fair Value	Annual Depreciation
Footpaths	Level 3	\$24,278,619	\$6,326,453	\$17,952,166	\$696,075
Kerb & Gutter	Level 3	\$70,054,633	\$15,034,505	\$55,020,128	\$886,815
Road Seals	Level 3	\$24,050,358	\$5,436,431	\$18,613,927	\$1,042,394
Road Pavement	Level 3	\$55,804,655	\$12,503,536	\$43,301,119	\$777,881
Road Subbase	Level 3	\$64,572,832	\$13,939,834	\$50,632,998	\$296,039
Carpark Surface	Level 3	\$1,492,636	\$448,322	\$1,044,314	\$71,465
Carpark Pavement	Level 3	\$6,027,351	\$1,947,324	\$4,080,027	\$120,547
Traffic Signals Controller	Level 3	\$354,467	\$216,679	\$137,787	\$23,631
Traffic Signals Lanterns	Level 3	\$229,621	\$103,096	\$126,525	\$22,962
Traffic Signals Site	Level 3	\$3,541,836	\$1,725,801	\$1,816,036	\$70,837
Traffic Signals Detectors	Level 3	\$435,942	\$230,081	\$205,862	\$43,594
Totals		\$250,842,950	\$57,912,063	\$192,930,887	\$4,052,240

6. **Data Currency** - Transport asset information is based on inspections undertaken in mid-2023. The contractor inspected all assets within the Council boundary and confirmed asset attribute details such as asset types, widths, lengths, counts and related condition scores.

7. **Unit Rates** - Data sources have included Council's most recent project costs, tendered rates and published rates such as ARC360© and Rawlinson's Construction handbook.

8. **Analysis of Results/Financial Impact** - As shown in the table below the expected financial impact as follows:

8.1 **Fair Value as a Percentage of gross (or nominal) replacement cost** - The valuation was confirmed as reasonable and within expectations with a remaining service index of 76.9%. This determination was based upon the following:



- **Benchmarking** - In general the condition of assets is similar when compared to other similar councils.
- **Current and Historical Practices** - With regards to capital and maintenance expenditure.

City of Mount Gambier 30/6/2023 Financial Revaluation - Unaudited			
Asset Type/Component \$'000s	Replacement Cost	Fair Value	Fair Value %
Footpaths	\$24,279	\$17,952	73.9%
Kerb & Gutter	\$70,055	\$55,020	78.5%
Road Seals	\$24,050	\$18,614	77.4%
Road Pavement	\$55,805	\$43,301	77.6%
Road Subbase	\$64,573	\$50,633	78.4%
Carpark Surface	\$1,493	\$1,044	70.0%
Carpark Pavement	\$6,027	\$4,080	67.7%
Traffic Signals Controller	\$354	\$138	38.9%
Traffic Signals Lanterns	\$230	\$127	55.1%
Traffic Signals Site	\$3,542	\$1,816	51.3%
Traffic Signals Detectors	\$436	\$206	47.2%
Totals	\$250,843	\$192,931	76.9%

8.2 Comparison to Prior Financial Statements:

- The following table provides a summary of changes between the values reported in the prior financial statements and the valuation. Please note that the explanation for the variances is aligned with the commentary included in point 8.3:

Asset Type/Component \$'000s	2022 Closing Fair Value	2023 Revaluation Fair Value	Fair Value Variation
Footpaths	\$16,227	\$17,952	10.6%
Kerb & Gutter	\$40,364	\$55,020	36.3%
Road Seals	\$11,466	\$18,614	62.3%
Road Pavement	\$36,974	\$43,301	17.1%
Road Subbase	\$897	\$50,633	5544.0%
Carpark Surface	\$0	\$1,044	-
Carpark Pavement	\$7,456	\$4,080	-31.3%
Traffic Signals Controller	\$0	\$138	-
Traffic Signals Lanterns	\$0	\$127	-
Traffic Signals Site	\$1,422	\$1,816	60.8%
Traffic Signals Detectors	\$0	\$206	-
Totals	\$114,806	\$192,931	68.0%

8.3 Increase in Fair Value of \$77m or 66% (compared to what was recorded in the Civica Authority system) - Is due to the following:

- **Unit Rates** - Were not revised/indexed since 2018 (the previous valuation). These have now been revised based on recent procurement activity, contracted rates, and benchmarking.
- **New Condition Data Mid 2023** - The methodology applied has been standardised across all assets.
- **Updated Attribute Data** - The standard of materials and quantities data has improved further to the previous valuation.
- **Current Service Levels Acknowledged** - Current service levels have been recognised at this stage e.g. 75mm for concrete footpath rather than 100mm sector standard.
- **Componentisation** - Paragraph 43 of AASB116 require that each part of the asset with a cost that is significant in relation to the total cost of the asset be depreciated separately. Previous valuations did not separately identify the following components, which has been rectified in this valuation:

