



SCENIC RIM REGIONAL COUNCIL

Finance Committee

Agenda

Meeting to be held in the Council Chambers

82 Brisbane Street

Beaudesert

Tuesday, 21 April 2015

Commencing at 8.30 am

All correspondence to
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SCENIC RIM REGIONAL COUNCIL

FINANCE COMMITTEE

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FINANCE COMMITTEE

AGENDA

ATTENDANCE

Cr N O'Carroll, Chairperson
Cr J C Brent, Mayor
Cr N J Waistell
Cr V A West, Deputy Mayor
Cr J J Sanders
Cr R J Stanfield
Cr D A McInnes

APOLOGIES

DECLARATIONS OF INTEREST BY MEMBERS

Reception of Deputations by Appointment / Visitors

Nil

Please note: Agenda Items where Subject Headings are followed by [CLOSED] are to be discussed in closed session in accordance with Section 275(1) of the Local Government Regulation 2012.

Section 275(1) A local government or committee may resolve that a meeting be closed to the public if its councillors or members consider it necessary to close the meeting to discuss-

- (a) the appointment, dismissal or discipline of employees; or
- (b) industrial matters, affecting employees; or
- (c) the local government's budget; or
- (d) rating concessions; or
- (e) contracts proposed to be made by it; or
- (f) starting or defending legal proceedings involving it; or
- (g) any action to be taken by the local government under the Planning Act, including deciding applications made to it under that Act; or
- (h) other business for which public discussion would be likely to prejudice the interests of local government or someone else, or enable a person to gain financial advantage.

1. EXECUTIVE

Nil.

2. CHIEF FINANCE OFFICER**2.1 Council Monthly Financial Report for March 2015**

Executive Officer: Chief Finance Officer

Item Author: Kelly Stidworthy

File Reference: 12/15/004

Executive Summary

The purpose of this report is to seek Council's endorsement of the monthly financial report for March 2015.

Previous Council Considerations / Resolutions

Financial reports are presented to Council on a monthly basis.

REPORT

The Council monthly financial report provides information on Council's actual to budget performance. The graphical representation of key performance indicators provides key summary financial information.

Strategic Implications*Community Plan*

Theme: Open and responsive government
Outcome: Government is transparent, invites participation and encourages constructive debate
Priority: Streamlined, form and fair regulation of issues that matter with incentives for good practice

Corporate Plan / Operational Plan

Corporate Sustainability - Strategy 1
Implement an integrated strategic planning framework across Council, which embeds performance, financial and asset management principles (including long term financial modelling and whole of life costing).

Budget Implications

The indicator for Net Surplus/(Deficit) is within budgeted expectations.

The indicator for Total Income is within budgeted expectations.

The indicator for Operating Expenses within budgeted expectations.

The indicator for Capital Expenses is within budgeted expectations.

The indicator for Cash is ahead of budgeted expectations due to the favourable net surplus position and slightly lower capital expenditure compared to budget.

Legal / Statutory Implications

Section 204 of the Local Government Regulation 2012 requires the Chief Executive Officer to present a financial report to Council on a monthly basis.

Risks

Financial risk if the financial report is not submitted in a timely manner with accurate information on Council's financial position to enable Council to deliver sound financial decisions.

Financial risk if Council's forecast financial position deviates from budget.

Legislative risk of non-compliance with the *Local Government Act 2009* and the Local Government Regulation 2012.

Conclusion

The monthly financial report provides information on the actual to budget position at financial statement level.

Consultation

Executive Team

Chief Finance Officer's Recommendation

That Council endorse the Council Monthly Financial Report for March 2015.

Attachments

1. Council Monthly Financial Report for March 2015 (attached separately).

2.2 FI01.07CP Recognition of Non-Current Assets Policy**Executive Officer: Chief Finance Officer****Item Author: Coordinator Financial Management****File Reference: 12/13/002; 04/15/004**

Executive Summary

This report provides Council with a revised FI01.07 Council Policy: Recognition of Non-Current Assets and seeks to obtain approval for this policy in line with the policy review schedule.

Previous Council Considerations / Resolutions

FI01.07 Council Policy: Recognition of Non-Current Assets was last adopted by Council on 26 March 2013.

REPORT

The Recognition of Non-Current Assets policy was due for review in September 2015. It is recommended that the policy remain largely unchanged; however, there is one amendment to the policy where it would be beneficial to introduce a recommended change from 1 July 2015.

There was previously a requirement under the Local Government Finance Standard 2005 to carry major plant and equipment at fair value. This is no longer a requirement under the Local Government Regulation 2012

Major plant and equipment was defined as having a purchase cost of \$100,000 or more. Due to the previous legislative requirements, the existing policy provides for these assets to be recognised at fair value. This requires a valuation to be performed on these assets every five years and an assessment of the value of these assets on the years in between against market indicators or indices.

The types of assets within this category are:

- Graders;
- Excavators;
- Rollers; and
- Medium and Heavy Trucks.

