

Minutes

Audit and Risk Committee meeting held at 9.00am on Wednesday, 16 September 2020 - Virtual Meeting.

1 Present

Mr Peter Knights (Chair)
Mr Tony Roberts
Ms Lynn Jenz
Cr Kevin Erwin
Cr Karen Hyslop

Ms Liana Thompson, Chief Executive Officer
Mr Vaughan Williams, Director Corporate Services
Mr Malcolm Lewis, Acting Manager Financial Services
Mrs Natalie Martin, Coordinator Financial Sustainability
Mr Zander McDougall, Acting Manager People & Culture (Item 5.1)
Ms Jay Petty, Project Manager Corporate (Item 6)
Mr Jonathan Chinomona, Manager Infrastructure (Item 6.1)
Mr Phil Delahunty, RSD Audit
Ms Blessing Mendoza, RDS Audit

2 Apologies

None

3 Disclosures of Interest and Declarations of Conflict of Interest

None

4 Confirmation of Minutes from the Previous Meeting

Confirmation of minutes from the Northern Grampians Shire Council Audit Committee meeting held, Wednesday, 3 June 2020.

Moved - Mr Tony Roberts

Seconded - Ms Lynn Jensz

Carried

5 Matters Arising from the Minutes

5.1 Worksafe Audit

Mr Zander McDougall will provide an update on the final Worksafe audit.

Outcome

Zander provided the committee with an update on the Worksafe Audit. The remedial action plan (RAP) was completed at a high level prior to 30 June 2020. Three main areas were identified for improvement being:

1. Contractor Management
2. Structured Safety Inspections
3. OH&S Management Plan

Work in these areas was continuing with new strategies and reporting frameworks now in place.

It was noted that a bi-monthly safety report will be presented to the committee.

Recommendation for the findings to be presented into Council for review.

Moved - Cr Kevin Erwin

Seconded - Ms Lynn Jensz

Carried

Action: Bi-monthly safety report to be included as an agenda item for future ARC meetings.

Attachments

1. OHSMS Audit Findings Report [5.1.1 - 34 pages]
2. NGSC Remedial Action Plan Completion [5.1.2 - 7 pages]

October 2019



OHSMS Audit Findings Report

Insurance Division

Northern Grampians Shire Council

Purpose of audit

The purpose of the occupational health and safety management system (OHSMS) audit is to evaluate conformance of the OHSMS at Northern Grampians Shire Council (NGSC) against the *National Self-insurer OHS Management System Audit Tool (version 3)* and determine the effectiveness of design and implementation of the NGSC OHSMS.

The audit findings contribute to WorkSafe Victoria's (WorkSafe) assessment of the Municipal Association of Victoria (MAV) application for renewal to self-insure in accordance with the *'Workplace Injury Rehabilitation and Compensation Act 2013 (VIC) (WIRC Act)*, including the 'fit and proper' criteria specified under subsection 379(4). Further information on WorkSafe's assessment process may be found in *External Guideline #3 Assessment of application for renewal of approval as a self-insurer*.

Audit methodology

The audit approach adopted is consistent with the comprehensive auditing methodology provided in *AS/NZS ISO 19011:2018 – Guidelines for auditing management systems*

The audit activities undertaken included:

- a) planning and scoping the audit,
- b) conducting a pre-audit meeting,
- c) provision of workbooks and pre-reading,
- d) Stage 1 auditing (review of and discussion about the documented system),
- e) Stage 2 auditing (verification of implementation and effectiveness of management system through additional document review, interviews with management, employees and elected health and safety representatives and observations in the workplace),
- f) evaluating audit evidence
- g) generating audit findings,
- h) preparing the audit report, and
- i) conducting a closing meeting.

Audit findings report

The purpose of this report is to communicate the findings of the OHSMS audit undertaken by WorkSafe at the NGSC from 28th of October to the 1st of November 2019.

Details of the audit evidence collected (e.g. documentation reviewed, records sighted, persons interviewed, observations made and other relevant comments) and auditor evaluation of this evidence is included within the auditors' notes. Auditor notes are held within the relevant audit files held by Management Systems Services at WorkSafe's head office for at least two years. A summary of these audit findings are contained within this audit findings report.

Acknowledgment

The WorkSafe audit team would like to thank all personnel from the NGSC involved in the audit who provided assistance and contributed to this audit.

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Disclaimer

WorkSafe Victoria (WorkSafe) prepared this report using available information and data at the time of preparation. The report has been compiled from information obtained by WorkSafe, including documents provided by self-insurers and WorkSafe's databases relating to workplace injury, inspectorate activities and other self-insurer operations. This report is intended only to provide a summary of the matters covered.

Whilst every effort has been made to ensure the accuracy of this report, WorkSafe will not be held responsible, and extends no warranties as to the suitability of such information or for the consequences of its use. Likewise, WorkSafe will not be held responsible for actions taken by third parties as a result of information contained in this report.

Confidentiality

Information obtained from the NGSC in the course of producing this report will be treated as confidential. Restrictions on the disclosure of such information are contained in sections 588 and 595 of the *Workplace Injury Rehabilitation and Compensation Act 2013* and section 10 of the *Occupational Health and Safety Act 2004*. The contents of this report are made available to other Divisions of WorkSafe for the purpose of administration of the Victorian workplace injury, rehabilitation and compensation legislation and occupational health and safety legislation.

This report is intended for the use of WorkSafe and forms part of the assessment of the application to renew self-insurance. The report may also be used by the NGSC and its advisors.

Audit Information

MAV WorkCare			
Current approval expires	1 st November 2020		
Audit standard	National Self-insurer OHS Management System Audit Tool (version 3) (NAT)		
Audit dates	Pre-audit meeting	6 th August 2019	
	On-site audit	28 th October 2019 to 1 st November 2019	
	Closing meeting	6 th December 2019	
Audit report	Draft report issued	29 th November 2019	
	Feedback received	6 th December 2019	
	Action plan accepted	20 th December 2019	
	Final report issued	6 th December 2019	
	Registered file number	OHS19/41378	
Audit team	Auditors	Ross Williams Shaun Ryan	
	WorkSafe Inspector(s)	No inspectors required	
	Observer(s)	JLT Regional Risk Coordinators	
Client contact(s)	<p>Northern Grampians Shire Council, Vaughan Williams Director Corporate Services, 03 5358 8700, vaughan.williams@ngshire.vic.gov.au</p> <p>Northern Grampians Shire Council, Julia Coates, Coordinator Human Resources, 03 5358 8779, julia.coates@ngshire.vic.gov.au</p> <p>Northern Grampians Shire Council, Peter Horwood OHS Advisor, peter.horwood@ngshire.vic.gov.au</p>		
Audit scope			
Activities in scope	All activities undertaken by MAV and councils at the sites audited. Council provide a variety of services to their relevant communities.		
Number of sites* audited	5	Number of NAT criteria audited	56 of 108
	Northern Grampians Shire Council 63-65 Main Street, Stawell		28 th October 2019 to 01 st November 2019

*Refer to the definition of "site" in Appendix C Abbreviations and Definitions

Criteria and site selection summary

The audit sites and criteria selection process included consideration of a range of information including:

- company profile,
- past OHSMS audit performance,
- hazards applicable to the company's activities,
- criteria applicable to eligibility for six year approval.

Further information on criteria and site selection can be found in the audit plan, HRRM reference H19/00146.

Signatures of audit team	Ross Williams	Lead Auditor
	Shaun Ryan	Auditor

Executive Summary

Summary of audit findings			
Number of sites audited	5	Total number of sites	6
Number of NAT criteria audited	56 of 108		
Criteria rated as conformance	27 of 52 (52%)		
Criteria rated as not applicable	0		
Criteria rated as not able to be verified	4		
Criteria rated as non-conformance	Other	12	
	Key	13	
	TOTAL	25	
	L		
Deadline for completion of corrective actions	1 July 2020		

*Reference: SIMON database – open sites registered by self-insurer on 6 November 2019

Overall functioning of OHSMS

WorkSafe's expectation is that self-insurers maintain their OHSMS to a level that conforms to the NAT as a minimum standard.

Assessed against this, Northern Grampians Shire Council has largely not met the expectation with 24 criteria rated as non-conformance from the 56 audited.

The non-conformances assigned relate mainly to implementation of the OHSMS. Elements requiring improvement to conform to the NAT include:

- 3.3 Training and Competency,
- 3.10 Hazard Identification,
- 3.11 Emergency Preparedness, and
- 4.1 Measurement and Evaluation.

As a positive finding, during the audit the following OHSMS sections were found to be designed and implemented in accordance with the requirements of the NAT:

- 3.6 Incident Investigation.

The auditors also noted positive aspects of the OHSMS in operation, including:

- Employees Commitment to Health and Safety.

Audit Results Summary

Key	
C	Conformance
NC	Non-conformance
NA	Not applicable
NAV	Not able to be verified
	Key NAT criteria

TOTALS	NORTHERN GRAMPIANS SHIRE COUNCIL
Criteria audited	56
C	27
NA	0
NAV	4
Key NC	13
Other NC	12
Total NC	25

Element and Section	Criteria	NORTHERN GRAMPIANS SHIRE COUNCIL
1.1. Policy	1.1.3	C
2.1. Legal requirements and practical guidance	2.1.1	C
	2.1.5	NC
2.2. Objectives and targets	2.2.2	NC
2.3. Health and safety management plans	2.3.1	NC
	2.3.2	NC
3.1. Structure and responsibility – Resources	3.1.1	C
3.2. Structure and responsibility -Responsibility and accountability	3.2.1	C
	3.2.2	C
	3.2.4	NC
	3.2.5	C
3.3. Structure and responsibility –Training and competency	3.3.1	C
	3.3.2	NC
	3.3.3	C
	3.3.4	C
	3.3.5	NC
	3.3.8	C
3.4. Consultation, communication and reporting – Consultation	3.4.1	C
	3.4.4	C
3.5. Consultation, communication and	3.5.1	NC

reporting – Communication		
3.6. Consultation, communication and reporting – Reporting	3.6.1	C
	3.6.2	NAV
3.7. Documentation	3.7.2	C
3.8. Document and data control	3.8.1	C
	3.8.2	
	3.8.3	C
3.9. Health and safety risk management program	3.9.2	C
	3.9.3	NC
	3.9.5	C
	3.9.8	C
3.10. Hazard identification, risk assessment and control of risks	3.10.2	C
	3.10.3	NC
	3.10.4	NC
	3.10.5	NAV
	3.10.12	NC
	3.10.13	NC
	3.10.14	NAV
	3.10.15	NC
	3.10.21	NC
	3.10.22	NC
3.10.23	C	
3.11. Emergency preparedness and response	3.11.1	NC
	3.11.2	NC
	3.11.3	C
	3.11.5	C
	3.11.7	C
4.1. Monitoring and measurement – General	4.1.1	NC
	4.1.2	NC
	4.1.3	NC
	4.1.4	NAV
4.3. Incident investigation, corrective and preventive action	4.3.1	C
	4.3.2	C
	4.3.3	C
4.5. Health and safety management system audits	4.5.1	NC
	4.5.2	NC
	4.5.3	NC
5.1. Management Review	5.1.1	NC

Remedial Action Plan

Remedial action plan

A remedial action plan is required for all criteria which were rated as non-conformance. The remedial action plan lists the criteria rated as non-conformance and for each non-conforming criterion describes the following:

- how the system deficiencies will be remedied at the particular site(s) and how potential deficiencies across the organisation will be investigated and addressed,
- priorities, timeframes and responsibilities,
- how progress of actions is to be monitored,
- how the effectiveness of remedial action taken will be evaluated, and
- what evidence will be provided (or made available) to WorkSafe to demonstrate that remedial actions have been taken and that the system/process is effectively implemented and conforms with the criterion.

WorkSafe Self-Insurance Fact Sheet, WorkSafe OHSMS audits provides further guidance related to remedial action plans and was provided to MAV on 6/8/2019.

The remedial action plan accepted by the lead auditor is included as **Appendix A**.

Remedial action plan

Submission deadline	20 December 2019
Remedial action plan updates	MAV and the NGSC are to provide monthly updates of its remedial action plan commencing 1 February 2020.
Deadline for completion of corrective actions	1 July 2020 <i>Note: This date is four months prior to expiry of current approval and allows sufficient time for the review of evidence and sign-off by the lead auditor before an approval recommendation needs to be prepared.</i>
Acceptance of remedial action plan	20 December 2019

Audit Findings

2.1.5	<i>Changes to health and safety legislation, standards, codes of practice, agreements and guidelines generate a review of existing procedures.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion was rated as non-conformance because the organisation failed to generate a review of procedures when changes to the Victorian OHS Regulations 2017 legislation occurred.	
Audit Findings:	
Reviewed document Northern Grampians Shire Council OHS Procedure Development, Authorisation and Publication version 1.0 dated 28 May 2018 and clearly states 'change in legislation' a review of procedures is to be done.	
Reviewed document Northern Grampians Shire Council OHS Legislative Compliance Procedure version 1.0 dated 28th May 2018 and stated the current standardised advisory service is being investigated by the Municipal Association of Victoria (MAV) so as to provide access to legislation register, this was not sighted during the audit process.	
No evidence was able to be shown of any review had taken place for the organisation.	
No evidence of discussion in relation legislation changes within OHS Committee meeting minutes; dated 23/8/2018, 14/6/2018 ad 23/8/2018 could not be shown to confirm any review after the Victorian OHS Regulations 2017 legislative changes.	
Interviewed HSR's, OHS Adviser, Risk and Lease Management Officer, Manager People and Culture and was informed that there was an inconsistent approach to identify specific health and safety legislation updates so as to generate a review as per procedural requirements for this criterion.	

2.2 Objectives and targets	
2.2.2	<i>Specific health and safety objectives and measurable targets have been assigned to all relevant functions and levels within the organisation.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion was rated a non-conformance because specific health and safety objectives and measurable targets had not been assigned to all relevant functions and levels within the organisation.	
Audit Findings:	

Reviewed document Northern Grampians Shire Council OHS Management Plans for the years 2018-2019 and 2019-2012 which outlined an OHS framework for improvement.

The OHS Management Plan has four strategic objectives and they are systematic approach, workplaces and equipment, active and visible OHS leadership and positive OHS culture.

Reviewed key organisational position descriptions and health and safety strategy targets were unable to be demonstrated.

2.3 Health and safety management plans	
2.3.1	<p><i>In addition to defining the means by which the organisation will achieve its objectives and targets, the health and safety management plan(s):</i></p> <ul style="list-style-type: none"> a. <i>responds to legal requirements</i> b. <i>is based on an analysis of information relevant to the nature of the organisation's activities, processes, products or services</i> c. <i>takes account of identified hazards and health and safety management system failures</i> d. <i>aims to eliminate or reduce workplace illness and injury</i> e. <i>defines the organisation's priorities</i> f. <i>sets timeframes</i> g. <i>allocates responsibility for achieving objectives and targets to relevant functional levels</i> h. <i>states how the plan will be monitored.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
<p>This criterion was rated a non-conformance because the organisation had failed to determine by which means it will achieve its objectives and targets, its OHS management plan for legal compliance, analysis of information relevant to the organisation activities, identified hazards OHSMS failures, aims to eliminate workplace injuries, responsibilities to achieve its objectives and targets, timeframes and how the plan will be monitored.</p>	
Audit Findings:	
<p>Reviewed document Northern Grampians Shire Council OHS Management Plans for the years 2018-2019 and 2019-2012, which outlined an OHS framework for improvement.</p> <p>The documented plans were able to be shown but are still to be endorsed by the leadership team.</p> <p>Interviewed HSR's, OHS Adviser, Risk and Lease Management Officer, Manager People and Culture, Operations Coordinator, Acting Manager Infrastructure, Operations Coordinator, Head of Active Communities, Team Leaders, Contracts Engineers, Coordinator Engineering Services and Executive Management Team and confirmed the council has no documented plans to monitor its objectives and targets as per its OHS management plan for this criterion.</p>	

2.3.2	<i>The organisation monitors its progress towards meeting the objectives and targets set in the health and safety management plan and takes corrective actions to ensure progress is maintained.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion was rated a non-conformance because the organisation does not monitor its progress towards meeting the objectives and targets set out in a health and safety management plan and takes corrective actions to ensure progress is maintained.	
Audit Findings:	
Reviewed document Northern Grampians Shire Council OHS Management Plans for the years 2018-2019 and 2019-2012, which outlined an OHS frame work for improvement.	
Reviewed document extract of Northern Grampians Shire Council OHS Questionnaire for tender pages 1-7 and does not cover how safety performance review against agreed responsibilities and accountabilities are to be determined.	
Interviewed HSR's, OHS Adviser, Risk and Lease Management Officer, Manager People and Culture, Operations Coordinator, Acting Manager Infrastructure, Operations Coordinator, Head of Active Communities, Team Leaders, Contracts Engineers, Coordinator Engineering Services and Executive Management Team and confirmed the council has no documented plans to show how it will monitor its progress in meeting its objectives and targets and inductions obligations for this criterion.	

3.2.4	<i>Where contractors are utilised in the organisation, the health and safety responsibilities and accountabilities of the organisation and the contractor(s) have been clearly defined, allocated and communicated within the organisation and to the contractor(s) and their workers.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion was rated a non-conformance because when the organisation uses contractors the health and safety responsibilities and accountabilities of both the organisation and the contractor(s) have not been clearly defined, allocated and communicated within the organisation, the contractor(s) and their workers.	
Audit Findings:	

Reviewed document Northern Grampians Shire Council OHS Contractor Management Procedure version 1.0 dated June 2018. It clearly states on page three induction obligations and page five monitoring and review process.

Reviewed document Northern Grampians Shire Council Contractor Induction Handbook version 0.2 dated December 2018 and clearly states the OHS obligations of the council.

Reviewed tender documents:

- C1 2017/2018 Warren Earth Works,
- C2 2018/2018 Rural Works,
- C8 2015/2016 Halls Gap Plumbing,
- C9 R&J Murphy Electrical Contractors,
- C7 2014/2015 Cassidy Painting (contract under review 2019/2020),
- C7 Wayne Cleaning Services (contract under review 2019/2020),
- C1 2017/2018 Stawell Street Scape Project.

Interviewed Building Maintenance Team Leader, Building Projects Officer, Contracts Officer, Contracts Engineer, Acting Manager Infrastructure and OHS Advisor and confirmed that inductions and the council's responsibilities and accountabilities could not be confirmed as per council procedural requirements.

3.3.2	<i>The organisation consults with employees to identify their training needs in relation to performing their work activities safely.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion is rated as a non-conformance because at the time of the audit no procedure detailing how the organisation will consult with employees to identify their training needs in relation to performing their work activities safely could be produced.	
Audit Findings:	
Sighted a toolbox meeting minute from September 2019 showing several employees that had been selected for training on a wood chipper piece of plant.	
The minutes do not elaborate on how they were selected or whether any consultation with the employees took place.	
Interviewed Parks and Garden staff to confirm no consultation on training needs for the piece of plant had occurred.	

3.3.5	<i>The organisation has an induction program for all workers including management, which is based on their likely risk exposure, and provides relevant instruction in the organisation's health and safety policy and procedures.</i>
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Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	Non-conformance
Conclusion:	
This criterion was rated as a non-conformance because induction checklists for employees had been completed electronically but not printed and signed by the employee or supervisor conducting the induction.	
Audit Findings:	
Induction checklists for employees had been completed electronically but not printed and signed by the employee or supervisor conducting the induction. Hence at the time of the audit, proof of inductions being completed could not be verified.	
Sighted NGSC Employee Induction Checklist Template, undated	
Sighted induction checklist for the following positions;	
<ul style="list-style-type: none"> ● Safety & Wellbeing Officer ● Community Safety Officer #1 ● Community Safety Officer #2 ● Depot Maintenance Officer 	

3.5 Consultation, communication and reporting – Communication	
3.5.1	<i>The organisation's health and safety policy and other relevant information on health and safety are communicated to all workers, and consider language and standards of literacy.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL -	Non-conformance
Conclusion:	
This criterion was rated as non-conformance because the organisation has failed to consider how health and safety information is communicated to workers in relation to language and literacy requirements.	
Audit Findings:	
Reviewed document Northern Grampians OHS Document Control Procedure version 1.0 dated May 2018.	
Reviewed document Northern Grampians OHS Consultation, Communication and Issue Resolution Procedure version 1.0 dated May 2018.	
Reviewed document Northern Grampians OHS Committee Procedure version 1.0 dated October 2017.	
The documented procedures had no reference in relation to how information is communicated to workers that considers the individual's language and literacy requirements.	
Interviewed HSR's, OHS Adviser, Risk and Lease Management Officer, Manager People and Culture, Operations Coordinator, Acting Manager Infrastructure, Operations Coordinator, Head of Active Communities, Team Leaders, Contracts Engineers, Coordinator Engineering Services and	

Executive Management Team and confirmed the council has no documented process for this criterion.