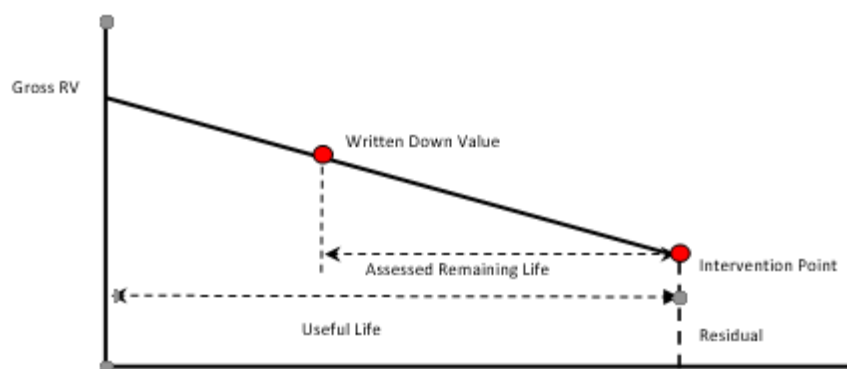


- **Road subbase** - Useful lives have been revised to reflect the complexities of this asset portfolio to account for road surface, pavement and base components.
- **Carparks** - One accounted for one component. Useful lives have been revised to reflect the complexities of this asset portfolio to account for carpark, surface and pavement components.
- **Traffic Signals** - One accounted for one component. Useful lives have been revised to reflect the complexities of this asset portfolio to account for lantern, site, controller and detector loop components.

It should also be noted that the change in compliance with AASB116 has been substantiated using local knowledge and benchmarking with similar councils.

8.4 Depreciation - Depreciation has increased by \$0.5m when compared to what was held in the Civica Authority system (as shown in the table below). It is worth noting the following:

- **Unit Rates** - Please refer to the above. Unit rates have been updated to reflect recent pricing.
- **Asset Lives** - Further to advice provided previously by Audit and Risk Committee members, benchmarking information and acknowledgement of current service levels asset lives have been updated aligned with similar Councils and adjusted where required to reflect current service levels (for example a reduction in asset lives for footpaths). These updated asset lives have been included in the Draft Asset Accounting Policy included in this agenda.
- **Condition Data** - As detailed above.
- **Depreciation Methodology** - It is proposed Council apply a straight-line condition-based remaining life approach when calculating the remaining life of the asset.



11

- **Remaining Life** - Remaining life and subsequent service potential has been determined and applied in line with the following ratings (noting that different asset types have different remaining useful lives/written down value ratios):
 - **Brand New** - Condition rating 0;
 - **Very Good - No Defects** - Condition rating 1;
 - **Good - Nil To Minor Defects** - Condition rating 2;
 - **Fair - Some Defects** - Condition rating 3;
 - **Poor - Plan For Renewal** - Condition rating 4;
 - **Very Poor - Requires Capex** - Condition rating 5; and
 - **EoL - No Service Potential** - Condition rating 6.



- **Residual Value** - No allowance has been made for residual value in this valuation as it is considered doubtful that any material value will be recoverable from Council's Infrastructure assets at the end of their useful lives.

City of Mount Gambier 30/6/2023 Financial Revaluation - Unaudited				
Asset Type/Component	Replacement Cost	Accumulated Depreciation	Fair Value	Annual Depreciation
Footpaths	\$24,278,619	\$6,326,453	\$17,952,166	\$696,075
Kerb & Gutter	\$70,054,633	\$15,034,505	\$55,020,128	\$886,815
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Carpark Pavement	\$6,027,351	\$1,947,324	\$4,080,027	\$120,547
Traffic Signals Controller	\$354,467	\$216,679	\$137,787	\$23,631
Traffic Signals Lanterns	\$229,621	\$103,096	\$126,525	\$22,962
Traffic Signals Site	\$3,541,836	\$1,725,801	\$1,816,036	\$70,837
Traffic Signals Detector	\$435,942	\$230,081	\$205,862	\$43,594
Totals	\$250,842,950	\$57,912,063	\$192,930,887	\$4,052,240

Comparison to Authority Finance System				
Financial Subclass	Replacement Cost	Accumulated Depreciation	Fair Value	Annual Depreciation
Footpaths	\$18,471,838	\$4,159,967	\$14,311,871	\$379,310
Kerb & Gutter	\$58,006,239	\$17,831,271	\$40,174,968	\$830,735
Road Seals	\$19,671,488	\$8,116,352	\$11,555,136	\$1,171,611
Road Pavement	\$58,006,239	\$17,831,271	\$40,174,968	\$830,735
Road Subbase	\$1,312,915	\$193,552	\$1,119,364	\$8,560
Carpark	\$10,612,976	\$3,355,205	\$7,257,770	\$256,058
Traffic Signals	\$2,159,757	\$772,231	\$1,387,526	\$53,612
Totals	\$168,241,451	\$52,259,849	\$115,981,603	\$3,530,622

9. **Impairment** - All Infrastructure assets (as per the scope) have been assessed for impairment and no assets were identified to be held in excess of their recoverable amount.

LEGAL IMPLICATIONS

Accounting Standards:

In accordance with AASB13 CI 89 the most reliable inputs have been used for this revaluation with information as provided by Council. All assets within this Financial Class were valued using the cost approach. There were no assets valued where it was assumed that the highest and best use was other than its current use.

STRATEGIC PLAN

Asset management is a key component of Council's Strategic Plan.

COUNCIL POLICY

Asset Accounting Policy

A900 Asset Management Policy

ECONOMIC IMPLICATIONS

The valuation was been updated to reflect recent market conditions.

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A



RESOURCE IMPLICATIONS

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

N/A

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

The valuation data will be used to inform future budgets, Council's Long Term Financial Plan and future financial statements.

CONCLUSION AND RECOMMENDATION

That the Audit and Risk Committee review and note the contents of this report as the draft unaudited Infrastructure revaluation as at 30 June 2023.

ATTACHMENTS

Nil



5 MOTIONS WITHOUT NOTICE

6 MEETING CLOSE

