

1.1: AUDIT AND FINANCE COMMITTEE

Proponent : City of Albany
Attachment : Confirmed Minutes of Audit and Finance Committee Meeting held 8 April 2013
Responsible Officer : Acting Chief Executive Officer (G Foster)

**ITEM 1.1: RESOLUTION 1
VOTING REQUIREMENT : SIMPLE MAJORITY**

THE CONFIRMED minutes of the Audit and Finance Committee meeting held on 8 April 2013, as previously distributed, be RECEIVED.

CARRIED EN BLOC

**ITEM 1.1: RESOLUTION 2
VOTING REQUIREMENT: SIMPLE MAJORITY**

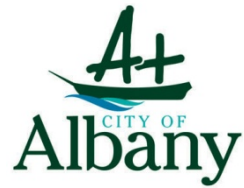
THAT Council ADOPT the Asset Impairment Policy.

CARRIED EN BLOC

**ITEM 1.1: RESOLUTION 3
VOTING REQUIREMENT: ABSOLUTE MAJORITY**

THAT Council REQUEST the Royalties for Regions-Country Local Government Funding Program AGREE to the transfer of remaining funds totalling \$580,000 from the North Road/Sanford Road Drainage Project, to the new project-North Road Drainage Upgrade in the 2013-14 financial year.

**CARRIED EN BLOC
ABSOLUTE MAJORITY**



Council Policy

Asset Impairment

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1. Objective

The Accounting Standard AASB 136 – Impairment of Assets, prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through the use or sale of the asset.

2. Scope

The purpose of this Policy is to provide guidance to all City Officers involved in the assessment of whether assets have been impaired and the determination of the amount by which the impairment is to be recognised in Council's annual financial statements.

This policy applies to all assets as required by Accounting Standard AASB 136 – Impairment of Assets. These assets are predominantly Infrastructure Assets and Property, Plant and Equipment.

3. Policy Statement

In accordance with AASB 136 – Impairment of Assets, an annual assessment will be made at 30 June each year, as to whether there is any indication that an asset (or a class of assets) is impaired.

This assessment can also be informed by any indications of impairment highlighted during the process of revaluing a class of Council assets. An asset is impaired when its carrying amount exceeds its recoverable amount.

This assessment will be documented and recorded as part of the annual financial statements working papers, for review by the external auditor.

In making this assessment, City officers are required as a minimum, to consider the following indications:

- a) External sources of information.
 - a. During the period, an assets market value has declined significantly more than expected as a result of the passage of time or normal use.
 - b. Significant changes with an adverse effect on the Council have taken place during the period, or are expected to take place in the near future, in the technological, market, economic or legal environment in which the Council operates or in the market to which an asset is dedicated;
 - c. Market interest rates or other market rates of return on investments have increased during the period and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
 - d. The carrying amount of the net assets of the Council is more than its market capitalisation;
- b) Internal sources of information
 - a. Evidence is available of obsolescence or physical damage of an asset;
 - b. Significant changes with an adverse effect on the Council have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the

- previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and
- c. Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Where an asset is considered likely to have been determined to be impaired, the Cityentit will shall estimate the recoverable amount of the asset. If the assets carrying amount exceeds the amount to be recovered through the use or sale of the asset, it will be written down and an impairment loss recorded in the Financial Accounts, unless the asset is carried at a revalued amount. Where an asset has been revalued, the impairment loss will be offset against the asset revaluation reserve to the extent available. An impairment loss can be reversed for physical non-current assets in subsequent years.

4. Legislative and Strategic Context

AASB 116 – Property, Plant and Equipment
 AASB 136 – Impairment of Assets
 Local Government (Financial Management) Regulations 1996

5. Review

Chief Executive Officer to review on or before 30/6/2016

6. Definitions

Carrying amount: The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Depreciation: The systematic allocation of the depreciable amount of an asset over its useful life.

Fair value: The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction. Where there is no market price, fair value is determined from the cost to replace the future economic benefits contained in the assets.

Impairment: The amount by which the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount: The higher of its fair value less cost to sell and its value in use.

Value in use: The present value of the future cash inflows and outflows to be derived from the continuing use of the asset and from its ultimate disposal.

Version Control

| Version | Date | Status | Distribution | Comment |
|---------|---------|--------|--------------|---|
| 01 | 22/4/13 | Draft | Finance | Adoption Reference: OCM DD Month YYYY Item No. (if Council) or EMT date for (Operational matters) |

CEO Authorisation: _____

Date: ___/___/_____



AUDIT & FINANCE COMMITTEE

MINUTES

For the meeting to be held 8 April 2013
 In the Margaret Coates Boardroom, City Office, North Road, Albany

(File Ref: FM.MEE.1/AM1329802)

Terms of Reference: *The Committee is established under section 7.1A of the Local Government Act 1995 (the Act) and its Regulations. The Committee does not have any delegated authority from Council.*

1.0 ATTENDANCE

| | |
|---------------------------------------|-----------------------------|
| Mayor | D Wellington (Deputy Chair) |
| Councillors: | |
| G Stocks | Member (Chair) |
| R Hammond | Member |
| Y Attwell | Member |
| S Bowles | Member |
| C Holden | Member |
| A Hortin | Member |
| C Dowling | Member |
| D Bostock | Member |
| V Calleja | Member |
| Staff: | |
| Chief Executive Officer | G Foster |
| Executive Director Works & Services | M Thomson |
| Executive Director Community Services | C Woods |
| Executive Director Corporate Services | G Adams |
| Minute Taker | E Hubble |
| Apologies/Leave of Absence: | |
| D Dufty | Member |
| G Gregson | Member |
| R Sutton | Member |

2.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

ITEM 2.0: COMMITTEE RESOLUTION

MOVED: COUNCILLOR CALLEJA
SECONDED: COUNCILLOR BOWLES

The unconfirmed minutes of the Audit Committee meeting held on Monday 11 March 2013, as previously distributed, be confirmed as a true and accurate record of proceedings.