3.9.3	<i>The hazard identification, risk assessment and risk control process is undertaken by persons competent in the use of the organisation's methodology.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion is rated as a non-conformance because no evidence of a procedure for training in risk assessment, hazard identification and risk control process for personnel could be produced at the time of the audit.	
Audit Findings:	
Interviewed staff from the Health and Safety team, HSR's, Civil Works and Parks and Gardens confirming that no training has been delivered to satisfy this criterion.	

3.10.3	<i>The ability to meet health and safety requirements is assessed in the selection of contractors and labour hire employees.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion was rated as non-conformance because the organisation could not confirm that the ability to meet health and safety requirements is assessed in the selection of contractors and labour hire employees.	
Audit Findings:	
Reviewed document Northern Grampians Shire Council OHS Contractor Management Procedure version 1.0 dated June 2018. It clearly states on page three induction obligations and page five monitoring and review process.	
Reviewed document Northern Grampians Shire Council Contractor Induction Handbook version 0.2 dated December 2018 and clearly states the OHS obligations of the council.	
Reviewed tender documents:	
<ul style="list-style-type: none"> ● C1 2017/2018 Warren Earth Works ● C2 2018/2018 Rural Works ● C8 2015/2016 Halls Gap Plumbing ● C9 R&J Murphy Electrical Contractors ● C7 2014/2015 Cassidy Painting (contract under review 2019/2020) ● C7 Wayne Cleaning Services (contract under review 2019/2020) 	

- C1 2017/2018 Stawell Street Scape Project

Sighted contractor documents that showed the council's basic requirements in relation to Safe Work Method Statement (SWMS) and incident reporting forms were not met.

Interviewed Building Maintenance Team Leader, Building Projects Officer, Contracts Officer, Contracts Engineer, Acting Manager Infrastructure and OHS Advisor and confirmed that inductions, supplied documentation, responsibilities and accountabilities were not met as per council procedural requirements.

3.10.4	<i>Contractor health and safety performance is monitored and reviewed to ensure continued adherence to the organisation's health and safety requirements or specifications.</i>
Rating	NON-CONFORMANCE
<p>NORTHERN GRAMPIANS SHIRE COUNCIL Non-conformance</p>	
<p>Conclusion:</p>	
<p>This criterion was rated a non-conformance because the organisation had not monitored the performance of the contractors health and safety performance and reviewed to ensure continued adherence to the organisation's health and safety requirements or specifications.</p>	
<p>Audit Findings:</p>	
<p>Reviewed document Northern Grampians Shire Council OHS Contractor Management Procedure version 1.0 dated June 2018. It clearly states on page five monitoring and review process.</p>	
<p>Reviewed document Northern Grampians Shire Council Contractor Induction Handbook version 2, dated December 2018.</p>	
<p>Reviewed tender documents:</p>	
<ul style="list-style-type: none"> • C1 2017/2018 Warren Earth Works, • C2 2018/2018 Rural Works, • C8 2015/2016 Halls Gap Plumbing, • C9 R&J Murphy Electrical Contractors, • C7 2014/2015 Cassidy Painting (contract under review 2019/2020), • C7 Wayne Cleaning Services (contract under review 2019/2020), • C1 2017/2018 Stawell Street Scape Project. 	
<p>Sighted contractor documents that showed the council's basic requirements in relation to health and safety performance were not met.</p>	
<p>Sighted during a site inspection of the Plant Room at the Aquatic Centre that audit of contractor safety performance was not done.</p>	
<p>Interviewed Building Maintenance Team Leader, Building Projects Officer, Contracts Officer, Contracts Engineer, Acting Manager Infrastructure and OHS Advisor and confirmed that minutes of contract reviews are not consistent, that performance checks of contractors is not consistent and that audits of contractor safety performance is not done as per procedural requirements.</p>	

3.10.12	<i>Comprehensive health and safety information on all hazardous chemicals is readily accessible.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL Non-conformance	
Conclusion:	
This criterion is rated as a non-conformance because the OHS Chemical Management Procedure Civic Centre, October 2018 had not been fully implemented.	
Audit Findings:	
<ul style="list-style-type: none"> • Sighted Civic Centre Safety Data Sheet (SDS) manual which correctly listed all stored chemicals, however some were out of date (greater than 5 years old) • St. Arnaud Depot had multiple storage areas without SDS readily available <ul style="list-style-type: none"> ○ Spray Bar cleaning area ○ Mechanic Workshop ○ ULP/two stroke fuel dispensing area • Stawell Depot did not have hard copies of SDS on hand where chemicals are stored. SDS are however kept on computer terminals which are not located near to chemical stores. • All site employees have access to SDS's via their personal computer login and the depot has a work area with allocated computers for use. 	

3.10.13	<i>The organisation ensures that hazardous chemicals are stored safely and in accordance with legislative requirements.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL Non-conformance	
Conclusion:	
This criterion is rated as a non-conformance because the NGSC Chemical Management Procedure, October 2018 had not been fully implemented.	
Audit Findings:	
Areas requiring attention are:	
<ul style="list-style-type: none"> • St Arnaud Depot <ul style="list-style-type: none"> ○ Spray Bar cleaning area - unbanded drums, ○ Mechanic Workshop - unbanded drums. • Stawell Depot <ul style="list-style-type: none"> ○ Works yard - unbanded drums. 	

3.10.15	<i>Where personal protective equipment is required, it is appropriate for the task, its provision is accompanied by suitable training or instruction, and it is used correctly and maintained in a serviceable condition.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL Non-conformance	
Conclusion: This criterion is rated as a non-conformance because the NGSC OHS Protective Equipment Procedure, April 2000 is out of date	
Audit Findings: <ul style="list-style-type: none"> ● This criterion is rated as a non-conformance because the NGSC OHS Protective Equipment Procedure, April 2000 is out of date. ● The procedure refers to the OHS Act 1985. ● There are no current risk assessments of tasks that reflect PPE requirements ● Employees have an adhoc approach to the wearing of correct PPE. Staff have been observed to be wearing denim jeans, worn safety boots and Apple AirPlay ear buds when operating noisy equipment in place of correct PPE ● PPE available within the Aquazone plant room for the delivery of bulk chemicals was stored incorrectly, not cleaned properly and was missing some componentry to be effective 	

3.10.21	<i>There are procedures to ensure that materials are transported, handled and stored in a safe manner.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL Non-conformance	
Conclusion: This criterion is rated as a non-conformance because at the time of the audit no procedure for the transportation, handling and storage of materials could be produced	
Audit Findings: <ul style="list-style-type: none"> ● St. Arnaud Depot <ul style="list-style-type: none"> ○ No Traffic Management Plan, ○ No record of pallet racking inspections in the Parks/Gardens area, ○ Use of incorrect pallets within the racking, ○ Mobile Davit crane in the workshop is not on a lifting register and had not been tested, ○ Trolley jacks in the workshop are not on a lifting register and had not been tested. ● Stawell Depot <ul style="list-style-type: none"> ○ Truck mounted Davit crane not on a lifting register and had not been tested. ● Aquatic Centre 	

- The aquatic disability lift is not on a lifting register and has not been tested. The harness system of the lift is badly affected by chlorine and needs to be replaced.
- A lifting harness for people with a disability stored within the plant room was out of test date and needed to be recertified

3.10.22	<i>Workers are supervised according to their capabilities and the degree of risk of the task they are undertaking, to ensure that tasks are performed safely and work instructions and procedures are followed.</i>
Rating	NON-CONFORMANCE
<p>NORTHERN GRAMPIANS SHIRE COUNCIL Non-conformance</p>	
<p>Conclusion:</p>	
<p>This criterion was rated a non-conformance because the organisation was inconsistent in ensuring workers are adequately supervised according to their capabilities and the degree of risk of the task they are undertaking, to ensure that tasks are performed safely and work instructions and procedures are followed.</p>	
<p>Audit Findings:</p>	
<p>Reviewed document Northern Grampians OHS Consultation, Communication and Issue Resolution Procedure version 1.0 dated May 2018.</p>	
<p>Reviewed document Northern Grampians OHS Risk and Change Management Procedure version 1.0 dated June 2018.</p>	
<p>Reviewed position descriptions for the following positions:</p>	
<ul style="list-style-type: none"> ● Coordinator Parks and Facility Maintenance, ● Team Leader Aquatics, ● Director Corporate Services, ● Manager People and Culture, ● Plant Operator, ● Manger Governance and Civic Support, ● Team Leader Parks and Garden. 	
<p>Interviewed HSR's, OHS Adviser, Risk and Lease Management Officer, Manager People and Culture, Operations Coordinator, Acting Manager Infrastructure, Operations Coordinator, Head of Active Communities, Pool Life Saver, Team Leaders, Contracts Engineers, Coordinator Engineering Services and Executive Management Team and confirmed the council's commitment that all employees are supervised to ensure work instructions are followed and safety precautions are followed.</p>	

3.11 Emergency preparedness and response	
3.11.1	<i>Potential emergency situations have been identified and an emergency plan is:</i>

	<p>a. <i>developed for the organisation and its workplaces</i></p> <p>b. <i>in accordance with legislative requirements</i></p> <p>c. <i>regularly reviewed.</i></p>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	Non-conformance
Conclusion:	
This criterion was rated as a non-conformance because the <i>OHS Emergency Management Plan Stawell Town Hall & Entertainment Centre, 2011</i> - had not been fully implemented and regularly reviewed.	
Audit Findings:	
The auditors note that the current procedure is out of date and that a new procedure has just been written, however it does not meet the National Audit Tool requirement of 3 or more months of operation.	
The St. Arnaud Depot Emergency Eye Wash / Deluge station was unserviceable due to a lack of water supply and pressure.	
Sighted St. Arnaud Depot <i>Emergency Response Plan 2019</i> .	
Sighted St. Arnaud Early Learning Centre <i>Emergency Management Plan 2019-20</i>	
Confirmed onsite at the Works Depot and Early Learning Centres by interview with relevant employees that they are aware of the Emergency Plan, its role within the NGSC and how to execute their role when required	

3.11.2	<i>The organisation has allocated overall responsibility for control of emergency situations to specified individuals and communicated this information to all workers.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	Non-conformance
Conclusion:	
This criterion is rated as a non-conformance because the <i>OHS Emergency Management Plan Stawell Town Hall & Entertainment Centre, 2011</i> does not contain the current list of Fire Wardens and First Aid personnel	
Audit Findings:	
Sighted St. Arnaud Early Learning Centre <i>Emergency Management Plan 2019-20</i> .	

Sighted Stawell Leisure Complex Emergency Procedure, September 2017.

Noted that current Fire Wardens and First Aid trained staff are displayed on notice boards throughout the sites audited

Confirmed onsite at St Arnaud Early Learning Centre and the Stawell Leisure Complex by interview with relevant employees that they are aware of who the Fire wardens and First Aid staff in their areas are

Element 4 Measurement and Evaluation	
4.1 Monitoring and measurement – General	
4.1.1	<i>There is a health and safety inspection, testing and monitoring program that incorporates timely and effective corrective action processes.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	Non-conformance
Conclusion:	
This criterion is rated as a non-conformance because no procedure for regular health & safety inspections, testing and monitoring that incorporates timely and effective corrective action processes could be produced at the time of the audit	
Audit Findings:	
Interviewed employees onsite that has confirmed that regular inspections do not take place	
Areas of concern are:	
<ul style="list-style-type: none"> ● St. Arnaud Depot ● Stawell Civic Centre ● Stawell Works Depot ● Stawell Leisure Complex ● No lifting register for all sites ● No plant register for all sites ● No plant guarding register for all sites ● Unknown quantities of chemicals at both the St. Arnaud and Stawell works depots ● No boiler registers for the Aquazone Leisure Complex. 	
4.1.2	<i>Inspections seek input and involvement from the workers who are required to undertake the tasks being inspected.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	Non-conformance
Conclusion:	
This criterion is rated as a non-conformance because no procedure for regular health & safety inspections involving employees required to undertake the tasks being inspected, could be produced at the time of the audit.	
Audit Findings:	

Confirmed with staff at all sites that regular inspections do not occur, hence there is no involvement from the staff undertaking the tasks.

4.1.3	<i>Engineering controls, including safety devices, are regularly inspected and tested (where appropriate) to ensure their integrity.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion is rated as a non-conformance because at the time of the audit no procedure for ensuring that engineering controls including safety devices are regularly inspected and tested to ensure their integrity could be produced.	
Audit Findings:	
Areas of concern for <u>all</u> sites include;	
<ul style="list-style-type: none"> • No contract to test and inspect electrical safety devices (electrical leads, small appliances tools, e-stops & RCD's) • No contract to test lifting equipment • No contract to service Emergency Eye Wash / Showers • No plant guarding register. 	

4.5 Health and safety management system audits	
4.5.1	<i>There is a health and safety management system audit program to verify the effectiveness of the organisation's health and safety management system. The audit program takes into consideration health and safety risks and the results of previous audits.</i>
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	
Non-conformance	
Conclusion:	
This criterion was rated a non-conformance because the organisation has no health and safety management system audit program to verify the effectiveness of the organisation's health and safety management system and takes into consideration health and safety risks and the results of previous audits.	
Audit Findings:	
Reviewed document Northern Grampians OHS Audit Procedure version 1.0 dated December 2108 and describes the process of the OHS audit process.	
No documented process for scheduled audits that takes into consideration health and safety risks from previous audits was able to be shown for these criteria.	
Interviewed HSR's, OHS Adviser, Risk and Lease Management Officer, Manager People and Culture, Operations Coordinator, Acting Manager Infrastructure, Team Leaders, Contracts	

Engineers, Coordinator Engineering Services and Executive Management Team and the council has no documented safety management system audit program in place to verify its effectiveness of its OHSMS.

4.5.2	<p><i>The organisation ensures that scheduled audits are performed to verify that:</i></p> <ul style="list-style-type: none"> <i>a. workplace activities comply with health and safety procedures</i> <i>b. procedures are properly implemented and maintained</i> <i>c. procedures are effectively implemented across the organisation.</i>
Rating	NON-CONFORMANCE
<p>NORTHERN GRAMPIANS SHIRE COUNCIL Non-conformance</p>	
<p>Conclusion:</p>	
<p>This criterion was rated a non-conformance because the organisation has no process to ensure that scheduled audits are performed to verify that; workplace activities comply with health and safety procedures, that procedures are properly implemented and maintained, that procedures are effectively implemented across the organisation.</p>	
<p>Audit Findings:</p>	
<p>Reviewed document Northern Grampians OHS Audit Procedure version 1.0 dated December 2108 and describes the process of the OHS audit process.</p>	
<p>No documented process for scheduled audits was able to be shown for these criteria.</p>	
<p>Interviewed OHS Adviser, Safety and Wellbeing Officer and Manager People and Culture and confirmed the council has no documented process to ensure that scheduled audits are performed to verify that procedures are effectively implemented across the council.</p>	
<p>As part of the interview process it was noted that Northern Grampians City Council are working on a process for each procedure underpinning the OHS policy. All procedures are tabled at the OHS Committee before being approved by the Executive Leadership Team. Once the procedures are approved they are registered via the Document Management System to enable effective auditing.</p>	

4.5.3	<p><i>Deficiencies highlighted by the audits are prioritised and progress monitored to ensure corrective action is implemented.</i></p>
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Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	Non-conformance
Conclusion:	
This criterion was rated a non-conformance because the organisation has no process to ensure that deficiencies highlighted by the audits are prioritised and progress monitored to ensure corrective action is implemented.	
Audit Findings:	
Reviewed document Northern Grampians OHS Audit Procedure version 1.0 dated December 2108 and describes the process of the OHS audit process.	
No documented process to show deficiencies are prioritised and progress monitored was able to be shown for this criterion.	
Interviewed OHS Adviser, Safety and Wellbeing Officer and Manager People and Culture and confirmed the council has no documented process to show deficiencies are prioritised and progress monitored was able to be shown for this criterion.	

Element 5 Management Review	
5.1 Management Review	
5.1.1	<i>The organisation has a health and safety management system review program to ensure the continuing suitability and effectiveness of the system. The review program is undertaken with senior management and officer involvement, and takes into account:</i> <ul style="list-style-type: none"> a. health and safety management system audit results b. objectives, targets and performance indicators c. changing circumstances d. opportunities for continuous improvements.
Rating	NON-CONFORMANCE
NORTHERN GRAMPIANS SHIRE COUNCIL	Non-conformance
Conclusion:	
This criterion was rated a non-conformance because the organisation has no process to show that the health and safety management system is reviewed for the continuing suitability and effectiveness of the system.	
Audit Findings:	
No documented procedure or process was able to be shown for these criteria in relation to senior management and officer involvement, and takes into account the health and safety management system audit results, its objectives, targets and performance indicators, changing circumstances and any opportunities for continuous improvements.	
Interviewed OHS Adviser, Safety and Wellbeing Officer and Manager People and Culture and confirmed the council has a process to show that OHSMS is reviewed as per criteria requirements but is only in a development stage.	

Observation Summary

Criterion	Observation
Element 2 Planning	
2.1 Legal requirements and practical guidance	
2.1.1	NORTHERN GRAMPIANS SHIRE COUNCIL To consider a combined approach re legislative updates for the council.
Element 3 Implementation	
3.3 Structure and responsibility –Training and competency	
3.3.1	NORTHERN GRAMPIANS SHIRE COUNCIL To consider RTW Coordinator Exercise Physiologist do the 2 day authorised RTW training as a minimum.
3.7 Documentation	
3.7.2	NORTHERN GRAMPIANS SHIRE COUNCIL To consider updating manual handling risk assessment for the Positive Ageing Team.
3.9 Health and safety risk management program	
3.9.8	NORTHERN GRAMPIANS SHIRE COUNCIL To consider using 'Elumina' to monitor management of change activities
3.10.13	NORTHERN GRAMPIANS SHIRE COUNCIL To consider separate bunding of HCL acid within the bunded area of the Stawell Works Chemical Store

Appendix A – Remedial Action Plan

Remedial action plan to be inserted once provided by self-insurer.