These assets are generally short life assets having a useful life of no more than ten years. They are not prone to high degree of price fluctuations or in danger of becoming obsolete.

It is recommended that major plant and equipment purchased after 30 June 2015 be recognised using the cost basis (and carried at cost). Due to audit requirements, Council would still need to recognise major plant and equipment purchased prior to 1 July 2015 using the fair value basis. However, this category will be able to be phased out over time.

The reasons for recommending this change in policy are:

- There is no benefit for Council to recognise these assets using the fair value basis;
- The fair value basis adds complexity to the accounting for these assets; and
- There is a small cost involved in having major plant and equipment re-valued on a regular basis, which will not be required if this change is made.

Strategic Implications

Community Plan

Theme: Open and Responsive Government
Outcome: Government is transparent, invites participation and encourages constructive debate
Priority: Understanding community expectations, delivering services that meet these and government leading by example

Corporate Plan / Operational Plan

Implement an integrated planning framework across Council, which embeds performance, financial asset management principles (including long term financial modelling and whole of life costing).

Budget Implications

Future asset valuation costs will be slightly decreased.

Legal / Statutory Implications

Section 206(2) of the Local Government Regulation 2012 provides that Council must, by resolution, set capitalisation thresholds for each different type of non-current physical asset.

Risks

The Recognition of Non-Current Assets Policy assists in addressing the risk of inappropriate non-current asset capitalisation thresholds.

Conclusion

FI01.07 Council Policy: Recognition of Non-Current Assets was due for review on 30 September 2015 and is a requirement of the Local Government Accounting Regulation 2012. Council is being asked to adopt a revision of this policy in line with the policy review schedule.

Consultation

Bentleys
Coordinator Financial Management
Assets/Finance Officer

Chief Finance Officer's Recommendation

That Council endorse the amendment of FI01.07 Council Policy: Recognition of Non-Current Assets in accordance with attachment 1 to this report.

Attachments

1. FI01.07 Council Policy: Recognition of Non-Current Assets (as amended).

Attachment 1 - FI01.07 Council Policy: Recognition of Non-Current Assets (as amended)

FINANCE
FINANCIAL MANAGEMENT
Policy Number: FI01.07CP



COUNCIL POLICY: RECOGNITION OF NON-CURRENT ASSETS

Date Adopted:	22 September 2009
Committee Reference:	Corporate and Community Services Committee; 15 September 2009; Item Number 2.2
Date Amended:	24 May 2011; 26 March 2013; <u>28 April 2015</u>
Contact officer:	Coordinator Financial Management
Next review date:	30 September 2015 <u>April 2017</u>
File Reference:	12/13/002; 04/15/004
Related Policies/Local Laws/Legislation:	Local Government Act 2009 Local Government Regulation 2012 F4 01.11AP; Purchase and Use of Portable and Attractive Items Policy
Related Documents:	AASB116 Property, Plant and Equipment AASB138 Intangibles Note 1 of Annual Financial Statements

OBJECTIVES

The objectives of this policy are:

- To set the criteria and capitalisation thresholds for the recognition of non-current assets;
- To establish methods of valuation for non-current assets.

Corporate Plan:	
Priority Area	<i>Infrastructure and Asset Management Infrastructure is planned, delivered and managed in accordance with the prioritised needs of our growing community and contemporary asset management principles</i>
Strategy	<i>Embed asset management, financial and environmental sustainability principles as fundamental components of infrastructure planning and management which include appropriate controls and standards.</i>

POLICY STATEMENT**Capitalisation Thresholds for Non-Current Assets**

Section 206(2) of the *Local Government Regulation 2012* provides that Council must, by resolution, set capitalisation thresholds for each different type of non-current physical asset. The capitalisation threshold is a guide for determining what constitutes a capital project.

The following capitalisation threshold values will be used for the recognition of non-current assets:

• Land	\$0
• Plant and Equipment	\$5,000
• Buildings and Infrastructure (other than Reseals and Resheeting)	\$10,000
• Reseals and Resheeting	\$2,000
• Intangibles	\$100,000

The above thresholds are exclusive of GST.

These thresholds refer to individual acquisitions and not to aggregated amounts except for assets forming part of a network (eg: library books).

If expenditure does not meet the capitalisation threshold it is to be treated as an expense of the current period.

Where assets under the threshold values are purchased, and they are of a nature that is portable and attractive, the registration details should be added to the portable and attractive items register. These types of assets include computer equipment, electronic equipment, office furniture, minor fixtures and fittings, etc. For further information, refer to the *Purchase and Use of Portable and Attractive Items Policy*.

Methods of Valuation

Section 206(1) of the *Local Government Regulation 2012* provides that the value of a local government's non-current physical assets must be worked out using the prescribed accounting standards.

Initial Recognition

Para 7 of AASB116 states that:

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

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably

Assets are defined as "future economic benefits controlled by the entity as a result of past transactions or other past events".