CARRIED: 11-0

3.0 DISCLOSURE OF INTEREST

[Elected members of Council and staff are asked to use the forms prepared for the purpose, aiding the proceedings of the meeting by notifying the presiding member prior to the conduct of the meeting]

4.0 STANDING ITEMS FOR DISCUSSION

4.1 MONTHLY FINANCIAL REPORT

Reporting Officer: Executive Director Corporate Services

Discussion

- Financial Report for month ending February 2013 distributed to committee with agenda.
- Budget versus operating expenses – year to date versus actual currently on budget with expenses. Revenue above due to CDO recoveries, over budget for revenue from Airport, original airport budget conservative. Net current assets at same as this time last year. Cash investment report revised to show under the new investment policy, our portfolio now displayed with the break up into BBB, AA and A rated, currently meeting all targets.
- Major variances contributions, insurance and donations – includes the reimbursement from insurance company for Faileen James case, workers compensation claim reimbursement.
- Interest earnings – investment strategy, budget included lower interest rate on rates than currently receiving as dictated by Department of Local Government.
- SkyWest rate payment – deposited monies to bring current total \$726k. Reduce terms to 60 days realistically to make payment. New policy to be formed with new company with revised terms of payment.

Action: Executive Director Corporate Services to provide summary of discussion had with Virgin/SkyWest merger and the ability under the act to allow apposing penalty interest after 30 days.

ITEM 4.1: RECOMMENDATION

**MOVED: COUNCILLOR CALLEJA
SECONDED: MAYOR WELLINGTON**

THAT the Monthly Financial Report be NOTED.

CARRIED: 11-0

5.0 ITEMS FOR DISCUSSION

5.1 MAJOR PLANT REPLACEMENT AND DISPOSALS

Reporting Officer: Executive Director Works and Services

Discussion

- Current budget considered 3 trucks looking to dispose of, undertaken analysis for utilisation of vehicles, deemed to be inadequate. Vehicles over 10 years old. Replacement in accordance with long term financial plan.
- Vehicles to go to auction at a reserve price determined by fleet management process and fleet officer.

ITEM 5.1: RECOMMENDATION

**MOVED: COUNCILLOR DOWLING
SECONDED: MAYOR WELLINGTON**

THAT:

1. **The disposal of two Isuzu Giga Trucks be delayed until they are replaced as per the 10 year Financial Plan for Plant; and**
2. **One Isuzu Giga Truck be reallocated to the Waste Management operations area and the current Nissan Prime Mover - AL13324 (P8) be disposed of.**

CARRIED: 11-0

5.2 ADOPTION OF THE BUDGET REVIEW FOR THE PERIOD ENDING 28 FEBRUARY 2013

Reporting Officer: Executive Director Corporate Services

Discussion

- After budget review 31 January 2013 contacted by Department of Local Government with regards to the way that grants money was treated in opening balances. To rectify situation, budget review item needs to be address in the way that the money was showed in previous review.
- No impact on budget. Surplus carried forward remains the same.

ITEM 4.6: RECOMMENDATION

**MOVED: COUNCILLOR ATTWELL
SECONDED: COUNCILLOR CALLEJA**

THAT Council ADOPT the Budget Review for the period ending 28 February 2013.

CARRIED: 11-0

5.3 REGIONAL DEVELOPMENT AUSTRALIA (ROUND 4) FUNDING APPLICATION

Reporting Officer: Executive Director Community Services

Discussion

- Approval to proceed with original RDA Round 3 submission of \$8.75m. Recent announcement from State Government gifting City \$8.75m.
- Continue with application with real costing, OPUS costing for entire project of \$40m, Developed project that would cover eastern and western precinct costing of \$27m. With State Government \$8.75m, DSR \$4.1m, required for City to fund \$3m in cash and in kind contribution of \$1m.
- Freehold land that City own on southern end – Current plans show oval in exact space as original plans. 2/3 of current side could be exercised for sale. Future of the site would need to be determined by council. Council reduced from 60,000m² to 40,000m².

ITEM 5.3: RECOMMENDATION

**MOVED: MAYOR WELLINGTON
SECONDED: COUNCILLOR CALLEJA**

THAT:

1. Provision is made in the 2013/2014 budget for the City's contribution to the Centennial Park redevelopment project of \$3 million in cash and \$1million in kind.
2. Instruct the Chief Executive Officer to submit an application to Regional Development Australia for the Centennial Park Sporting Precinct redevelopment project for an amount to be determined upon the receipt of an independent cost report.

CARRIED: 10-1

RECORD OF VOTE

AGAINST: COUNCILLOR BOSTOCK

5.4 ADOPTION OF DEBT POLICY

Reporting Officer: Executive Director Corporate Services

Discussion

- Currently no clear policy or framework in place for council to make decisions around borrowing for particular projects or assets.
- Department of local government recently changed ratio's required to use when looking at debt servicing. Benchmark should be between 200-500%.
- City's debt ratios currently meet all benchmarks.
- Policy outlines the framework regarding debt decisions.
- Discussion paper presented outlining all the issues considered.

ITEM 5.4: RECOMMENDATION

**MOVED: COUNCILLOR HAMMOND
SECONDED: COUNCILLOR ATTWELL**

THAT Council ADOPT the Long Term Borrowing Policy

CARRIED 11-0

6.0 ITEMS TO BE DISCUSSED AT FUTURE MEETINGS

7.0 GENERAL DISCUSSION

8.0 DATE OF NEXT MEETING

13 May 2013

9.0 CLOSURE OF MEETING

Meeting Closed 6.47pm