Appendix B – Self-insurer Draft Report Feedback

Insert self-insurer draft report feedback if supplied

Appendix C – Abbreviations and Definitions

Definitions of abbreviations used in this report

Abbreviation	Definition
HSR	Health and Safety Representative
NAT	National Self Insurer OHS Audit Tool
OHSMS	Occupational Health and Safety Management System
PPE	Personal Protective Equipment
DG	Dangerous Goods
OHS	Occupational Health and Safety
e-STOP	Emergency Stop

Definitions of terms used in this report

Term	Definition*
Audit	A systemic and independent examination against defined criteria to determine whether health and safety activities and related results comply with planned arrangements, whether these arrangements are implemented effectively and whether they are suitable to achieve the organisation's policy and objectives.
Audit report	A written record of the audit, which accurately and concisely documents the objective evidence and clearly communicates the findings of the auditor(s) for each of the criteria included in the audit.
Audit team	The auditors whose collective competence is appropriate to the activities to be audited and the related health and safety issues. The

	team is to be selected in accordance with the relevant regulator's procedures.
Competent person	A person who has acquired through training, qualifications or experience (or a combination of these) the knowledge and skills enabling that person to perform the task required. The relevant knowledge and skills must be defined and documented.
Conformance	A judgment made by an auditor that the activities undertaken and the results achieved fulfil the specified requirements of the audit criteria. While further improvements may still be possible, the minimum requirements are being met.
Customer-supplied goods and services	Customer-supplier goods and services are those which are supplied to the organisation by a customer. The organisation then performs work on that produce or uses that service as part of another task.
Dispute	A dispute means a difference of opinion between two or more parties on a health and safety issue and which remains unresolved.
Employees	The term 'employees' covers all those who work for the organisation, including casuals, part-time workers, volunteers and contractors.
Facilities	Facilities refer to washrooms, showers, locker, dining areas, drinking water etc. There may be specific legislative requirements and details in building regulations and codes.
Hazard	A source or a situation with a potential for harm in terms of injury or illness, damage to property, damage to the environment, or a combination of these.
Hazard identification	The process of recognising that a hazard exists and defining its characteristics.
Hazardous chemical	<p>A substance mixture or article that satisfies the criteria for a hazard class in the GHS* but does not include a substance, mixture or article that satisfies the criteria solely for one of the following hazard classes:</p> <ul style="list-style-type: none"> ● acute toxicity – oral – category 5 ● acute toxicity – dermal – category 5 ● acute toxicity – inhalation – category 5 ● skin corrosion/irritation – category 3 ● serious eye damage/eye irritation category 2b ● aspiration hazard – category 2 ● acute hazard to the aquatic environment – category 1,2 or 3 ● chronic hazard to the aquatic environment – category 1, 2, 3 or 4 ● hazardous to the ozone layer <p>Note: The schedule 6 tables replace some tables in the GHS.</p>

	*The Globally Harmonised System of Classification and Labelling of Chemicals, Third revised edition, published by the United Nations as modified under schedule 6.
Health and safety objectives	Overall OHS goal in terms of OHS performance, arising from the health and safety policy that an organisation sets itself to achieve, and which are quantified where practicable.
Health and safety policy	Statement by the organisation of its commitment, intentions and principles in relation to its overall health and safety performance which provides a framework for action and for the setting of its health and safety objectives and targets.
Health and safety target	A detailed performance requirement, quantified wherever practicable and pertaining to the organisation, that arises from the health and safety objectives, and that needs to be met in order to achieve those objectives.
Hierarchy of controls	<p>A series of control methods that can be used for the minimisation of risks to health and safety if elimination, so far as reasonably practicable, cannot be achieved. Typically:</p> <ul style="list-style-type: none"> ● substitution ● isolation ● engineering controls ● administrative controls ● personal protective equipment <p>Note: A combination of these measures may be applied if a single control is not sufficient.</p>
Incident	An unplanned event resulting in, or having the potential for injury, ill health, damage or loss.
Interested parties	Individual(s) or group(s) concerned with, or affected by the health and safety performance of an organisation, may, depending on circumstances, include health and safety representatives, health and safety committees, contractors, suppliers, other duty holders, regulatory authorities, community groups, non-government organisations, special interest groups and others.
Non-conformance	A judgment made by an auditor that the activities undertaken and the results achieved do not fulfil the specified requirements of the audit criterion. This may be caused by the absence or inadequate implementation of a system or part of a system, documented systems or procedures not being followed or a minor or isolated lapse in a system or procedure.
Not able to be verified	A situation where a relevant system procedure has been developed, but because of the infrequent need to use the system procedure there are no recent records or other form of verification available.

Not applicable	A judgment made by an auditor that the requirements of a particular audit criterion do not need to be met, because of the nature of the client organisation's operations.
Objective evidence	Qualitative or quantitative information that can verify the existence and effective operation of an aspect of a health and safety management system. The information may be in the form of documents, electronic information, documented records, visual observations and discussion with employees and others. The audit records should provide enough information to allow evidence to be identified, located and independently verified by another auditor. Evidence of a system being in operation for at least three months is required to verify conformance to an audit criterion.
Observation	A system deficiency of a minor nature that, in the auditor's opinion, does not warrant the issue of a non-conformance report.
OHS management system	That part of the overall management system which includes organisation structure, planning activities, responsibilities, practices, procedures, processes, and resources for developing, implementing, achieving, reviewing and maintaining the health and safety policy, and so managing the health and safety risks associated with the business of the organisation.
Organisation	Company, corporation, firm, enterprise or institution, or other legal entity or part thereof, whether incorporated or not, public or private, that has its own function(s) and administration.
Personnel	A body of persons employed in an organisation or place of work.
Procedure	A document in text or graphic format that describes the reason, scope, steps to be followed and responsibilities for a component of the health and safety management system. It may also include definitions and reference to other documents. It must be implemented effectively.
Process	A set of inter-related resources and activities that transform inputs into outputs.
Record	Document that furnishes objective evidence of activities performed or results achieved.
Resources	Resources include financial (e.g. money and time), physical (e.g. equipment, reference library) and human resources (e.g. health and safety coordinator, health and safety representative, health and safety consultant).
Risk	The combination of the frequency, or probability of occurrence, and consequence of a specified hazardous event.

Risk assessment	The overall process of estimating the magnitude of risk and deciding whether the risk is tolerable.
Senior management	May consist of an individual, or a group of individuals, with executive responsibility for the organisation.
Site	Geographically defined location of workplace. or Otherwise defined 'auditable unit' where the audited organisation's business operations are not best defined by geographic location.
Verification	Confirmation by examination and provision of objective evidence that the specified requirements of the audit criteria have been met.

**Definitions are consistent with those used in the National Self-insurer OHS Management System Audit Tool (version 3)*

Workplace audited	Northern Grampians			
Date of audit (on-site)	28 October to 1st November 2019			
Date commencement of RA	20-Dec-19			
Name of Auditor	Ross Williams and Shaun Ryan			
Percentage of Conformance	52%			
NAT Criteria	Deficiency	Remedial Action	Effectiveness Measurement	Date closed
3.2.4	When the organisation uses contractors the health and safety responsibilities and accountabilities of both the organisation and the contractor(s) have not been clearly defined, allocated and communicated within the organisation, the contractor(s) and their workers.	Council OHS Contractor Induction Handbook to be updated and schedule developed for distribution.	Contractor OHS inductions will form part of internal audit process.	2/5/2020
3.9.3	No evidence of a procedure for training in risk assessment, hazard identification and risk control process for personnel could be produced at the time of the audit. Interviewed staff from the Health and Safety team, HSR's, Civil Works and Parks and Gardens confirming that no training has been delivered to satisfy this criterion.	Training on councils OHS risk management procedure be developed and delivered to the OHS committee, civil works, parks and gardens teams.	OHS risk management procedure training be incorporated into TNA.	2/26/2020
3.10.3	The organisation could not confirm that the ability to meet health and safety requirements is assessed in the selection of contractors and labour hire employees. Sighted contractor documents that showed the council's basic requirements in relation to Safe Work Method Statement (SWMS) and incident reporting forms were not met.	Contractor OHS assessment process be developed to ensure submitted OHSMS documentation meets the Council requirements. This process will be reflected in OHS contractor management procedure.	Contractor OHS assessment will form part of internal audit process.	4/15/2020
3.10.4	The organisation had not monitored the performance of the contractors health and safety performance and reviewed to ensure continued adherence to the organisation's health and safety requirements or specifications. Minutes of contract reviews are not consistent, that performance checks of contractors is not consistent and that audits of contractor safety performance is not done as per procedural requirements.	Contractor performance monitoring template be developed in consultation with contract managers. This process will be reflected in OHS contractor management procedure.	All contract managers will have access to Contractor performance monitoring template.	4/15/2020
3.10.4		Contractor performance monitoring improvement project to form part of OHSMP objectives and targets.	OHSMS monthly performance report with OHSMP progress update section will be tabled at ELT and OHS committee meetings.	2/20/2020

Workplace audited	Northern Grampians			
Date of audit (on-site)	28 October to 1st November 2019			
Date commencement of RA	20-Dec-19			
Name of Auditor	Ross Williams and Shaun Ryan			
Percentage of Conformance	52%			
NAT Criteria	Deficiency	Remedial Action	Effectiveness Measurement	Date closed
3.10.15	<p>The NGSC OHS Protective Equipment Procedure, April 2000 is out of date.</p> <p>*The procedure refers to the OHS Act 1985.</p> <p>*There are no current risk assessments of tasks that reflect PPE requirements.</p> <p>*Employees have an adhoc approach to the wearing of correct PPE. Staff have been observed to be wearing denim jeans, worn safety boots and Apple AirPlay ear buds when operating noisy equipment in place of correct PPE</p> <p>*PPE available within the SAAC plant room for the delivery of bulk chemicals was stored incorrectly, not cleaned properly and was missing some componentry to be effective</p>	PPE procedure be reviewed and updated.	Implementation of PPE procedure will form part of internal audit process.	3/17/2020
3.10.15		Small SWMS template be updated to include statement "PPE required for tasks must be noted"	Implementation of PPE procedure will form part of internal audit process.	1/29/2020
3.10.15		PPE storage location within SSAC plant room be more clearly defined. PPE cleaned and defective PPE be disposed of and replaced.	Workplace inspection program will involve PPE storage auditing.	2/5/2020
3.10.21	<p>No procedure for the transportation, handling and storage of materials could be produced. St. Arnaud Depot</p> <p>*No Traffic Management Plan,</p> <p>*No record of pallet racking inspections in the Parks/Gardens area,</p> <p>*Use of incorrect pallets within the racking,</p> <p>*Mobile Davit crane in the workshop is not on a lifting register and had not been tested,</p> <p>*Trolley jacks in the workshop are not on a lifting register and had not been tested.</p> <p>Stawell Depot</p> <p>*Truck mounted Davit crane not on a lifting register and had not been tested.</p> <p>SAAC</p> <p>*The aquatic disability lift is not on a lifting register and has not been tested. The harness system of the lift is badly affected by chlorine and needs to be replaced.</p> <p>*A lifting harness for people with a disability stored within the plant room was out of test date and needed to be recertified</p>	Procedure for the transportation, handling and storage of materials be developed and adopted.	Procedures will be reviewed when expired.	4/15/2020

Workplace audited	Northern Grampians
Date of audit (on-site)	28 October to 1st November 2019
Date commencement of RA	20-Dec-19
Name of Auditor	Ross Williams and Shaun Ryan
Percentage of Conformance	52%

NAT Criteria	Deficiency	Remedial Action	Effectiveness Measurement	Date closed
3.10.21		Traffic management plan developed for St Arnaud Depot and pallets stored correctly within racking.	Depot TMP to be reviewed annually, workplace inspection program will involve storage auditing.	2/27/2020
3.10.21		All lifting devices/storage equipment requiring testing to be placed on elumina asset register to ensure testing occurs (alert notifications generated).	Outstanding elumina alerts will be monitored by OHS team.	2/10/2020
3.10.21		All outstanding items requiring testing be tagged out until testing occurs.	Outstanding elumina alerts will be monitored by OHS team.	2/10/2020
4.1.1	No procedure for regular health & safety inspections, testing and monitoring that incorporates timely and effective corrective action processes could be produced at the time of the audit. Interviewed employees onsite that has confirmed that regular inspections do not take place Areas of concern are: <ul style="list-style-type: none"> • St. Arnaud Depot • Stawell Civic Centre • Stawell Works Depot • Stawell Leisure Complex • No lifting register for all sites • No plant register for all sites • No plant guarding register for all sites • Unknown quantities of chemicals at both the St. Arnaud and Stawell works depots • No boiler registers for the SAAC Complex. 	OHS Workplace Inspection procedure be reviewed and updated.	Procedure will be reviewed when expired.	3/12/2020
4.1.1		OHS Workplace Inspection schedule be developed, reviewed and approved by ELT and OHS committee.	OHS Workplace Inspection schedule be reviewed annually.	3/12/2020
4.1.1		OHSMP to include objective and target relating to Workplace Inspection Program.	OHSMS monthly performance report with OHSMP progress update section will be tabled at ELT and OHS committee meetings.	2/20/2020
4.1.2	No procedure for regular health & safety inspections involving employees required to undertake the tasks being inspected, could be produced at the time of the audit.	OHS Workplace Inspection procedure be reviewed and updated.	Procedure will be reviewed when expired.	3/12/2020

Workplace audited	Northern Grampians			
Date of audit (on-site)	28 October to 1st November 2019			
Date commencement of RA	20-Dec-19			
Name of Auditor	Ross Williams and Shaun Ryan			
Percentage of Conformance	52%			
NAT Criteria	Deficiency	Remedial Action	Effectiveness Measurement	Date closed
2.2.2	Specific health and safety objectives and measurable targets had not been assigned to all relevant functions and levels within the organisation. Reviewed key organisational position descriptions and health and safety strategy targets were unable to be demonstrated.	OHSMP with objectives and targets be adopted by ELT.	OHSMP objectives and targets will be reviewed annually as per OHS planning procedure.	2/20/2020
2.2.2		ELT position descriptions to be updated to include achieving OHSMP objectives and targets.	ELT position descriptions will always contain achieving OHSMP objectives and targets.	4/22/2020
2.3.1	Failed to determine by which means it will achieve its objectives and targets, its OHS management plan for legal compliance, analysis of information relevant to the organisation activities, identified hazards OHSMS failures, aims to eliminate workplace injuries, responsibilities to achieve its objectives and targets, timeframes and how the plan will be monitored.	OHS planning procedure be reviewed by ELT and OHS committee.	OHS planning procedure will be reviewed when expired.	4/30/2020
2.3.1		OHSMS monthly performance report to include OHSMP progress update.	OHSMS monthly performance report will be tabled at ELT and OHS committee meetings,	5/5/2020
2.3.2	Organisation does not monitor its progress towards meeting the objectives and targets set out in a health and safety management plan and takes corrective actions to ensure progress is maintained.	OHSMS monthly performance report to include OHSMP progress update, along with opportunities for continuous improvement recommendations made by People and Culture Manager to ensure progress is maintained and corrective actions taken if required.	OHSMS monthly performance report will be tabled at ELT and OHS committee meetings.	5/5/2020
3.3.2	At the time of the audit no procedure detailing how the organisation will consult with employees to identify their training needs in relation to performing their work activities safely could be produced.	OHS training procedure be reviewed by ELT and OHS committee.	OHS training procedure will be reviewed when expired.	4/30/2020
3.3.2		OHSMP to include objective and target relating to TNA development.	OHSMS monthly performance report with OHSMP progress update section will be tabled at ELT and OHS committee meetings.	2/20/2020
3.10.13	NGSC Chemical Management Procedure, October 2018 had not been fully implemented. Areas requiring attention are: St Arnaud Depot, Spray Bar cleaning area - unbanded drums, Mechanic Workshop - unbanded drums. Stawell Depot, Works yard - unbanded drums.	All areas requiring bunding will be identified.	Workplace inspection program will involve chemical storage auditing.	2/27/2020
3.10.22	The organisation was inconsistent in ensuring workers are adequately supervised according to their capabilities and the degree of risk of the task they are undertaking, to ensure that tasks are performed safely and work instructions and procedures are followed.	Review and update OHS responsibilities procedure.	Procedure will be reviewed when expired.	4/30/2020

Workplace audited	Northern Grampians			
Date of audit (on-site)	28 October to 1st November 2019			
Date commencement of RA	20-Dec-19			
Name of Auditor	Ross Williams and Shaun Ryan			
Percentage of Conformance	52%			
NAT Criteria	Deficiency	Remedial Action	Effectiveness Measurement	Date closed
		Site safety inspection KPIs developed for works department supervisors.	Agreed upon KPI's will be monitored through Councils performance review process.	4/23/2020
3.11.1	The OHS Emergency Management Plan Stawell Town Hall & Entertainment Centre, 2011 - had not been fully implemented and regularly reviewed. The auditors note that the current procedure is out of date and that a new procedure has just been written, however it does not meet the National Audit Tool requirement of 3 or more months of operation. The St. Arnaud Depot Emergency Eye Wash / Deluge station was unserviceable due to a lack of water supply and pressure.	St. Arnaud Depot Emergency Eye Wash / Deluge station water pressure be improved to meet Aus Standards.	Workplace inspection program will involve Emergency Eye Wash / Deluge Station testing.	4/15/2020
3.11.1		Update and adopt new OHS Emergency Management Plan Stawell Town Hall & Entertainment Centre.	Emergency management plans will form part of the internal audit process.	4/6/2020
4.1.3	No procedure for ensuring that engineering controls including safety devices are regularly inspected and tested to ensure their integrity could be produced. Areas of concern for all sites include; <ul style="list-style-type: none"> • No contract to test and inspect electrical safety devices (electrical leads, small appliances tools, e-stops & RCD's) • No contract to test lifting equipment • No contract to service Emergency Eye Wash / Showers • No plant guarding register. 	Review and confirm list of current contractors engaged who conduct electrical test and tag, lifting equipment testing and emergency eye wash station/shower testing.	Workplace inspection program will involve testing auditing, outstanding elumina alerts will be monitored by OHS team.	3/12/2020
4.1.3		Plant guarding register developed.	Workplace inspection program will involve plant guarding auditing.	2/24/2020
2.1.5	Failed to generate a review of procedures when changes to the Victorian OHS Regulations 2017 legislation occurred.	OHSMS monthly performance report to have legislative updates section.	OHSMS monthly performance report will be tabled at ELT and OHS committee meetings.	5/5/2020
2.1.5		Legislation register will be placed on people hub.	Legislation register updated when changes are made to legislation, standards, codes of practice, agreements.	6/18/2020
3.3.5	Induction checklists for employees had been completed electronically but not printed and signed by the employee or supervisor conducting the induction.	ElementOrg electronic induction form sign off implemented.	Employee induction will form part of internal audit process.	6/15/2020

Workplace audited	Northern Grampians			
Date of audit (on-site)	28 October to 1st November 2019			
Date commencement of RA	20-Dec-19			
Name of Auditor	Ross Williams and Shaun Ryan			
Percentage of Conformance	52%			
NAT Criteria	Deficiency	Remedial Action	Effectiveness Measurement	Date closed
3.5.1	The organisation has failed to consider how health and safety information is communicated to workers in relation to language and literacy requirements.	OHS Document Control Procedure, OHS Consultation, Communication and Issue Resolution Procedure and OHS Committee Procedure be reviewed by ELT and OHS committee and updated to reference how information should be communicated to workers that considering the individual's language and literacy requirements.	Procedures will be reviewed when expired.	5/21/2020
3.10.12	OHS Chemical Management Procedure Civic Centre, October 2018 had not been fully implemented. Sighted Civic Centre Safety Data Sheet (SDS) manual which correctly listed all stored chemicals, however some were out of date (greater than 5 years old). St. Arnaud Depot had multiple storage areas without SDS readily available (Spray Bar cleaning area, Mechanic Workshop, ULP/two stroke fuel dispensing area) Stawell Depot did not have hard copies of SDS on hand where chemicals are stored. SDS are however kept on computer terminals which are not located near to chemical stores.	Current task allocation process for works department requires the relevant SDS to be provided by supervisor before task is undertaken. Materials that fall outside the scope of this process will have hard copy SDS provided at storage/handling site.	Workplace inspection program will involve SDS auditing.	5/21/2020
3.11.2	OHS Emergency Management Plan Stawell Town Hall & Entertainment Centre, 2011 does not contain the current list of Fire Wardens and First Aid personnel	Update OHS Emergency Management Plan Stawell Town Hall & Entertainment Centre contains list of current fire wardens and first aid personnel.	Emergency management plans will form part of the internal audit process.	4/6/2020
4.5.1	The organisation has no health and safety management system audit program to verify the effectiveness of the organisation's health and safety management system and takes into consideration health and safety risks and the results of previous audits.	OHS internal audit procedure reviewed and updated.	Procedure will be reviewed when expired.	6/23/2020
4.5.2	The organisation has no process to ensure that scheduled audits are performed to verify that; workplace activities comply with health and safety procedures, that procedures are properly implemented and maintained, that procedures are effectively implemented across the organisation.	OHS internal audit schedule developed.	OHS internal audit schedule will be reviewed as per procedure.	6/30/2020
4.5.3	The organisation has no process to ensure that deficiencies highlighted by the audits are prioritised and progress monitored to ensure corrective action is implemented.	Results of OHS internal audit program and subsequent actions will be captured in elumina and reported through OHSMS monthly performance reporting framework.	OHSMS monthly performance reporting framework.	6/23/2020

Workplace audited	Northern Grampians			
Date of audit (on-site)	28 October to 1st November 2019			
Date commencement of RA	20-Dec-19			
Name of Auditor	Ross Williams and Shaun Ryan			
Percentage of Conformance	52%			
NAT Criteria	Deficiency	Remedial Action	Effectiveness Measurement	Date closed
5.1.1	The organisation has no process to show that the health and safety management system is reviewed for the continuing suitability and effectiveness of the system. No documented procedure or process was able to be shown for these criteria in relation to senior management and officer involvement, and takes into account the health and safety management system audit results, its objectives, targets and performance indicators, changing circumstances and any opportunities for continuous improvements.	OHS management review procedure be reviewed and updated. OHSMS monthly performance reporting framework be developed.	OHSMS monthly performance report will be an ongoing ELT and OHS committee meeting item.	6/23/2020

5.2 Local Government Act 2020 - Schedule of Works

Mr Malcolm Lewis to present an update on the Schedule of Works - *Local Government Act 2020*.