In accordance with para 15 of AASB116, all non-current assets shall be initially recorded at cost.

Purchased Assets

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. The cost of purchasing an asset will include:

- purchase price including duty and taxes;
- freight costs;
- installation or other costs to get the asset into a useable state (can include labour and other on-costs); and
- other incidental costs such as legal and design costs

Self-Constructed Assets

Capitalised amounts will include all direct costs including:

- materials;
- direct and contract labour;
- plant hire; and
- an appropriate proportion of labour and overheads

Capitalised amounts will include, where these costs can be reliably attributed, all indirect costs including:

- costs of design and technical activities;
- public consultation;
- project overhead i.e. direct administration and holding costs; and
- financing costs

Capitalisation will occur upon commissioning of a project. Where a project is completed in stages, capitalisation of each stage may occur provided the recognition criteria in AASB116 is met.

Assets Received Free of Charge

Where an asset is acquired at no value or nominal value, the cost is its fair value at the date of acquisition. Assets that might be acquired for no value (also known as assets received free of charge) include:

- developer contributed assets
- donated assets
- assets transferred from other levels of government
- assets transferred from lessees who construct facilities on council-owned land

Where an asset is acquired at no value or nominal value, non-cash revenue will also be recognised equivalent to the fair value measurement of the asset less any consideration.

After Recognition

Non-current assets shall be valued using the fair value basis as defined in AASB116 except for:

- Plant and Equipment purchased post 30 June 2015
- Plant and Equipment with an individual value less than \$100,000 purchased prior to 1 July 2015
- Intangibles

These items of plant and equipment shall be valued using the cost basis as defined in AASB116.

Change in Australian Accounting Standards

Any change in Australian Accounting Standards that is in conflict with this policy shall override this policy.

SCOPE

This policy relates to all acquisitions of non-current assets by Council.

DEFINITIONS**Non-Current Assets**

For the purposes of this policy, a non-current asset is defined as any item of property, plant and equipment and intangibles.

Property, Plant and Equipment

Tangible items that are:

- (a) Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) Expected to be used during more than one period.

(Source: AASB116; para 6)

Intangible

An intangible asset is an identifiable non-monetary asset without physical substance.

(Source: AASB138; para 8)

Example: Computer Software

RESPONSIBILITIES

Policy Author	Coordinator Financial Management
Policy Owner	Manager Finance Chief Finance Officer
Guidelines and procedures	N/A

Approved By:

SCENIC RIM REGIONAL COUNCIL

~~26 March 2013~~ 28 April 2015

**2.3 Delegated Authority for Sale of Land for Overdue Rates and Charges
[Closed s.275(1)(f)]**

Executive Officer: Chief Executive Officer

Item Author: Chief Finance Officer

File Reference: 12/06/004

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 275(1)(f) of the Local Government Regulation 2012, which permits the meeting to be closed to the public for business relating to the following: -

- (f) starting or defending legal proceedings involving it.

2.4 Council Rental Properties [Closed s.275(1)(c)]**Executive Officer: Chief Executive Officer****Item Author: Chief Finance Officer****File Reference: 02/09/009**

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 275(1)(c) of the Local Government Regulation 2012, which permits the meeting to be closed to the public for business relating to the following: -

- (c) the local government's budget.

**2.5 Queensland Urban Utilities Participating Local Government Loans
[Closed s.275(1)(h)]****Executive Officer: Chief Executive Officer****Item Author: Chief Finance Officer****File Reference: 12/11/002**

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 275(1)(h) of the Local Government Regulation 2012, which permits the meeting to be closed to the public for business relating to the following: -

- (h) other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

3. REGIONAL SERVICES

Nil.

4. INFRASTRUCTURE SERVICES**4.1 Replacement of 16 Tonne Asphalt Road Maintenance Truck
[Closed s.275(1)(e)]**

Executive Officer: Director Infrastructure Services

Item Author: Coordinator Fleet

File Reference: 23/02/001; 14/15/FLT004; 12/18/002

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 275(1)(e) of the Local Government Regulation 2012, which permits the meeting to be closed to the public for business relating to the following: -

- (e) contracts proposed to be made by it.

4.2 Fabrication of Steel Waste Bins [Closed s.275(1)(e)]**Executive Officer: Director Infrastructure Services****Item Author: Coordinator Fleet****File Reference: 23/02/001**

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 275(1)(e) of the Local Government Regulation 2012, which permits the meeting to be closed to the public for business relating to the following: -

- (e) contracts proposed to be made by it.

4.3 Tender for Replacement of Foxley & Lamington Bridges, Christmas Creek Road, Lamington [Closed s.275(1)(e)]

Executive Officer: Director Infrastructure Services

Item Author: Senior Works Engineer

File Reference: 12/18/004

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 275(1)(e) of the Local Government Regulation 2012, which permits the meeting to be closed to the public for business relating to the following: -

- (e) contracts proposed to be made by it.