Outcome

Malcolm presented on the Schedule of Works for the new LG Act 2020 and it was noted that there are 4 key stages to consider. The main point for consideration by the committee was in relation to the adoption of the Audit and Risk Committee Charter that has since been adopted by Council. Peter Knights noted the item and thanked Malcolm for the updates.

5.3 Risk Committee

Mr Vaughan Williams to present an overview and frequency of the Risk Committee.

Outcome

Vaughan provided an overview and framework of the risk committee with the function being to monitor the risk for the Council. Meetings are held quarterly in February, May, August and November of each year and detailed within the terms of reference for the group.

Lynn questioned whether the risk register should come via the Audit and Risk Committee and it was noted that the process is currently being implemented to allow this to happen. Vaughan said that there should be no reason that a snapshot / heat map of the high level risks could not be presented to the committee.

Action: Vaughan Williams to present the snapshot / heat map from the risk register to the December 2020 Audit & Risk Committee meeting.

Attachments

1. Risk Committee TOR [5.3.1 - 3 pages]



Risk Committee

Terms of reference and meeting frequency

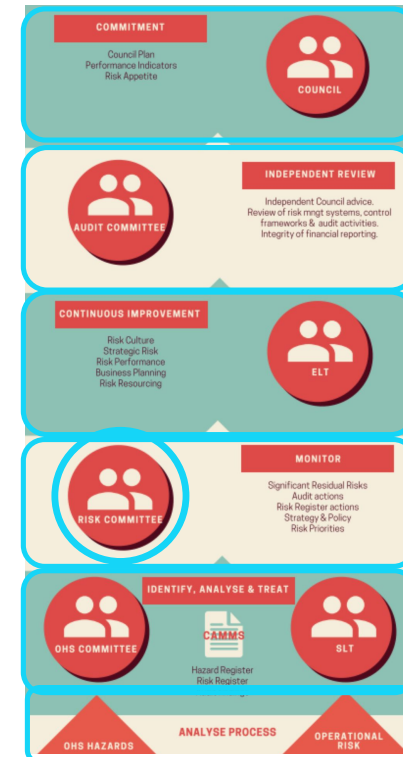
Risk Committee



The Risk Committee is part of the risk management Framework

Its primary function is to monitor

- Significant residual risks
- Audit actions
- Risk register actions
- Strategy and policy
- Risk priorities



Terms of Reference



- The terms of reference details the
 - Purpose
 - Monitor risks
 - Membership
 - Executive Leadership Team
 - Managers of Governance, Finance, People and Culture
 - Risk Management Officer
 - Responsibilities
 - Implement and review the risk framework
 - Review risk policies and procedures
 - Consider risks regarding major projects
 - Monitor and report on compliance with audit plans
 - Monitor risk register for accuracy
 - Review implementation of audit recommendations
 - Monitor business continuity plans
 - Monitor risk culture, reporting and training
 - Provide input to the Audit and Risk Committee
 - Monitor and Report to ELT
- Meetings held quarterly - (Prior to Audit and Risk Committee meetings)
 - February, May, August, November



5.4 COVID-19 Policy

As part of the matters arising, Cr Kevin Erwin asked if Council needed to have a COVID-19 policy due to the current pandemic. Confirmation was received by Ms Liana Thompson that we do and this has now been adopted by Council.

Action: No further action required and item noted.

6 General Business

6.1 Asset Management Framework

Ms Jay Petty and Mr Jonathan Chinomona will provide an update on Asset Management.

Outcome

Mr Jonathan Chinomona and Ms Jay Petty joined the meeting and gave an overview of the Asset Management Framework to the committee. The links between asset management and financial management were noted together with the regulatory standards and legislation that are required to feed into this area.

Peter Knights thanked them for the presentation and noted the draft policies and strategy.

Attachments

1. DRAFT Asset Management Policy [6.1.1 - 5 pages]
2. DRAFT Sustainable Asset Management Strategy [6.1.2 - 20 pages]
3. Accounting for Assets Policy [6.1.3 - 7 pages]

Sustainable Asset Management Policy



September, 2020







Northern Grampians Shire Council
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Sustainable Asset Management Policy

Responsible Director
Responsible Officer
Functional Area

Director Infrastructure
 Manager Infrastructure
 Infrastructure

Purpose

The purpose of this Sustainable Asset Management Policy is to set the broad framework for undertaking asset management in a structured and coordinated way within Council. The Policy sets the structure for the preparation of the Sustainable Asset Management Strategy and Service Asset Management Plans, it is applicable to all Council owned and operated assets.

Background

Under the Local Government Act 2020 section 92, Council must develop, adopt and keep in force an Asset Plan in accordance with its Community Engagement Policy. The Asset Plan should at least cover a period of ten years.

Over the years Council has completed some significant work to align the asset management planning process with the rest of corporate planning and financial planning process. The outcome of this work is as represented in figure 1 below.

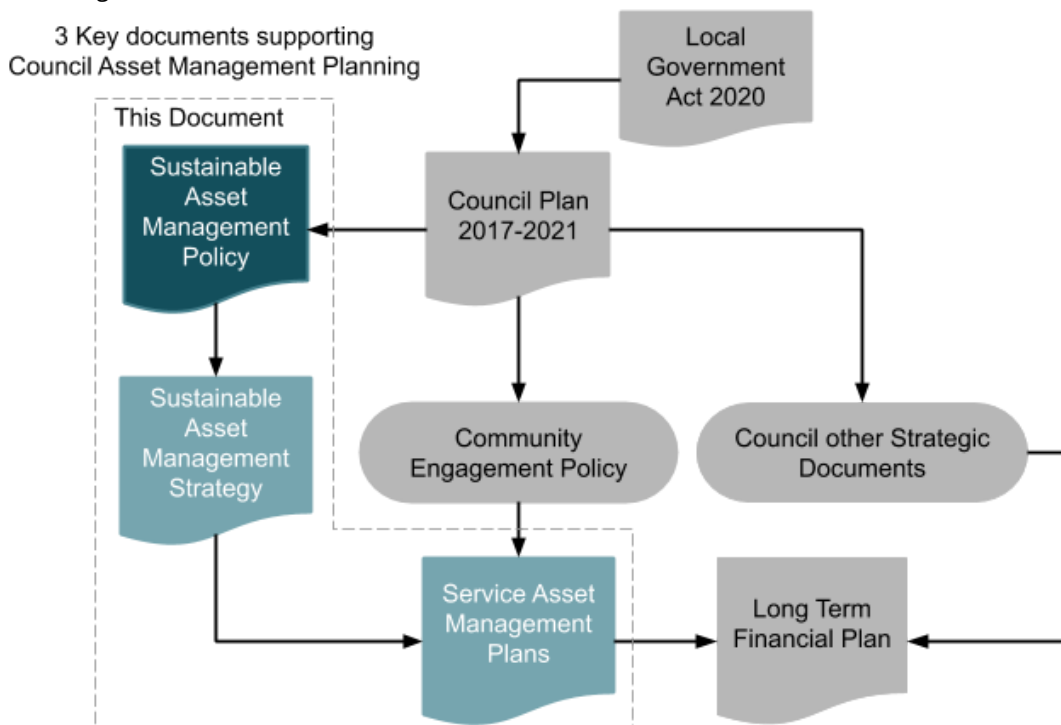


Figure 1 - Link between Council Asset Management Planning documents and Council other Strategic documents.

This alignment ensures that the planning, creation, operation, maintenance, renewal and disposal of assets is in line with Council's priorities for service delivery, asset functionality, life cycle economy and risk management.

Policy

In order to achieve the objectives of "Council Plan 2017-2021", particularly "Provision of Sustainable Infrastructure", the following principles are set:

- **Sustainable Asset Management Strategy** - A Sustainable Asset Management Strategy must be developed to support the implementation of this policy.
- **Service Asset Management Plans** - Service Asset Management Plans must be developed for all major asset portfolios in accordance with Council deliberative engagement practices.
- **Review of Asset Management System documents** - Sustainable Asset Management Policy and Sustainable Asset Management Strategy must be reviewed and updated every four years or at every Council cycle. Service Asset Management Plans must be reviewed and updated annually.
- **Compliance with Regulatory Standards & Legislation** - All relevant legislative and Statutory requirements (environmental, economic, political and social) must be complied with.
- **Understanding Customer needs and expectations** - Customers' needs must be understood and used to drive organisation's objectives and levels of service. A balance between level of service and customers willingness to pay for the service must be established.
- **Life cycle cost consideration** - Life cycle cost must be considered in all new assets and upgrades decisions.
- **Renewal of critical assets** - Identified Asset renewals in Service Asset Management Plans required for maintaining agreed level of service must be prioritised in annual funding and delivery of work programs.
- **Risk Management** - When prioritising asset works and allocating funds, the risks and consequences of actions and inactions must be considered.
- **Demand Management** - Demand drivers must be monitored to plan for future asset requirements,
- **Single source of truth for asset data** - Assetic Cloud (council's asset management information system) must be implemented as the single source of truth for all asset data.

Council Plan Objectives/Strategy

The 2017-21 Council Plan objectives relevant to this policy are;

Provide Sustainable Infrastructure

- Enhance the natural & built environment to improve lifestyle and visitation

Legislation and Standards

Council is committed to maximising return on investment in its physical assets while ensuring that all asset management activities are carried out in a safe and environmentally sustainable manner and within the limits of all legislative and regulatory requirements including but not limited to;

- Local Government Act 2020
- Road Management Act 2004
- ISO55000 series

Responsibilities

Council is responsible for setting corporate AM policy, strategy and approval of AM Plans.

Director Infrastructure is responsible for implementing approved AM Policy, Strategy and Plans.

Asset Management Steering Committee (AMSC) is responsible for developing and establishing AM Strategy and Asset Management Plans for individual asset groups using principles of lifecycle analysis.

Manager Infrastructure is responsible for coordinating collection of inventory and condition data for all infrastructure assets and buildings.

Stakeholders

This policy applies to Councillors, staff, consultants responsible for undertaking asset management planning on behalf of Northern Grampians Shire Council. The community is directly affected by this policy as asset management underpins the development and maintenance of infrastructure which enables the delivery of programs, services and activities.

Review

The policy will be reviewed by the Asset Steering Committee every four years to align with the Council term to ensure it remains current with the Council's goals, processes, aims and requirements and as a means by which to reduce Council's exposure to risk. Triggers for an earlier assessment include legislative changes and introduction of new systems or procedures.

Communication and implementation

The approved Asset Management Policy document will be retained in eDRMS and communication to relevant internal and external stakeholders will be via the following mechanism:

- Northern Grampians Shire Council's website
- Council induction and in-house training
- Asset Management Framework web portal

All Council employees involved in the Asset Management System will be involved in a continuous professional development to ensure that their competencies and skills required for the achievement of the Asset Management deliverables are current.

References

Council Plan 2017-2021
International Infrastructure Management Manual (IIMM)
ISO55000 series

Privacy and Data Protection compliance

This Policy is inline with the *Privacy and Data Protection Act 2014* and the *Victorian Protective Data Security (VPDSS) Framework* which adopts a risk-based approach to protective data security.

Gender Equality Act 2020

This Policy is inline with the relevant gender equality principles, workplace gender equality of rights, opportunities, responsibilities and outcomes.

Charter of Human Rights compliance

It is considered that this policy does not impact on any human rights identified in the *Charter of Human Rights & Responsibilities Act 2006*.

Definitions

Term	Meaning
Infrastructure Asset	A physical component of a facility which has value, enables services to provide and has an economic life of greater than 12 months.
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 Management System	A set of people, processes, tools and other resources involved in the delivery of Asset Management.
Policy	A statement of an organisation's attitude and preference of direction.
Council	Northern Grampians Shire Council.

Review history

Date	Review details	Action
2003	Corporate Asset Management Policy	Adopted by Council
27 Sep 2007	Asset Management Policy	Reviewed & adopted by Council

Asset Management Policy

28 Oct 2010	Sustainable Asset Management Policy	Reviewed & adopted by Council
02 Oct 2017	Sustainable Asset Management Policy	Reviewed by Council Officers
September 2020		

Draft Sustainable Asset Management Strategy

Version 3.00

September 2020



Schedule of Changes & Amendments

Version	Date	Changes/Amendment
V1.00	02/2011	Endorsed by Council at its meeting 24 February 2011
V2.00	10/2017	Draft prepared during 2017 by Council officers
V3.00	09/2020	Draft prepared during 2020 by Council officers

- NB: 1. Primary number changes to Versions (eg V1.00 to V2.00) will be made when the document undergoes its regular review and when significant changes are made to standards and guidelines for inspections, intervention levels or work
2. Secondary number changes (V1.00 to V1.01) will apply to minor amendments that do not materially impact the document and are intended only to clarify or update issues.

Sustainable Asset Management Strategy

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1. Introduction

This Sustainable Asset Management Strategy has been developed to show how Northern Grampians Shire Council (NGSC) infrastructure asset portfolio will be able to deliver quality sustainable infrastructure services to meet the needs of residents, businesses and visitors, in the short, medium and long-term.

The document supports the implementation of the Sustainable Asset Management Policy which takes the objectives of "Council Plan 2017-2021" and develops Asset Management principles which helps Council to realise its organisational objectives.

Once the Sustainable Asset Management Strategy has been approved by Council, it will replace the 2011 Council adopted version and set the framework for developing Service Asset Management Plans for each asset portfolio. Under the Local Government Act 2020 section 92, it is a requirement for Council to develop, adopt and maintain Asset Plan in accordance with the Community Engagement Policy. The financial summaries in the Service Asset Management Plans are to be linked to the Long Term Financial Plan (LTFP).

2. Asset Management System Scope

Council's Asset Management System is centred on providing service to customers. The Asset Management System is informed by both external and internal business drivers as illustrated in figure 1 below. Key external business drivers informing the Asset Management System include customer requirements, Local Government Act 2020, regulatory standards and legislation, commercial and economic environment. Internal drivers influencing the Asset Management System include Council vision, goals, policies, financial constraints and risk appetite. This alignment between Council objectives and actions, and asset management activities on the ground is crucial for Council to be able to achieve its targets.

Council Asset Management System has a clear and consistent hierarchy of documents as illustrated in figure 1 below. The three key documents are :

- Sustainable Asset Management Policy - *State the principles and intentions of Council with regard to asset management.*
- Sustainable Asset Management Strategy (this document) - *Long-term plan adopted to deliver Asset Management Policy, and*
- Service Asset Management Plans - *Applicable to all asset categories within the jurisdiction of Council. The Asset Management Plans identify services standards and contain long-term*

projections on asset maintenance, renewal and upgrade cost, which is linked to Long Term Financial Plan.

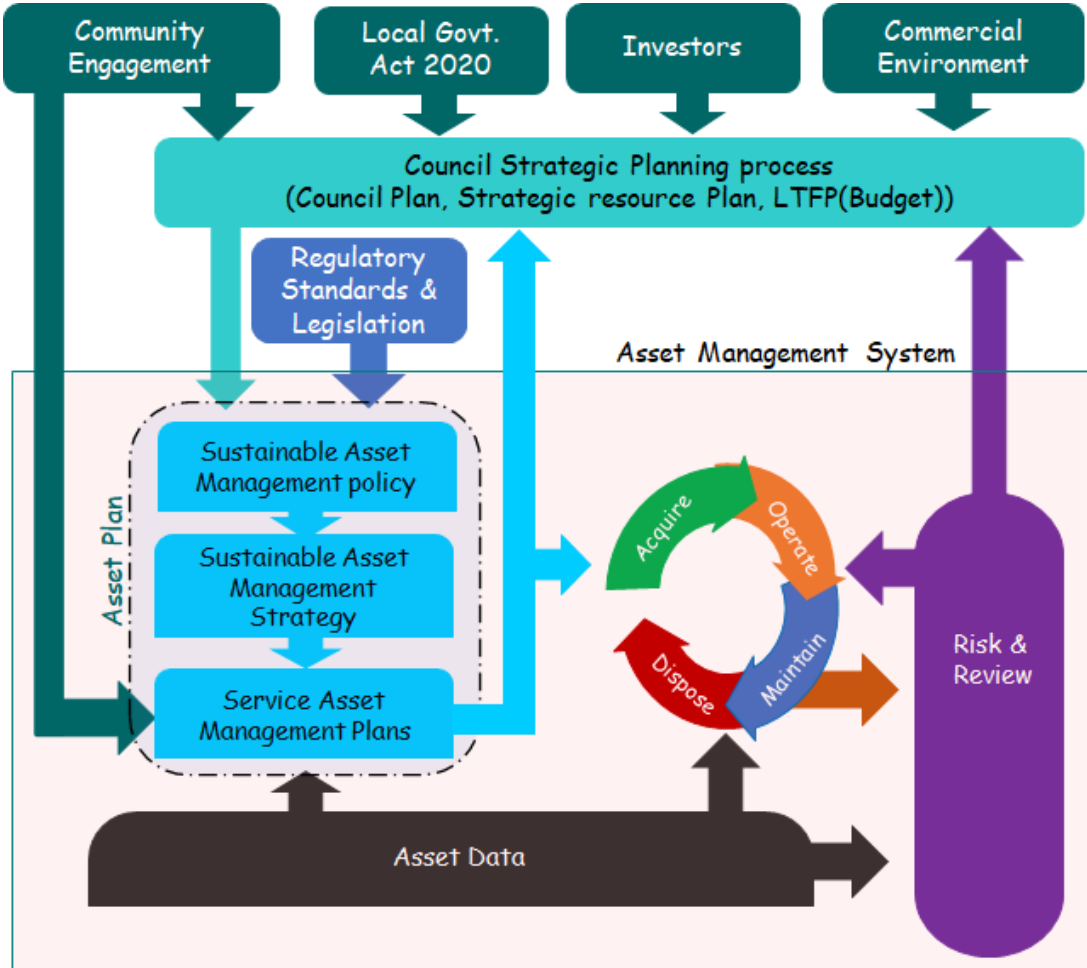


Figure 1: Northern Grampians Shire Council Asset Management System outline

These three Asset Management System documents:

- Link Council strategic objectives with the asset management objectives required to deliver them,
- Link Council strategic objectives with the level of service that the assets should deliver, and
- Guides asset management priorities, the work required on the assets to achieve the objectives, and the finances needed to support that work.

2.1 Our Strategic Assets

Council is responsible for managing a wide range of infrastructure assets. An indicative list is provided in Table 1 below. These assets represent a major investment built up over many generations and the majority of these assets are in need of renewal and/or upgrade. The combined replacement value of these assets is \$517m as of 2019/2020 financial statements.

Table 1 - Council asset summary for providing services

Asset Category	Quantity	Unit
Sealed Roads	738	km
Unsealed Roads	2203	km
Formed Roads & Tracks	540	km
Footpath	102	km
Kerb & Channel	145	km
Drainage Pits	2296	No.
Drainage Pipes	59	km
Car Parks	16956	sqm
Bridge & Major Culverts	543	No.
Building	170	No.
Parks and Gardens		sqm

The social, economic and environmental well-being of Northern Grampians Shire residents, businesses and visitors depends on the strategic management of these assets. The treatment of each asset category is discussed separately in the Service Asset Management Plans.

3. Management Of Our Assets

At present Council is unable to fully fund asset renewal requirements but will endeavour to provide a sufficient level of annual funding to meet ongoing renewal needs. This has resulted in some deferrals on asset renewal work, increasing the level of backlog. Backlog is the renewal works that Council has not been able to fund over the past years and is equivalent to asset renewal gap.

3.1 Service Level and Asset Performance

The Level of Service is the defined service quality for a particular activity or service area against which service performance can be measured. It provides the basis for the life cycle management strategies and works programmes within Asset Management Plans. Currently Council is working on assumed Customer Levels of Service, which has not yet been tested with the community. Some community consultation work, in the form of customer satisfaction surveys, will be carried out at the time of Service Asset Management Plans review, in order to verify the assumed levels of service. These consultations will be based on the community's expectations for quality of service and their willingness to pay.

Currently Council uses only one grading criteria, which is "asset physical condition grading". This will be changed to a three grading criteria based on NAMS.PLUS2 guidelines, to establish Level of Services, and these are:

- Asset physical condition grading,
- Asset functionality grading, and
- Asset capacity (utilisation) grading.

3.1.1 Asset Condition (Quality) Grading

Quality is defined as the overall condition of the asset required to meet the intended level of service. Council has a standard condition grading system as detailed in Table 2 shown below.

Table 2: Condition Grading

Grade	Condition Description
Very Good	Only planned maintenance is required
Good	Minor maintenance and planned maintenance is required.
Fair	Significant maintenance is required
Poor	Significant renewal is required
Very Poor	Beyond rehabilitation

3.1.2 Asset Functionality Grading

Function is defined as the overall ability of the asset to meet the delivery needs. This standard grading system is detailed in Table 3 shown below.

Table 3: *Function Grading*

Grade	Function Description
Good	Meets service delivery needs in acceptable manner
Fair	Meets most of service delivery needs and some inefficiencies and ineffectiveness present.
Poor	Does not meet service delivery needs.

3.1.3 Asset Capacity (utilisation) Grading

Capacity (Utilisation) is defined as the overall ability of the asset to meet the service. The standard grading system is as detailed in Table 4 shown below.

Table 4: *Capacity Grading*

Grade	Usage Description
Good	Usage is within design capacity and occasional or no operational problems experienced.
Fair	Usage is approaching design capacity and/or operational problems occur frequently.
Poor	Usage exceeds or is well below design capacity and/or significant operational problems are evident.

3.2 Budgetary Framework

The current annual budgetary framework has four funding areas as per Table 5 below. The capital commitment is to fund the ongoing asset renewal and upgrades requirements to ensure longevity of Council assets.

Table 5: Asset Management Budget Process

Recurrent/ Operational Budget	Capital Works Budget		Capital Works Budget (Consequential Recurrent)
Reactive and Proactive Maintenance	Renewal	Upgrade & New	Upgrade & New
Building	Resheeting Program	Streetscapes	Final Sealing Program
Parks & Gardens	Resealing Program	Urban Road Improvement Program	
Roads	Road Rehabilitation Program	Rural & Residential Program	
Bridges	Bridges Renewal Program	Town Street Sealing Program	
Drainage	Major Culvert Renewal Program	Footpath Program	
Footpath	Drop Structures & Floodway	Major Rural Roads Program	
Kerb & Channel		Kerb & Channel Program	
		Drainage Program	
		Transport Development	
		Buildings	
		Open Spaces	
Non-Discretionary	Non-Discretionary	Discretionary	Non-Discretionary

It is essential that when Council considers its discretionary capital expenditures for new and upgrade assets that it also considers the consequential imposition of recurring operational and maintenance costs that will occur once the new or upgraded asset becomes operational. The consequential cost is ‘non-discretionary’ as it will be incurred if the new asset is provided.

As new and upgrade projects are brought forward for consideration with the annual budget, they will also have an assessment of whole of life costs presented to Council as part of the overall project cost projections.

3.3 Asset Evaluation

Life cycle asset management evaluation requires an asset to be replaced or refurbished when it reaches the end of its useful life and has effectively become economically unserviceable. This is

when it no longer meets the standards or level of service that it was originally built to meet.

Evaluation of the renewal to an asset should also include:

- Need for the asset (short term / long term);
- Legislative requirements;
- Opportunity for rationalisation;
- Future liability of retention;
- Opportunity for multiple use; and
- Improved efficiency.

3.4 Acquisition of new assets & acceptance standards

Council can acquire new assets by the following means:

- Existing assets handed over, or taken over from other statutory agencies or community group with or without ongoing funding support;
- Purchase of existing assets from a private sector by Council to fulfil a Council provided service;
- Creation or purchase of new assets by way of Council's own works program; and
- Handing over of new assets created by a developer in a new subdivisions that once accepted by Council will have ongoing maintenance & renewal responsibilities.

New assets place an ongoing asset management responsibility on Council and Council ensure that standards of those new assets are acceptable. These standards will either be consistent with Council's basic standards that minimise ongoing financial commitment or be higher than normal and impose additional financial demands.

3.5 Disposal of Assets

Consideration of disposal of assets is initiated when the economic life of the asset has expired, when its service specification is no longer relevant or when the need for the service provided by the asset has disappeared.

Decisions to dispose of an asset require thorough examination and economic and social appraisal. Like acquisition decisions, they need to be taken within the integrated planning framework that takes into account service delivery needs, corporate objectives, financial and budgetary constraints and Council's overall resource allocation objectives.

4. Strategic Challenges

Northern Grampians Shire Council is facing some critical challenges to its sustainability in the long term and this has triggered Council to initiate some work to align asset management planning with Long Term Financial Planning. Some of these challenges require immediate attention and some a planned approach over time and these present threats and opportunities to the level of service and the assets providing the service. The critical challenges are as shown in table 6 below.

Table 6: *Strategic Challenges*

No.	Strategic Challenge
1	<p>Long Term Financial sustainability - <i>Long term funding strategy for reasonable service levels into the future.</i></p> <p>Current funding level is inadequate to maintain the current level of service over the next ten years. The cost of providing services at the current level of service is increasing faster than revenue, particularly rate increases.</p>
2	<p>Ageing Infrastructure - <i>Management of ageing infrastructure in need of renewal and replacement.</i></p> <p>The funding gap over the past years has led to some deferrals on asset renewal and this has increased the risks associated with providing services and also assets awaiting renewal and upgrade.</p>
3	<p>Documented Level of service - <i>Transition to a community engagement process to shape the Level of Service.</i></p> <p>Currently Council is working on an assumed customer Level of Services which have not been tested with the community. Both the Technical and Customer Level of Service need to be documented so that Council can estimate the cost in modifying them. There is a need to take the conversation to the community to ensure their understanding of what they are paying for and the cost implication of changing the levels.</p>
4	<p>Managing Seasonal Variations in Demand - <i>High seasonal demand for infrastructure services.</i></p> <p>In areas like Halls Gaps there has been an increased demand for infrastructure services during peak seasons. The Shire is also receiving more requests from transport operators and agricultural producers to open new heavy vehicle routes in the local road network in order to make the movement of goods easier, faster, and less expensive. This increasing demand for services has a significant impact on the long term financial sustainability.</p>

5	<p>Road Pavement Condition and Maintenance</p> <p>Council extensive road network includes 738 km of sealed road, 2203 km of gravel road and 540 km of formed roads. These roads vary considerably in surface standard. Weather conditions often dictate the appropriate and most efficient time to undertake maintenance works. Hence there are times when the surface condition may be outside desirable intervention levels. Some of the material used to surface the road may not meet community expectations and/or may have high maintenance requirements.</p>
6	<p>Climate change - <i>More frequent severe weather events e.g. storms, flooding, fires and dry hotter summers.</i></p> <p>Over the years infrastructure assets have taken a hit from ever increasing extreme weather conditions and there is a need for Council to remain prepared to carry out emergency response. For example drier and hot summers increase demand on irrigation on parks and also melt bitumen in roads.</p>
7	<p>Asset Management treatments for Heritage Asset - <i>Strategies to deal with the treatment of Heritage assets that recognises their ongoing preservation rather than renewal.</i></p> <p>Northern Grampians Shire has a sizable number of Heritage assets mainly buildings. These assets are irreplaceable and maintenance and refurbishment should be funded to a level to preserve the assets.</p>
8	<p>Cumulative effect of depreciation on gifted/acquired assets - <i>Consider full life costs when making the decision to acquire new assets.</i></p> <p>The impact of grant funded or gifted assets on ongoing operation, maintenance, depreciation and renewal should be fully understood to inform decision making.</p>

5. Our Strategic Vision

Council's vision for its asset management function is to provide and maintain assets in a sustainable manner to improve the quality of the life and safety of the Northern Grampians community and visitors. Northern Grampians Shire Council will achieve this vision by ensuring that,

- All Council assets exist to provide services to the community in a way to improve their quality of life and environment.
- All assets are acquired, operated, maintained and made obsolete to enable Council to meet its Council Plan strategies and objectives.
- All Council asset management activities will take place within a strategic framework that is driven by service delivery needs within resource limitation.

The achievement of the above will depend on the following:

- Practises and processes are consistently applied across the organisation.
- Information is readily accessible and able to be used to monitor and report on the performance of assets. (Better & informed decision making).
- There is an intrinsic link between asset management information system (Assetic Cloud) and other Council systems such as the Geographical Information System (GIS), Finance etc (greater resource efficiency through the use of integrated systems).
- Outcomes of asset management, including necessary funding to meet the required levels of service, are directly linked to Council's annual budget, Council Plan & Strategic Resources Plan.

6. Our Key Strategies

Council's goals in managing the infrastructure assets is to deliver the level of service, as amended from time to time, that meet the needs of Northern Grampians Shire residents, business owners and its visitors, in the most cost effective manner in both short and long term. The following actions will be implemented:

Table 7: Key Strategies

No.	Key Strategy
1	Council to continue partnering with the State Government to access grants to fund the renewal of existing assets. Additional funding may be sought through contributions where appropriate .
2	Council will undertake community engagement work to adjust the level of service to affordable levels. Part of the discussions will include changing intervention levels and extending the age of assets.
3	All critical assets in the asset hierarchy will be fully funded. Assets will be reviewed and consolidated to reduce ongoing operation and maintenance costs.
4	The budgeting process to give priority to asset renewal and fit for purpose upgrades over creation of new assets.
5	Council to link financial summaries in Asset Management Plans with Long Term Financial Plan.
6	Developers will have the option to pay for developer contributions as part of development approval or build the infrastructure at their cost.
7	Council has identified the following opportunities to manage demand: <ul style="list-style-type: none"> • Promoting and encouraging high asset utilisation as opposed to providing new facilities, • Build new assets in well planned locations to minimise travel distances and meet demand.
8	Council to continue to investigate and review maintenance priority to reduce life cycle costs. (E.g. greater use of primer seals to reduce unsealed road maintenance).
9	A number of assets fall on boundary with neighbouring Councils. NGSC to continue making provision for shared capital and maintenance costs in these instances, with the provision that all work will be cost neutral, with no financial advantage to either Council.
10	Council to explore innovative technologies to enhance asset efficiency and lifespan. These include: <ul style="list-style-type: none"> • Re-use of materials, e.g old road pavement material used to build components of new assets, • Re-lining of pipes in-situ rather than the conventional method of digging and replacing.

11	Council to undergo a rigorous bridge and major culvert strength testing program in order to make informed decisions on opening new heavy vehicle routes. This will be followed by a bridge and major culvert upgrade or strengthening program in order to meet high demand for these routes. This is a very costly exercise and will depend heavily on successful grant application.
12	Council to ensure that reseals are undertaken during summer months to reduce the likelihood of bleeding.
13	Council to review the materials used for the gravel road resheeting to ensure inappropriate materials are not used.
14	Council also to review the road shoulder grading and table drain cleaning program and sealed road maintenance response times in accordance with the Road Management Plan.
15	All new assets will be designed to incorporate sustainable design principles for increased asset lifespan.
16	New assets will be designed to maximise multipurpose use and minimise life cycle costs. The new assets will also be energy efficient and environmentally friendly.
17	Council will also consider temporarily closing or signposting assets that are in poor condition, and also to recycle assets that are no longer required.

7. Asset Management Planning Elements

Council measures its asset management maturity in the context of the National Asset Management Assessment Framework (NAMAF). The NAMAF makes an assessment against 11 elements, as drawn from the Local Government and Planning Ministers' Council National Local Government Sustainability Frameworks.

7.1 Strategic Planning

Council has an Asset Management Strategy which was adopted in 2011 and was later on reviewed by the Asset Management Steering Committee (AMSC) in 2014. This Asset Management Strategy is a replacement of the former. Council is updating Asset Management Plans to include information on long-term projections on asset maintenance, renewal and upgrade cost, which will be linked to the Long Term Financial Plan (LTFP).

7.2 Annual Budgeting

Every year Council develops a Capital Works budget for renewals, upgrades and new works and a recurrent budget for maintenance and operations expenditure for its assets. The Budget is prepared in full consideration of Council strategic objectives identified in the Council plan and other Strategic documents. The financial summaries in the asset Management Plans are linked to the Long Term Financial Plan.

7.3 Annual Report

Council produces an Annual Report each year to comply with the *Local Government Act 1989*. The report contains information on Council's assets and financial performance. This report contains an audited financial report and performance statement and is presented to Council upon approval by the Audit and Risk Committee.

7.4 Asset Management Policy

Council has an existing Asset Management Policy which was adopted in 2010 and was reviewed in 2017 and is now being updated. The Asset Management Policy guides the development of the Asset Management Strategy by setting out the framework and provides for the integration of the Asset Management System with the rest of Council systems. The Policy makes provisions for a community engagement process to guide the service levels.

7.5 Asset Management Strategy

This Asset Management Strategy is an update of the previously adopted 2011 version and is linked

to the Asset Management Policy and Asset Management Plans. The Asset Management Strategy provides the framework to guide the planning, maintenance, renewal and upgrade of essential assets that enables Council to provide services to the community.

7.6 Asset Management Plans

Council latest Asset management Plans for all asset categories were developed and adopted in 2009 and are in the process of being updated. The financial summaries in the Asset Management Plans will influence the Long Term Financial Plan.

7.7 Governance and Management

The Asset Management Policy, Asset Management Strategy and Asset Management Plans go through a reviewing process by the Asset Management Steering Committee before being approved by the Executive Leadership Team (ELT). Once approved by ELT, the documents will be referred to Council for approval and endorsement before made published on Council website. The governance and management structure is illustrated in figure 2 below.



Figure 2: Asset Management System Governance and Management Structure

7.8 Level of Service

Council is currently working on Levels of service that is assumed to be expected by the community. Some community consultation work will form part of the Asset Management Plans update, just to ensure the assumptions on the Levels of service are a true reflection of the community, and amendments will be done.

7.9 Data and Systems

Assetic Cloud is Council's Asset Management Information System. All Assets data is collected and stored accurately in the asset register which can be updated at any time in Assetic Cloud. The Asset data which includes Asset condition, treatments, network measure, valuation and depreciation is

all kept current in the Assetic Cloud software.

7.10 Skills and Processes

Council has processes in place to ensure the Sustainable Asset Management Policy, Sustainable Asset Management Strategy and Service Asset Management Plans are working documents which are based on current information. The Sustainable Asset Management Policy and Sustainable Asset Management Strategy are reviewed, updated and adopted by Council every four years or at every Council cycle. The Service asset Management Plans are reviewed and updated annually.

7.11 Evaluation

There will be regular review updates of the Sustainable Asset Management Strategy to ensure relevance and currency, and evaluation of implementation. Processes have been put in place to ensure identification of asset management improvements, timelines establishments and resources allocation.

8. Improvement Implementation

An improvement plan has been prepared to address the improvement issues identified. Implementation of the plan will be generally managed by the relevant departments within Council and overseen by the Asset Management Steering Committee. The below table illustrates the management of the improvement process.

Table 8: *Asset Management Improvement plan.*

Improvement Plan Task	Responsibility	Timeframe
1. Periodic monitoring and review of the Sustainable Asset Management Policy, Sustainable Asset Management Strategy, Service Asset Management Plans including Long Term Financial Plan. Sustainable Asset Management Policy and Sustainable Asset Management Strategy have four years (Council cycle) and are due for review and update within 6 months of each Council. Service Asset Management Plans are reviewed and updated annually.	Manager Infrastructure	Ongoing
2. Update Service Asset Management Plans for major asset portfolio.	Manager Infrastructure	June 2023
3. Ensure asset lives are reflective of the actual asset life.	Asset Engineer	Ongoing
4. Ensuring Levels of Service are key components of the community consultation process.	Manager Infrastructure	March 2021
5. Document confirmed Community Level of Service.	Manager Infrastructure	June 2021
6. Ensure that Assetic Cloud is one source of truth for all our assets and data is collected and reviewed regularly.	Asset Engineer	Ongoing

7. Review Building assets hierarchy and develop a centralised asbestos register.	Asset Engineer	Ongoing
8. Investigate new treatments for heritage assets to ensure their perpetuity.	Manager Infrastructure, Manager Operations	June 2022
9. Check the completeness of our asset register and ensure asset lives are conforming to ongoing depreciation.	Asset Engineer	Ongoing
10. Perform Level of Service modelling under different scenarios to inform the annual budget process.	Asset Engineer	Ongoing
11. Develop and implement annual maintenance plans for all asset categories.	Manager Infrastructure Manager Operations	Ongoing
12. Review and update the ten year Long Term Financial Plan (every year).	Manager Finance	Ongoing
13. Align Capital Works Program with Long Term Financial Plan and Project Management system.	Manager Infrastructure	June 2022

9. Appendices

Appendix 1:

Appendix 1: - Definitions

Asset - Is an item owned and/or managed by Council.

Hierarchy - A framework for segmenting an asset base into appropriate classifications.

Asset Management - The combination of financial, economic, engineering management and other practices provided to maintain an asset at the required level of service.

Benchmarking - Measuring performance or practices against recognised industry standards.

Capital Evaluation Process - A process in Council's New Works and Services (Capital Works) Program where projects are evaluated according to certain criteria and prioritised for implementation.

Capital Expenditure - Creation of new assets or to increase the capacity of existing assets.

Components - Individual parts of an asset.

Continuous Improvement - A program of review of service delivery, procedures, practices and plans to assess and implement improvement opportunities.

GIS Geographic Information System - GIS is a computer based mapping system used to manipulate, analyse and present information that is tied to a ground location.

Intervention Level - that stage of deterioration of the asset component at which it is no longer 'tolerable'. It is impracticable for any defect to be remedied at the time it first appears, so a level of tolerance is required.

Level of Service - Service level is standard to which an asset is maintained and relates to the quality, quantity, reliability, responsiveness, environmental acceptability and costs of related activities.

Maintenance -Activities necessary to retain an asset as near as practical to its original condition for it to reach its expected life.

- Periodic - sustains the design life of an asset.
- Routine/Programmed - condition monitoring activities used to predict failure.
- Preventive -reactive maintenance through notification of defects.

Pavement Management System (PMS) - An asset management (AM) system designed to model road condition data and provide the outputs for managing annual and long term maintenance activities.

Performance - A measure of a service or activity used to compare actual performance against a standard.

Rehabilitation - Works to rebuild or replace parts or components of an asset, to restore it to a required functional condition and extend its life, (i.e. heavy patching of roads) without significant upgrading or renewal.

Renewal - Works to refurbish or replace existing facilities of equivalent capacity or performance quality.

Repair - Action to restore an item to its previous condition after failure or damage.

Replacement - Replacement of an asset that has reached the end of its life to an agreed level of service.

Risk Assessment - The process used to determine the level of risk against predetermined standards.

Risk Management - A management technique used to identify and analyse potential risks and responses.

Strategy - A plan containing the long-term goals and strategies of an organization or function.

Accounting for Assets Policy

Administration Policy



September, 2020







Northern Grampians Shire Council
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Accounting for Assets Policy



Administration Policy

Responsible director
Responsible officer
Functional area
Date adopted by ELT
Review date

Director Corporate Services
Manager Financial Services
Financial Services
September 2020
January 2021

Purpose

The purpose of this policy is to provide direction on the accounting recognition and subsequent treatment of Council's assets, in accordance with relevant Australian Accounting Standards and other legislative requirements.

This policy is designed to complement the Draft [Asset Management Policy](#) and the Draft [Sustainable Asset Management Strategy](#).

Background

Accounting standards (in particular AASB 116 – Property, Plant and Equipment) require a distinction to be made between expenditure that is consumed immediately in operations (or within one financial year) and expenditure on physical assets that will provide services over more than one financial year. Non current physical assets managed by Council include roads, bridges, footpaths, kerb and channel, drains, open spaces, buildings and plant and equipment used for the provision of services to the community.

As directed by Section 136 (3)(c) of the *Local Government Act 1989* (the Act), Council has a responsibility to manage risks associated with the management and maintenance of assets, and by Section 131, to prepare Financial Statements in accordance with the Act. A primary outcome of this requirement is that Council's Balance Sheet reflects the Fair Value of its non-current assets.

Accounting Standard AASB 116, Property, Plant & Equipment, prescribes the accounting treatment for property, plant and equipment and provides for assets initially recognised at cost to be subsequently measured at either Fair Value or Cost. Whichever valuation basis is selected, Council shall apply that approach to an entire Asset Class.

Whilst appropriate revaluations are required in order for Council to satisfy its obligations in accordance with relevant Australian Accounting Standards, knowledge of current asset values is also essential for efficient and effective asset management.

Council is the custodian of a significant number and value of assets used for the provision of services to the community. Quality asset information can assist in decision making with regards to the allocation of the limited resources available.

Whilst it is recognised that asset condition assessments are an integral part of asset valuations for financial reporting purposes it is imperative that the collection of this data, which in itself is a significant and costly task, is collected in a way that is most effective for long term asset and financial management.

Council's [Asset Management Framework](#) provides further guidance and detail on the application of AASB 116 and the principles contained within this policy.

Policy

Asset Recognition

Expenditure should be capitalised/recognised when:

- it is for the purchase or development of an asset, or
- it is probable that future economic benefits associated with the item will flow to the entity, or
- the expenditure is above the recognition threshold, or
- the asset has an expected life of more than one year, or
- Council either owns or has control of the asset.

Costs should be expensed when:

- the item has an expected life of less than one year, or
- it is for sustaining the continued operation of an existing asset, or
- the expenditure is below the recognition threshold, or
- the asset has an expected life of less than one year, or
- Council neither owns nor has control of the asset.

In accordance with AASB 116, each financial year capital expenditure is transferred to various asset classes and recognised in the Balance Sheet. Expenditure directly associated with the acquisition/creation of an asset is included in the capital cost of the asset, e.g. survey and design costs, site preparation, professional fees, project management, transportation and installation costs.

It should be noted that the capital value of a project may be significantly different to its subsequently revalued amount due to the fact that revaluations are undertaken using the Greenfield valuation approach.

All assets are recorded in Council's asset register, however if the cost of an asset is not considered to be material it is not considered necessary to capitalise the expenditure in Council's financial records.

Council ensures that all assets are capitalised for the end of financial year report where material and includes in work in progress (WIP) anything that is not complete at this time.

Council applies recognition thresholds to ensure capitalisation of all non-current assets where their value is material or should be captured for asset management purposes.

Capital expenditure is further categorised as either new, renewal, upgrade or expansion expenditure, to assist in determining whether Council is maintaining a sustainable level of service to the community.

Contributed assets acquired at no (or nominal) cost are initially recognised in the balance sheet with a cost being equal to their fair value as at the date of acquisition.

Existing assets identified as not being reported in the preceding financial reporting period (found assets) are initially recognised in the balance sheet with a cost being equal to their fair value as at the first day in the reporting period.

Assets will be disposed of from Council's asset register and made inactive when they no longer exist for use as an asset for Council.

Where renewal, upgrade or expansion works have been undertaken in relation to an existing asset, all or part of an existing component may be disposed as appropriate.

Where the initial recognition of an asset doesn't fit in the above parameters the treatment can be found in the [Asset Management Framework](#).

Asset Valuations

Following their initial recognition, assets will be valued at fair value using either the Cost or Revaluation model in accordance with AASB13.

Each asset class will be allocated to a valuation model when it is created. The allocated model can be found in the [Asset Management Framework](#).

Frequency of Valuations

Financial valuations of Council owned or controlled non-current asset classes will be reviewed annually, including assessment of [impairment](#) (where an asset's carrying amount exceeds its recoverable amount). Fair value assessments are undertaken by the Infrastructure department and reviewed by the Manager Infrastructure and Manager Financial Services.

Council will undertake periodic revaluations of non-current physical assets it owns or controls in order to comply with relevant legislation and Accounting Standards whilst collecting valuable data to enable efficient and effective asset management practices, hence supporting its commitment to sustainable financial and asset management.

Asset classes that are short lived or low value assets such as vehicles, plant and equipment, open space, computer and office equipment will not be revalued as the initial cost and subsequent depreciated cost is expected to provide a reasonable approximation of fair value. This is reviewed upon sale of these assets to ensure the parameters used for recognition and subsequent depreciated cost are providing a materially correct written down value for an asset during its useful life. Where an open market doesn't exist Council reviews the useful lives of these assets periodically for reasonableness.

The frequency of revaluations will be undertaken by the officers responsible as set out in [Appendix 1](#).

Depreciation Methods

Assets having limited useful lives are systematically depreciated in a manner which reflects consumption of the service potential embodied in them. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement they are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Council assets must be depreciated on a straight-line basis.

Council has determined the [depreciation](#) method and estimated [useful life](#) of its assets and applies this consistently throughout the reporting period.

Condition Assessments

Condition assessments provide asset crucial information required to determine asset remaining useful life and capability to meet performance requirements. This information is then used to program major maintenance and renewal work and enable accurate revaluation.

Condition assessments will be performed in the most effective manner as decided by the Manager Infrastructure in order to provide quality information for future asset management. The method and frequency of condition assessments will be undertaken by the officers responsible as set out in the [Asset Management Framework](#).

Unit Rates - Infrastructure Assets

With infrastructure assets there is a requirement to use Greenfield rates, as opposed to Brownfield rates for financial valuations. Greenfield rates do not include asset destruction, disposal or site restoration costs, therefore the unit rates used for financial valuation may understate the actual costs to renew / replace assets.

Asset Register - Maintaining Asset Information

Council will record and maintain all asset details in its asset management information system (AMIS), Assetic Cloud, providing a 'single source of truth' to be used across the organisation.

An [Asset Hierarchy](#) will be maintained providing a framework for segmenting assets into appropriate classifications, helping to define how they are managed and how they are organised in the AMIS for reporting purposes.

An annual asset fair value review report will be produced as part of the preparation of the annual financial statements.

Valuations for Insurance Purposes

Insurance valuations will be outsourced to a qualified professional, coordinated by the Manager Governance and Civic Support, based on guidelines provided by Council's insurer.

Council Plan Objective/Strategy

Asset Management Strategy
Financial Sustainability Strategy

Legislation and Standards

Local Government Act 1989
Local Government Act 2020
Local Government (Planning and Reporting) Regulations 2014
Australian Accounting Standards

This policy has been developed in accordance with the following AASB Standards

- AASB 116 Property, Plant and Equipment
- AASB 13 Fair Value Measurement
- AASB 5 Non-Current Assets Held for Sale and Discontinued Operations
- AASB 1041 Revaluation of Non-Current Assets
- AASB 136 Impairment of Assets
- AASB 1051 Land Under Roads
- AASB 138 Intangible Assets
- AASB 1049 Whole of Government and General Government Sector Financial Reporting

Responsibilities

Council is responsible for both physical and financial management of the assets which it owns or controls and is responsible for providing resources to enable implementation of this policy.

The **Manager Financial Services** is responsible for maintaining financial data in Council's asset management information system and for reporting fair value in the financial statements.

The **Manager Infrastructure** is responsible for annual fair value reviews including the assessment of impairments and review of unit rates and ensuring that the *Greenfield* method is applied.

The **Audit and Risk Committee** is responsible for review and recommendation of the initial policy and any subsequent material variations made to the policy.

The **Director Infrastructure** is responsible for coordination of the asset condition assessment process.

The **Director Corporate Services** is responsible for coordination of the financial valuation process.

The **Manager Infrastructure** is responsible for coordinating collection of inventory and condition data for all infrastructure and building assets.

The **Manager Infrastructure** is responsible for maintaining data in Council's asset management information system.

The **Manager Financial Services** is responsible for coordinating the valuation data for all Council land assets.

The **Manager Financial Services** is responsible for review of this policy and for compliance with the *Asset Hierarchy*.

The **Manager Governance and Civic Support** is responsible for coordination of property valuations for insurance purposes.

The **Infrastructure Team** is responsible for collection of all information regarding capital works in relation to infrastructure assets and the handover of information to the **Finance Team** for recording in Council's corporate management system.

The **Finance Team** is responsible for the recording and reconciling of all asset information as supplied by the **Infrastructure Team**, and for the collection and recording of information regarding capital expenditure in relation to corporate assets.

Stakeholders

This policy applies to all officers who are responsible for the budgeting, costing and accounting for Council's assets.

Review

This policy will be reviewed annually in preparation of the Annual Financial Statements. Major changes will be reviewed by the Audit and Risk Committee before adoption.

Communication and implementation

This policy will be available in Council's electronic records management system.

Guidance regarding the correct capitalisation and classification of Council assets is available from Manager Financial Services and Manager Infrastructure.

References

[Asset Management Framework](#)

[Regional AM Services – Asset Capitalisation Policy \(Best Practice Guide\)](#)

[Asset Management Policy](#)

[Sustainable Asset Management Strategy](#)

Asset Management Plans

Privacy and Data Protection compliance

This policy considers the *Privacy and Data Protection Act 2014* and the *Victorian Protective Data Security (VPDSS) Framework* which adopts a risk-based approach to protective data security. Council's procedures and ICT systems will be used to protect any information provided by customers.

Gender Equality Act 2020

It is considered that this policy is not relevant to the *Gender Equity Act 2020*.

Charter of Human Rights compliance

It is considered that this policy does not impact on any human rights identified in the *Charter of Human Rights & Responsibilities Act 2006*.

Definitions

Refer to [Asset Management Framework](#) for definitions

Review history

Date	Review details	Action
20 June 2020	Policy created from Asset Recognition Policy and Asset Valuation and Revaluation Policy	Adoption recommended
08/09/2020	ELT Review	Adopted
16/09/2020	Audit & Risk Committee Review	

6.2 Asset Revaluation & Condition Assessment Schedule

Ms Jay Petty will provide an overview of the Asset Revaluation and Condition Assessment Schedule.

Outcome

Ms Jay Petty presented to the committee on the asset revaluation works undertaken throughout the year as part of the preparation for the year end financial reporting. Capitalisation of the works was completed throughout the year together with a review of the unit rates used.

It was noted that going forwards, the next review of the assets will be 31 December.

Peter Knights thanked Jay for the presentation and noted the schedule.

6.3 Fair Value Report

Ms Jay Petty will provide an update on the Fair Value Report.

Outcome

Ms Jay Petty provided an update on the Fair Value Report that was noted by the Committee.

7 Risk Management

7.1 Risk Committee Minutes

Mr Vaughan Williams will discuss the minutes of the Risk Committee held 6 August 2020

Outcome

The minutes of the Risk Committee were discussed and noted by the group.

Attachments

1. Risk Committee Minutes 20200806 [7.1.1 - 8 pages]

Risk Committee Minutes



Date: 6 August, 2020

Attendees: Liana Thompson - CEO
 Vaughan Williams - Director Corporate Services
 Trenton Fithall - Director Infrastructure
 Naomi Goode - Director Communities
 Zander McDougall - Manager People & Culture
 Mary Scully - Manager Governance & Civic Support
 Malcolm Lewis - Manager Financial Services
 Kylie Allen - Risk & Lease Management Officer

Apologies Nil

Description		Items	Outcomes
1	Previous Minutes action update	(ALL)	Nil to report
2	Policies and procedures development	Project Management Policy - August 2020 (TF)	<ul style="list-style-type: none"> Forms part of Project Management Framework, close to having draft completed, aligning with CAMMS project, will require change management & engagement To ensure all stakeholders have assurance that significant public funds are used effectively to deliver projects that provide value for money and meet community needs.
		Closed Circuit Television System (CCTV) Policy - June 2020 (MS)	<ul style="list-style-type: none"> To ensure protection of personal information collected from video surveillance. Implemented

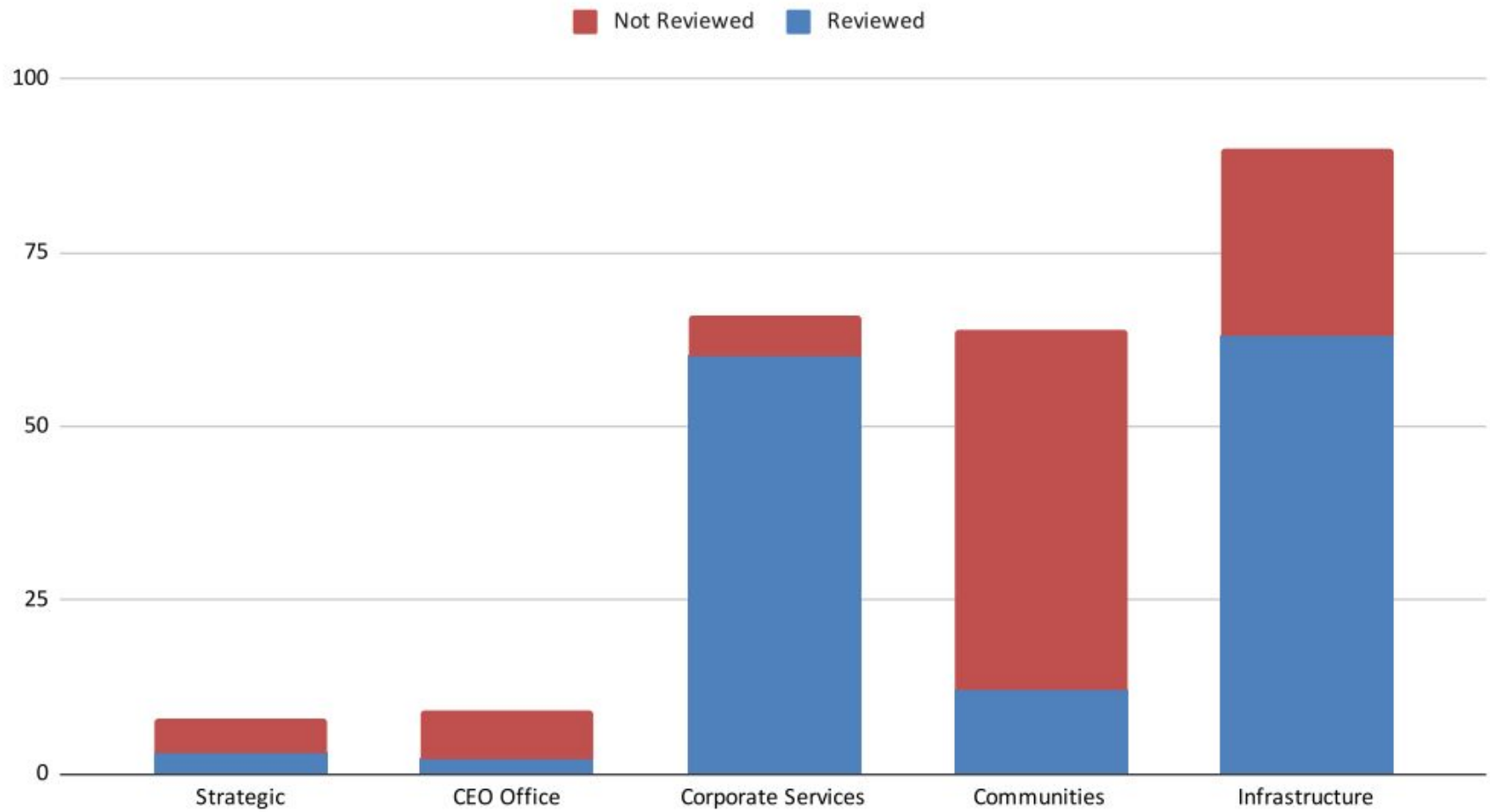
		New key audit process - elementORG (MS)	<ul style="list-style-type: none"> • Efficiency improvement addressing security risk. First step in administrative improvements. • External & community group next phase
		Asset Management Policy and Strategy (TF)	<ul style="list-style-type: none"> • How we manage our assets in long term inline with community expectations. Adoption in Sept. Strategy for infrastructure assets only
		Accounting for assets	<ul style="list-style-type: none"> • Being drafted, ELT approval required
3	Risk management plans for major projects or undertakings	New projects, project update? (TF)	<ul style="list-style-type: none"> • CAMMS project automated process once implemented • LNP risk assessment required (NG)
4	Internal and external audit plans/reports	Worksafe Entry Report 21/7/2020	<p>Worksafe inspector attended in response to a report from an employee that inadequate risk control measures have been implemented to prevent the possible spread of the COVID-19 virus at the workplace.</p> <p>Findings: all reasonable precautions are being taken, in line with government guidelines, to prevent the transmission of the COVID-19 virus.</p> <p>Final worksafe audit date- not set due to COVID-19</p>
		Roads to Recovery Funding Audit (TF)	<ul style="list-style-type: none"> • Acquittal, compliant (report unavailable - follow up ML)
		MEMP Review (TF)	<ul style="list-style-type: none"> • 4 yearly review, completed recently by SES, DHHS & ? - compliant
5	High risk issues as identified	COVID-19 Pandemic plan review update (NG)	<ul style="list-style-type: none"> • Hazards identified (vehicles, room bookings, PPE), undertake risk assessments (OHS) • Services RA's - department managers via CAMMS • Relief centre preparations (training, RA) • MECC set up preparations (timing, where)
		High Risk OHS Incident (ZM)	<ul style="list-style-type: none"> • Gas cook top left on as DCW entered the client's house - recommendation to change to electrical cook top

		Procurement Policy and Paneled Contracts (TF)	<ul style="list-style-type: none"> • Updated policy going to Council, consider our liability, review prior to ELT approval • Review our risk exposure with past contracts (report by creditor VW) • Consider cap on paneled contracts (ML)
6	Audit Committee	Agenda items/feedback (VW)	<ul style="list-style-type: none"> • Next meeting scheduled: 16 Sept 2020 • Need to provide LGA 2020 schedule of works (MS) and overview Risk Committee TOR (VW) to next meeting • New charter - internal audit function requirements • MEMP audit & Roads to Recovery audit results (ML)
7	Risk Register	CAMMS risk review update (KA)	<ul style="list-style-type: none"> • See attached charts • Overall reviewed 59.1% (good movement from last mtg however activity slowed recently) • Strategic register consolidation underway • New 'outstanding actions' chart for reporting (reduction in P&C, finance, P & C & governance actions) • Provided procedure to produce department action report to all managers (to be added to promapp)
8	Risk culture/training	LGA 2020 compliance training workshops (MS)	Nil to report
		MAV Contractor Risk Management Workshop (MS & KA)	<ul style="list-style-type: none"> • Ensure appropriate legislation, standards, KPI's, insurance requirements and monitoring included in contract • Ensure evidence of insurance (not policy) and do not include 'to the satisfaction or approval of council' wording. Ensure sufficient insurance coverage for liability of works being undertaken • Ensure inspection of completed works to required standard
9	Privacy	Incidents, updates (MS)	Nil to report
10	Legislative Updates	Occupational Health and Safety (COVID-19)	<ul style="list-style-type: none"> • commence on Tuesday, 28 July 2020

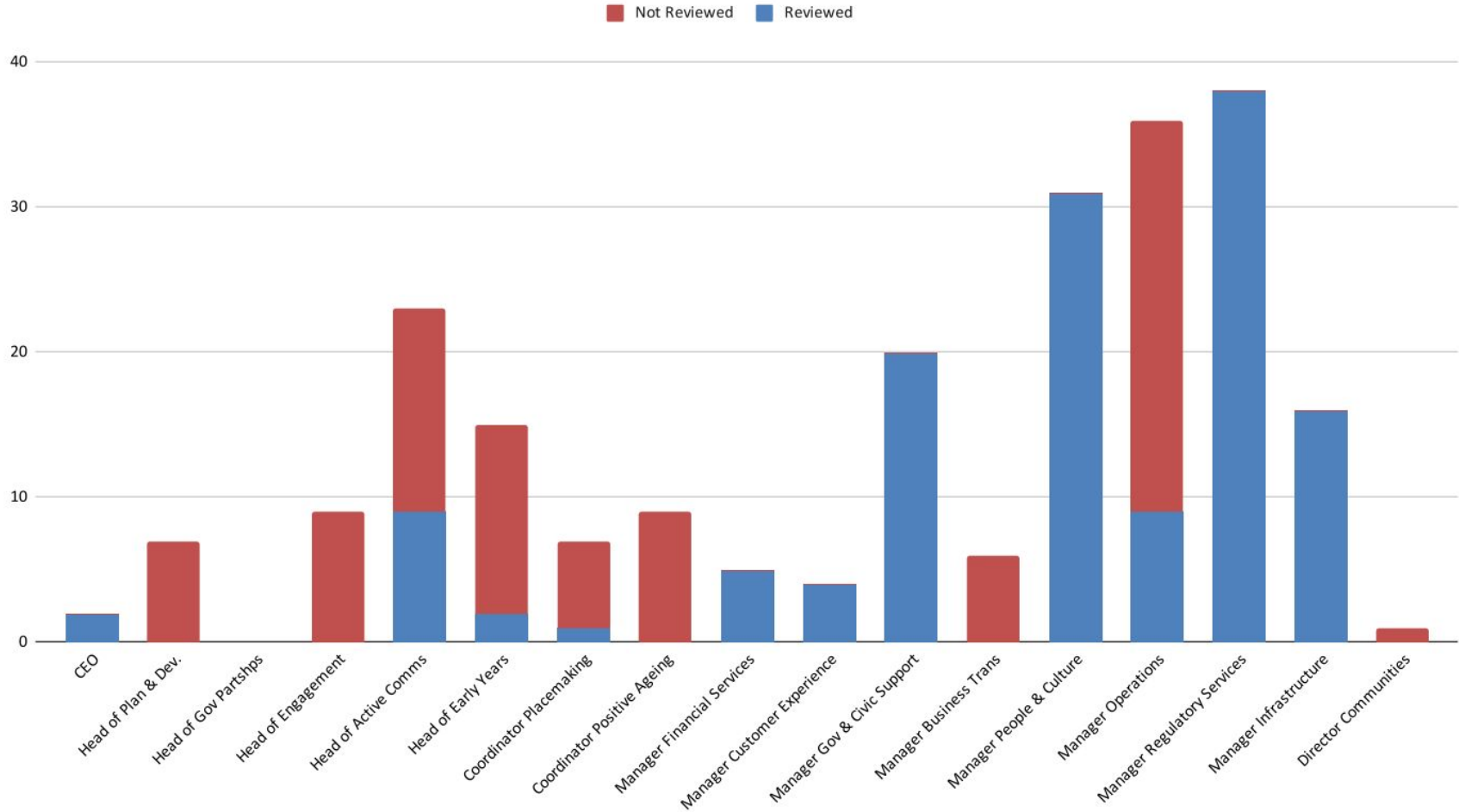
		Incident Notification) Regulations 2020 (temporary 12 months)	<ul style="list-style-type: none"> required to notify WorkSafe of a confirmed diagnosis of COVID-19 in the workplace within the infectious period (being 14 days prior to receiving the confirmed diagnosis of COVID-19 and until clearance from isolation has been received)
		Passed Parliament - Wage Theft Bill 2020 (1 July 2021)	<ul style="list-style-type: none"> New employee entitlement offences (re: wage theft & record keeping)
11	Victorian Protective Data Security Framework (VPDPSF) standards	Implementation, compliance to standards (MS)	<ul style="list-style-type: none"> Testing elementORG being undertaken Information Security Management Framework drafted (MS) Required by end of August SLT involvement required
12	Governance schedule	Progress against governance schedule milestones (MS)	<ul style="list-style-type: none"> Municipal Domestic Wastewater Plan - waiting on new legislation changes due 1/7/2020 MEMP reviewed 1 June 2020 Cemetery report to secretary due 30 June 2020 (TF to follow up) Annual Report timeframe extension to 30/11/2020 Delegations and Authorisations
		Annual conflict of interest and secondary employment declarations (MS)	<ul style="list-style-type: none"> All staff training 25 June, 2020 (cuppa session) Mail out 13/7, due 31/7 30/7 reminder email sent to SLT 214 declarations, 71 not done; <ul style="list-style-type: none"> 40 declared conflicts of interest 60 declared secondary employment. The majority of conflicts related to close association (family members were contractors or businesses) and conflicting duty (office bearers for local bodies)
		Local Government Act 2020 Implementation (MS)	<ul style="list-style-type: none"> scheduled for Aug 2020 Council meeting to meet key date 1 September, 2020 <ul style="list-style-type: none"> Governance Rules Public Transparency Policy Council Expenses Policy

			<ul style="list-style-type: none"> ○ Common Seal & Miscellaneous Penalties Local Law 2020 ○ Audit & Risk Committee Charter
13	Risk KPI setting 20/21	Set last meeting: <ul style="list-style-type: none"> ● Review all risks identified by 30 June, 2021 ● Ensure 100% compliance to Governance Schedule by 30 June 2021 ● Review BCP & include links pandemic plan 	<ul style="list-style-type: none"> ● To be included in leadership Annual performance plans
14	Ombudsman Report learnings	Ballarat City Council May 2020	<ul style="list-style-type: none"> ● Alleged improper advancement of personal associates and former colleagues - <i>NGSC Recruitment Procedure 2019 refers to conflict of interest disclosures however not until the short listing step rather than the interview panel composition requirements</i> ● Alleged splitting of purchase orders to avoid public tender - <i>NGSC Procurement Policy 2019 notes no splitting of purchase orders related to exceeding delegated authority, however suggest add 'for the purpose of avoiding public tender' also.</i> ● Alleged misuse of Council Purchasing Card - <i>NGSC Credit Card Policy 2017 does not state 'to be used for genuine business purposes only' and does not define appropriate purchases or banned transactions (is this policy currently under review?)</i>

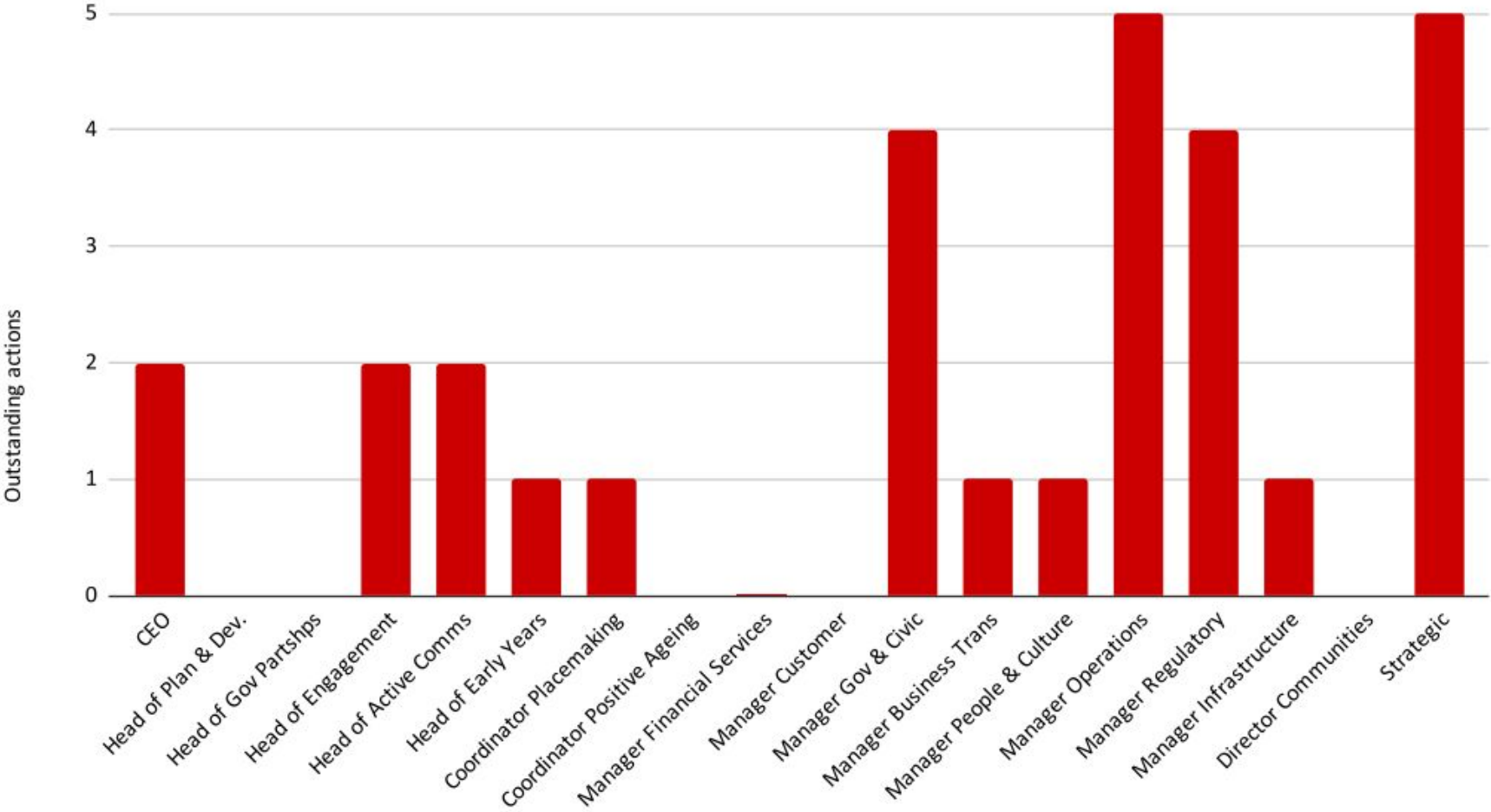
Risk Register Reviews 6 August 2020 - ELT



Risk Register Reviews 6 August 2020 - Operational Risk Register



Outstanding Risk Actions 6 August 2020



8 Financial Reporting and VAGO Audit

8.1 Draft Financial Statements & Performance Report

Mr Phil Delahunty from RSD Audit and Mr Malcolm Lewis will discuss the draft financial statements and performance report.

Outcome

Mr Phil Delahunty and Ms Blessing Mendoza joined the meeting.

Phil addressed the committee and noted that a closing report would usually have been presented to the meeting, however feedback was currently being sought from the Auditor General in relation to a road revaluation disclosure to the accounts. Phil noted that in general they were comfortable with the numbers and had some minor areas to finalise outside of the revaluation query. Phil further noted the work that is being completed in the infrastructure space and this is applauded from the audit perspective.

Malcolm presented to the meeting on the major changes to the financial statements taking into account the new standards for 2019/20, the transfer of libraries to Council together with infrastructure disclosures. The main points from the Comprehensive Income Statement, Balance Sheet and Capital Works schedules were also presented.

Lynn questioned the difference in the libraries and noted that the investment in associates has now been reversed due to the withdrawal from the Wimmera Library Corporation. Further queries were received in relation to the provision for doubtful debt and the increase related to a historical debt whereby it was now prudent to provide for this in the statements.

Malcolm noted that the resolution to Council for the draft statements was 21st September 2020.

The committee agreed in principle to the draft Financial Statements and Performance Report subject to the outcome of the disclosures to the accounts.

Moved - Mr Tony Roberts

Seconded - Cr Karen Hyslop

Carried

Attachments

1. Draft Annual Financial Report 2019-20 v 1.1 [**8.1.1** - 51 pages]
2. Draft Performance Report 2019-20 v 1 [**8.1.2** - 7 pages]

**Northern Grampians Shire Council
DRAFT ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2020

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**Northern Grampians Shire Council
Financial Report
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Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

Malcolm Lewis
Principal Accounting Officer

Date :
Stawell

In our opinion the accompanying financial statements present fairly the financial transactions of Northern Grampians Shire Council for the year ended 30 June 2020 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Cr Kevin Erwin
Councillor

Date :
Stawell

Cr Karen Hyslop
Councillor

Date :
Stawell

Ms Liana Thompson
Chief Executive Officer

Date :
Stawell

VAGO Opinion

Comprehensive Income Statement For the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Rates and charges	3.1	17,857	17,443
Statutory fees and fines	3.2	370	361
User fees	3.3	1,582	1,814
Grants - operating	3.4	10,498	10,207
Grants - capital	3.4	7,797	8,192
Contributions - monetary	3.5	668	666
Reversal of restoration provisions	5.5	45	46
Share of net profits/(loss) of associates	6.3	7	(2)
Assets recognised for the first time	3.6	2,565	-
Other income	3.7	426	544
Total income		41,815	39,271
Expenses			
Employee costs	4.1	(13,218)	(13,223)
Materials and services	4.2	(9,710)	(9,724)
Depreciation	4.3	(12,066)	(10,201)
Amortisation - Right of use assets	4.5	(105)	-
Bad and doubtful debts	4.6	(76)	-
Borrowing costs	4.7	(111)	(124)
Finance Costs - Leases	4.8	(3)	-
Net loss on disposal of property, infrastructure, plant and equipment	4.9	(1,553)	(2,819)
Other expenses	4.10	(1,701)	(1,719)
Total expenses		(38,543)	(37,810)
Surplus/(deficit) for the year		3,272	1,461
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.1	(29,458)	9,985
Share of other comprehensive income of associates	6.3	(63)	9
Total comprehensive result		(26,249)	11,455

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Balance Sheet As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1 (a)	27,208	20,855
Trade and other receivables	5.1 (c)	1,979	2,006
Inventories	5.2 (a)	58	41
Non current assets classified as held for sale	6.1	66	-
Other assets	5.2 (b)	212	630
Investment in associates	6.3	-	787
Total current assets		29,523	24,319
Non-current assets			
Trade and other receivables	5.1 (c)	9	73
Investment in associates	6.3	197	190
Property, infrastructure, plant and equipment	6.2	435,226	464,638
Right-of-use assets	5.8	209	-
Total non-current assets		435,641	464,901
Total assets		465,164	489,220
Liabilities			
Current liabilities			
Trade and other payables	5.3 (a)	2,375	3,210
Trust funds and deposits	5.3 (b)	123	108
Unearned Income	5.3 (c)	2,521	-
Provisions	5.5	2,874	3,081
Interest-bearing loans and borrowings	5.4	218	210
Lease liabilities	5.8	114	-
Total current liabilities		8,225	6,609
Non-current liabilities			
Provisions	5.5	313	390
Interest-bearing loans and borrowings	5.4	2,189	2,408
Unearned Income	5.3 (c)	800	-
Lease Liabilities	5.8	87	-
Total non-current liabilities		3,389	2,798
Total liabilities		11,614	9,407
Net assets		453,550	479,813
Equity			
Accumulated surplus		133,441	131,363
Reserves	9.1	320,109	348,450
Total Equity		453,550	479,813

The above balance sheet should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity
For the Year Ended 30 June 2020**

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2020		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		479,813	131,363	343,959	4,491
Surplus for the year		3,272	3,272	-	-
Net asset revaluation decrement	9.1	(29,472)	-	(29,472)	-
Net asset revaluation in associates	6.3	(63)	(63)	-	-
Transfers from other reserves	9.1	-	(1,131)	-	1,131
Balance at end of the financial year		453,550	133,441	314,487	5,622

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2019		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		468,359	131,312	333,975	3,072
Surplus for the year		1,461	1,461	-	-
Net asset revaluation increment	9.1	9,984	-	9,984	-
Net asset revaluation in associates	6.3	9	9	-	-
Transfers to other reserves		-	-	-	-
Transfers from other reserves	9.1	-	(1,419)	-	1,419
Balance at end of the financial year		479,813	131,363	343,959	4,491

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**Statement of Cash Flows
For the Year Ended 30 June 2020**

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		17,751	17,362
Statutory fees and fines		370	361
User fees		1,253	1,718
Grants - operating		10,498	10,207
Grants - capital		7,797	8,192
Contributions - monetary		668	666
Trust funds and deposits taken		15	(117)
Other receipts		492	474
Net GST refund		386	(467)
Employee costs		(13,457)	(13,050)
Materials and services		(6,694)	(8,514)
Other payments		(1,547)	(1,719)
Net cash provided by operating activities	9.2	17,532	15,113
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(10,906)	(10,104)
Proceeds from sale of property, infrastructure, plant and equipment		101	52
Loans and advances made		64	41
Net cash used in investing activities		(10,741)	(10,011)
Cash flows from financing activities			
Finance costs		(111)	(124)
Repayment of borrowings		(211)	(322)
Interest paid - lease liability		(3)	-
Repayment of lease liabilities		(113)	-
Net cash used in financing activities		(438)	(446)
Net increase in cash and cash equivalents		6,353	4,656
Cash and cash equivalents at the beginning of the financial year		20,855	16,199
Cash and cash equivalents at the end of the financial year		27,208	20,855
Financing arrangements	5.6	450	450
Restrictions on cash assets	5.1 (b)	4,036	1,589

The above statement of cash flow should be read with in conjunction the accompanying notes.

**Statement of Capital Works
For the Year Ended 30 June 2020**

	2020 \$'000	2019 \$'000
Property		
Buildings	276	388
Total property	276	388
Plant and equipment		
Plant, machinery and equipment	1,030	387
Fixtures, fittings and furniture	400	90
Computers and telecommunications	17	5
Total plant and equipment	1,447	482
Infrastructure		
Roads	3,898	4,900
Bridges	873	2,132
Footpaths and cycleways	615	1,316
Drainage	332	425
Parks, open spaces and streetscapes	914	315
Other infrastructure	-	147
Total infrastructure	6,632	9,235
Total capital works expenditure	8,355	10,105
Represented by:		
New asset expenditure	1,659	2,007
Asset renewal expenditure	4,671	5,649
Asset upgrade expenditure	2,025	2,449
Total capital works expenditure	8,355	10,105

The above statement of capital works should be read in conjunction with the accompanying notes.

**Northern Grampians Shire Council Notes to the Financial Report
For the Year Ended 30 June 2020**

2019/2020 Financial Report

Introduction

The Northern Grampians Shire Council was established by an Order of the Governor in Council on 20 January, 1995 and is a body corporate.
The Council's main office is located at 59-69 Main Street, Stawell.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Note 1 Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- other areas requiring judgments
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3)
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgments

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

Notes to the Financial Report
For the Year Ended 30 June 2020

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$250,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 25/06/2019. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

1.1 Income and expenditure

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Income					
Rates and charges	18,110	17,857	(253)	-1%	
Statutory fees and fines	320	370	50	16%	1
User fees	1,811	1,582	(229)	-13%	2
Grants - operating	5,564	10,498	4,934	89%	3
Grants - capital	7,598	7,797	199	3%	
Contributions - monetary	297	668	371	125%	4
Reversal of provision	-	45	45	0%	
Share of net profits/(losses) of associates	-	7	7	0%	
Assets recognised for the first time	-	2,565	2,565	0%	5
Other income	705	426	(279)	-40%	6
Total income	34,405	41,815	7,410	22%	
Expenses					
Employee costs	(14,235)	(13,218)	1,017	-7%	7
Materials and services	(9,576)	(9,710)	(134)	1%	
Bad and doubtful debts	-	(76)	(76)	0%	
Depreciation	(9,467)	(12,066)	(2,599)	27%	8
Amortisation - Right of use assets	-	(105)	(105)	0%	9
Borrowing costs	(111)	(111)	-	0%	
Finance costs - Leases	-	(3)	(3)	0%	
Net loss on disposal of property, infrastructure, plant and equipment	-	(1,553)	(1,553)	0%	10
Other expenses	(1,647)	(1,701)	(54)	3%	
Total expenses	(35,036)	(38,543)	(3,507)	10%	
Surplus for the year	(631)	3,272	3,903	-619%	

Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory Fees & Fines	Increase in the recovery of income from permit fees within planning (\$15k) and building (\$35k) services.
2	User Fees	Reduction in user fees resulting from SSAC leisure operations. Slight downturn in users throughout the year resulting in a loss of income and expedited due to COVID-19 pandemic with centre closed from March 2020.
3	Grants - Operating	Early financial assistance payment (FAG) for 20/21 received in 19/20 that was not budgeted for \$4.1m. Further grant of \$383k received for Working for Victoria initiative resulting from COVID-19 pandemic. New funding was received in 19/20 for Stawell Gift of \$200k together with one off grant opportunities received and utilised in 19/20 for Workforce Attraction Strategy & Streamlining for Growth \$111k and Grampians RDV Region Cycling \$200k. This is offset against \$60k of budgeted grant income that was not utilised in 19/20.
4	Contributions - monetary	Childcare enrolments boosted the rebate income (\$140k) in this area together with insurance claim income (\$34k) being received in 19/20. \$200k incorrectly shown in budget for other income when it relates to the budget for contributions monetary.
5	Assets recognised for the first time	There were a number of assets that were found during the assessment performed by Council's contracted agency from the last revaluation. Council inspections that are part of normal operations also periodically pick up assets that aren't registered and we recognise these as found assets.
6	Other Income	Allocation of \$200k budget for other income relates to contributions - monetary. Increase in reimbursement income of \$79k across various services.
7	Employee Costs	Staff turnover and restructure of services has contributed to the variance against budget.
8	Depreciation	The increase in depreciation is due to the useful life of sealed pavement decreasing for high use roads which means the value of those assets are apportioned over a shorter time period and therefore the depreciation is higher. Also, the revaluation performed by Council's contracted agency on Buildings as at 30 June 2019 provided updated depreciation that was significantly higher than what had been previously recognised and this year has recorded a full year of higher depreciation on those buildings.
9	Amorisation - Right of use assets	AASB 16 Leases, now requires leases to be recognised on their balance sheet as assets and liabilities as a result of this new accounting standard, year 1 of amorisation of right of use assets has been expensed that was not previously budgeted for.
10	Net loss on Disposal of Property, Infrastructure, Plant & Equipment	When capital works are performed it is expected to have a portion of an asset that is disposed as assets need to be periodically maintained (before they fall apart) in order to remain safe for the community to use.

(ii) Explanation of material variations - Impact of COVID-19

Detailed below are the 2019-20 financial impacts as a result of the COVID-19 pandemic. This loss of income was not considered to be of a sufficiently material nature to adversely impact the annual financial statements. The loss of income was incurred in order to implement the COVID-19 Financial Support and Hardship Policy adopted by Council in June 2020.

- 1 The Stawell Sports and Aquatic Centre was forced to close / limit attendance that resulted in an estimated loss of revenue in the order of \$229k against budget.
- 2 Payment terms for rates and charges, mainly impacting the fourth rate instalment, are extended to 30 September 2020 to allow time for the debt to be repaid without penalty interest. The 2019/20 financial impact is estimated to be in the order of \$12k.
- 3 The St Arnaud Early Learning Centre was required to close its doors for a period of 5 weeks prior to 30 June 2020 with the Covid-19 pandemic resulting in an estimated loss of income in the order of \$100k.

Note 1 Performance against budget (cont'd)

1.2 Capital Works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Buildings	500	276	(224)	-45%	1
Total Property	500	276	(224)	-45%	
Plant and Equipment					
Plant, machinery and equipment	715	1,030	315	44%	2
Computers and telecommunications	-	17	17	0%	
Total Plant and Equipment	715	1,447	732	102%	
Infrastructure					
Roads	7,523	3,898	(3,625)	-48%	3
Bridges	1,873	873	(1,000)	-53%	4
Footpaths and cycleways	132	615	483	366%	5
Drainage	130	332	202	155%	6
Parks, open spaces and streetscapes	5,285	914	(4,371)	-83%	7
Total Infrastructure	14,943	6,632	(8,311)	-56%	
Total Capital Works Expenditure	16,158	8,355	(7,803)	-48%	
Represented by:					
New asset expenditure	2,790	1,659	(1,131)	-41%	
Asset renewal expenditure	8,689	4,671	(4,018)	-46%	
Asset upgrade expenditure	4,679	2,025	(2,654)	-57%	
Total Capital Works Expenditure	16,158	8,355	(7,803)	-48%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	The majority of building works not completed are WIP (\$150k). The remaining are projects that weren't started due to resourcing issues throughout the year, both from vacant roles and access to contractors due to COVID-19 restrictions.
2	Plant, Machinery & Equipment	This variance is due to the \$400k acquisition of the library assets (majority was books) for the Stawell and St Arnaud libraries that were taken on by Council on 30 June 2020. This was unbudgeted as Council made this decision during the 2019/20 financial year.
3	Roads	The final sealing program was incomplete because of weather which amounts to \$2.5m. A further \$1.3m is work in progress (WIP).
4	Bridges	\$550k is WIP that is impacted by the slower supply chain due to COVID-19. There were also projects that were not started because we could not get contractors on board due to COVID-19 restrictions.
5	Footpath & Cycleways	\$400k worth of costs from the streetscapes and open spaces programs were actually footpath assets
6	Drainage	There were substantial drainage works completed and capitalised in 2019/20. Further works were also budgeted under other asset classes.
7	Parks, Open Spaces and streetscapes	There are a number of unspent grants amounting to \$900k and a total of \$1,275m of WIP for various projects. There was also \$400k for aerodrome works that was budgeted but the grant funding wasn't approved so the project didn't go ahead and there is \$400k of budgeted streetscapes works for Halls Gap that was actually for footpaths assets. There was also \$300k that was budgeted to spend but the assets created were considered non capital additions and therefore are expensed through the income statement.

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.1 (a) Your Lifestyle

Community life provides high quality community focused programs, service delivery and communication to residents. Community life is comprised of community care, connected communities, family services, health communities, leisure and recreational services which includes parks and sporting ovals together with social planning and investment.

Growing Our Economy

Growing our economy supports local festivals and events and advocates on behalf of the community for major events, tourism and cultural opportunities. Growing our economy is responsible for economic development and events and tourism. It further encompasses the planning services area that includes the assessment of town development; planning strategy and urban growth.

Maintaining Assets

Maintaining assets is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include roads, bridges, footpaths and drainage together with community buildings.

Community Safety

Community safety provides efficient and effective services to meet the growing needs of the community. The service area is dedicated to the health, safety and amenity of the community. The service includes environment and waste, building safety, community protection, emergency management and municipal resources.

Governance

Governance provides effective governance oversight of the organisation. Human resource management provides support to the organisation and ensures councils customer focus includes communication and community engagement processes. Service areas include governance, enterprise risk and legal services.

Finance and strategy provides efficient, effective and proactive support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes finance services, digital information and technology, property and procurement.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 2.1 Analysis of Council results by program

2.1 (b) Summary of revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Your Lifestyle	8,453	6,015	2,438	4,193	5,587
Growing Our Economy	2,939	2,892	47	1,276	-
Maintaining Assets	18,964	19,342	(378)	9,776	429,794
Community Safety	2,949	3,147	(198)	1,233	-
Governance	8,510	7,147	1,363	1,817	29,783
	41,815	38,543	3,272	18,295	465,164

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Your Lifestyle	8,616	6,585	2,031	3,807	5,480
Growing Our Economy	2,465	2,520	(55)	1,159	-
Maintaining Assets	20,174	19,344	830	10,692	459,925
Community Safety	2,888	3,084	(196)	1,091	-
Governance	5,128	6,277	(1,149)	1,650	23,815
	39,271	37,810	1,461	18,399	489,220

Notes to the Financial Report
For the Year Ended 30 June 2020

Note 3 Funding for the delivery of our services
3.1 Rates and charges

2020 \$'000	2019 \$'000
----------------	----------------

Council uses capital improved value as the basis of valuation of all properties within the municipal district. The capital improved value of a property is its estimated realisable value if offered for sale at the time of the valuation.

The valuation base used to calculate general rates for 2019-20 was \$2.8 million (2018-19, \$2.65 million). The 2019-20 rate in the capital improved value dollar was 0.6697 cents (2018-19 0.6894 cents).

General rates

Residential rates	8,004	7,735
Commercial rates	919	937
Industrial rates	310	323
Farm rates	4,504	4,371
Total general rates	13,737	13,366

Other rates and charges

Municipal charge	1,283	1,253
Waste management charge	2,800	2,787
Rates in lieu	23	23
Cultural and recreational	14	14
Total other rates and charges	4,120	4,077
Total rates and charges	17,857	17,443

The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2019, & the valuation first applied in the rating year commencing 1 July 2019.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory fees and fines

Infringements and costs	10	1
Town planning fees	139	140
Land information certificates	15	12
Permits	206	208
Total statutory fees and fines	370	361

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

3.3 User fees

Aged and health services	442	399
Leisure centre and recreation	370	493
Child care/children's programs	225	266
Registration and other permits	203	183
Waste management services	34	137
Tourism and event fees	-	1
Hire income	6	10
Rental fees	103	116
Infrastructure fees	181	192
Shared services	-	4
Other fees and charges	18	13
Total user fees	1,582	1,814

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following		
Summary of grants		
Commonwealth funded grants	12,098	13,728
State funded grants	6,197	4,671
Total	18,295	18,399
(a) Operating grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	7,848	7,774
Aged care	654	615
Child care	17	31
Other	7	6
<i>Recurrent - State Government</i>		
Aged care	121	136
Maternal and child health	249	217
Recreation	200	-
Community safety	120	123
Pre school	317	228
Youth	50	108
Other	75	75
Total recurrent operating grants	9,658	9,313
<i>Non-recurrent - Commonwealth Government</i>		
Economic development	46	64
<i>Non-recurrent - State Government</i>		
Family and children	21	130
Youth	1	13
Infrastructure operations	-	10
Economic development	494	232
Recreation	-	21
Other	278	424
Total non-recurrent operating grants	840	894
Total operating grants	10,498	10,207
(b) Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,858	1,131
Total recurrent capital grants	1,858	1,131
<i>Non-recurrent - Commonwealth Government</i>		
Parks, Open Spaces & Streetscapes	19	-
Infrastructure	255	60
Natural disaster reconstruction	1,394	4,047
<i>Non-recurrent - State Government</i>		
Buildings	202	299
Parks, Open Spaces & Streetscapes	2,123	1,065
Recreational facilities	-	490
Infrastructure	1,946	1,100
Total non-recurrent capital grants	5,939	7,061
Total capital grants	7,797	8,192

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	1,481	770
Received during the financial year and remained unspent at balance date	3,704	860
Received in prior years and spent during the financial year	(1,272)	(149)
Balance at year end	3,913	1,481

Grant income is recognised at the point in time when the Council satisfies its performance obligations as specified in the underlying agreement.

3.5 Contributions

Monetary	668	666
Total contributions	668	666

3.6 Assets Recognised for the first time

Net Increment on Revalued Assets (Found Assets)	3,062	-
Net Decrement on Revalued Assets (Lost Assets)	(497)	-
Total Net Increment on Revalued Assets	2,565	-

3.7 Other income

Interest	216	347
Other	210	197
Total other income	426	544

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Notes to the Financial Report
For the Year Ended 30 June 2020

Note 4 The cost of delivering services	2020	2019
4.1 (a) Employee costs	\$'000	\$'000
Wages and salaries	13,314	12,640
less capitalised wages and salaries	(1,376)	(1,331)
	11,938	11,309
Wages and salaries	11,938	11,309
WorkCover	265	265
Superannuation	1,177	1,107
Fringe benefits tax	45	45
Other	(207)	497
Total employee costs	13,218	13,223
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	60	53
	60	53
Employer contributions payable at reporting date.	43	5
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	685	661
Employer contributions - other funds	433	393
	1,118	1,054
Employer contributions payable at reporting date.	(210)	48
Refer to Note 9.3 for further information relating to Council's superannuation obligations.		
4.2 Materials and services		
Advertising and communications	185	407
Building maintenance	136	206
Consultants	205	190
Consumables	113	158
Contract employees	548	468
Contractors - Building and Facilities	349	288
Contractors - Environment	111	143
Contractors - Waste Operations	1,086	1,212
Contractors - Cleaning Services	178	199
Contractors - Others	1,285	395
Contractors - Flood	387	1,259
Contributions	211	107
Fuel	566	595
General maintenance	729	616
Information technology	793	714
Insurance	683	415
Legal expenses	77	90
Materials and services	588	575
Memberships and subscriptions	219	179
Minor equipment	80	55
Office administration	130	158
Security costs	33	52
Training	103	272
Uniforms and protective clothing	92	69
Utilities	404	458
Waste management	419	444
Total materials and services	9,710	9,724

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
4.3 Depreciation		
Property	1,790	762
Plant and equipment	872	807
Infrastructure *	9,404	8,632
Total depreciation	12,066	10,201

Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation

4.4 Amortisation - Intangible assets

4.5 Amortisation - Right of use assets

Vehicles	105	-
Total Amortisation - Right of use assets	105	-

4.6 Bad and doubtful debts

Other debtors	76	-
Total bad and doubtful debts	76	-

Movement in provisions for doubtful debts

Balance at the beginning of the year	2	2
New provisions recognised during the year	76	-
Balance at the end of year	78	2

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.7 Borrowing costs

Interest - Borrowings	111	124
Total borrowing costs	111	124

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

4.8 Finance Costs - Leases

Interest - Lease Liabilities	3	-
Total finance costs	3	-

4.9 Net loss on disposal of property, infrastructure, plant and equipment

Proceeds of sale	101	52
Written down value of assets disposed	(1,654)	(2,871)
Total net loss on disposal of property, infrastructure, plant and equipment	(1,553)	(2,819)

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

4.10 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	29	39
Auditors' remuneration - Internal	2	15
Councillors' allowances	208	189
Regional library contribution	472	519
Tourism contribution	318	313
Community contributions	395	277
Operating lease rentals	251	313
Other	26	54
Total other expenses	1,701	1,719

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 5 Our financial position	2020	2019
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	2	2
Cash at bank	27,206	20,853
	27,208	20,855

Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 5.3 (b))	123	108
- Unspent grants (Note 3.4)	3,913	1,481
Total restricted funds	4,036	1,589
Total unrestricted cash and cash equivalents	23,172	19,266

Intended allocations

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- Cash held to fund carried forward capital works	2,459	1,750
- Cash held to fund carried forward projects	70	533
- Reserve funds (Note 9.1)	5,622	4,491
Total funds subject to intended allocations	8,151	6,774

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts. Term deposits are measured at original cost.

(c) Trade and other receivables

Current

Statutory receivables

Rates debtors	1,025	919
Net GST receivable	201	587

Non statutory receivables

Loans and advances to community organisations	99	56
Other debtors	732	446
Provision for doubtful debts - other debtors	(78)	(2)
Total current trade and other receivables	1,979	2,006

Non-current

Non statutory receivables

Loans and advances to community organisations	9	73
Total non-current trade and other receivables	9	73

Total trade and other receivables

	1,988	2,079
--	--------------	--------------

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised in accordance with the expected credit loss model, or when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

(d) Ageing of Receivables

The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was:

	2020	2019
	\$'000	\$'000
Current (not yet due)	415	509
Past due by up to 30 days	229	41
Past due between 31 and 90 days	8	6
Past due between 91 and 365 days	105	12
Past due by more than 1 year	83	7
Total trade & other receivables	840	575

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Expected credit loss allowance for Receivables

Council recognised impairment of its receivables using the expected credit loss model. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. 12-months expected credit losses are recognised for receivable balances that have not deteriorated significantly in credit quality since initial recognition or those that have low credit risk, while "lifetime expected credit losses" are recognised for financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

	Current (not yet due)	Past due by up to 30 days	Past due between 31 and 90 days	Past due by more than 91 days	More than 1 year	Total
30 June 2020						
Debtors (\$'000)	415	229	8	105	83	840
Expected loss rate (%)	0.1%	0.2%	0.2%	1.0%	18.0%	
Loss allowance (\$000)	0.2	0.5	0.0	1.1	14.9	17

	Current (not yet due)	Past due by up to 30 days	Past due between 31 and 90 days	Past due by more than 91 days	More than 1 year	Total
30 June 2019						
Debtors (\$'000)	509	41	6	12	7	575
Expected loss rate (%)	0.1%	0.2%	0.2%	0.8%	20.0%	
Loss allowance (\$000)	0.3	0.1	0.0	0.1	1.4	2

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$78,400 (2019: \$2,000) were impaired. The amount of the provision raised against these debtors was \$76,400 (2019: \$2,000). They individually have been impaired as a result of their doubtful collection.

The ageing of receivables that have been individually determined as impaired at reporting date was:

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 90 days	-	-
Past due between 91 and 365 days	9	-
Past due by more than 1 year	69	2
Total trade & other receivables	78	2

5.2 Non-financial assets

(a) Inventories

Inventories held for distribution	56	39
Inventories held for sale	2	2
Total inventories	58	41

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

(b) Other assets

Prepayments	39	560
Accrued income	173	70
Total other assets	212	630

	2020 \$'000	2019 \$'000
5.3 Payables		
(a) Trade and other payables		
Trade payables	1,815	2,822
Accrued wages and salaries	111	333
Accrued expenses	449	55
Total trade and other payables	2,375	3,210
(b) Trust funds and deposits		
Refundable deposits	6	7
Fire service levy	115	100
Retention amounts	2	1
Total trust funds and deposits	123	108
(c) Unearned Income		
Grants received in advance - operating	757	-
Grants received in advance - capital	2,564	-
Total unearned income	3,321	-

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has an agreement to administer a community grant program on behalf of a local organisation that wishes contribute to the community. These monies are not Council monies and will be drawn down as the grant program is awarded.

5.4 Interest-bearing loans		
Current		
Borrowings - secured (1)	218	210
	218	210
Non-current		
Borrowings - secured (1)	2,189	2,408
	2,189	2,408
Total	2,407	2,618
(1) Borrowings are secured by the general rates of the Council		
a) The maturity profile for Council's borrowings is:		
Not later than one year	218	210
Later than one year and not later than five years	1,189	1,408
Later than five years	1,000	1,000
	2,407	2,618

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

5.5 Provisions

	Employee Provisions	Landfill restoration	Gravel pit restoration	Total
	\$ '000	\$ '000	\$ '000	\$ '000
2020				
Balance at beginning of the financial year	3,307	67	97	3,471
Additional provisions	(457)	-	-	(457)
Amounts used	(1,188)	-	-	(1,188)
Provision reversed	-	(5)	(40)	(45)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	1,406	-	-	1,406
Balance at the end of the financial year	3,068	62	57	3,187
2019				
Balance at beginning of the financial year	3,134	72	138	3,344
Additional provisions	2,051	-	-	2,051
Amounts used	(1,741)	-	-	(1,741)
Provision reversed	-	(5)	(41)	(46)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(137)	-	-	(137)
Balance at the end of the financial year	3,307	67	97	3,471

	2020 \$'000	2019 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12		
Annual leave	850	772
Rostered days off	12	14
Long service leave	21	64
	883	850
Current provisions expected to be wholly settled after 12 months		
Annual leave	556	525
Long service leave	1,435	1,706
	1,991	2,231
Total current provisions	2,874	3,081
Non-current		
Long service leave	194	226
Total non-current provisions	194	226
Aggregate carrying amount of employee provisions:		
Current	2,874	3,081
Non-current	194	226
Total aggregate carrying amount of employee	3,068	3,307

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Annual leave

Liabilities for annual leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

Key assumptions:

- inflation rate 3.00% 3.00%

Discount rates depend on the years of service and are based upon the rates released by the Department of Treasury and Finance.

(b) Land fill restoration

Non-current

	2020 \$'000	2019 \$'000
	62	67
	62	67

Council is obligated to restore the St Arnaud landfill site to a particular standard. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on the EPA self assessment tool and the current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

c) Gravel pit restoration

Non-current

	57	97
	57	97

Council is obligated to restore the Kara Kara gravel pit site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of gravel use. The provision for gravel pit restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on the required revegetation required and the infill of the site to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2020.

Bank overdraft	200	200
Credit Card Facilities	250	250
Total Facilities	450	450
Unused facilities	450	450
Unused facilities	450	450

Notes to the Financial Report
For the Year Ended 30 June 2020

5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

2020	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Waste Management	1,040	-	-	-	1,040
Provision for Meals on Wheels	162	166	-	-	328
Cleaning Services	493	503	973	-	1,969
Provision of Transfer Stations	70	71	109	-	250
Infrastructure & Environment	274	278	282	-	834
Financial Services	56	56	56	-	168
Software Licence Agreement	218	222	418	-	858
Tourism	42	-	-	-	42
Architect Services	168	-	-	-	168
Total	2,523	1,296	1,838	-	5,657
Capital					
Bridges	230	-	-	-	230
Roads	2,008	2,048	4,945	-	9,001
Recreation Facilities	3,089	-	-	-	3,089
Total	5,327	2,048	4,945	-	12,320

2019	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Waste management	934	-	-	-	934
Provision for Meals on Wheels	154	-	-	-	154
Cleaning services	286	172	475	-	933
Provision of transfer stations	70	72	186	-	328
Infrastructure & Environment	239	165	338	-	742
Financial Services	56	56	113	-	225
Software Licence Agreement	193	193	548	-	934
Tourism	42	42	-	-	84
Architect Services	46	-	-	-	46
Total	2,020	700	1,660	-	4,380
Capital					
Bridges	448	-	-	-	448
Total	448	-	-	-	448

5.8 Leases

Policy applicable before 1 July 2019

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Policy applicable after 1 July 2019

Council has applied *AASB 16 Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

On transition to *AASB 16 Leases*, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied *AASB 16 Leases* only to contracts that were previously identified as leases.

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Council has elected to apply the temporary option available under *AASB 16 Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

Right-of-Use Assets

Balance at 1 July 2019
 Amortisation charge
 Balance at 30 June 2020

Property \$'000	Vehicles \$'000	Other \$'000	Total \$'000
-	314	-	314
-	(105)	-	(105)
-	209	-	209

Lease Liabilities

Maturity analysis - contractual undiscounted cash flows
 Less than one year
 One to five years
 More than five years
 Total undiscounted lease liabilities as at 30 June:

2020 \$'000
114
87
-
201

Lease liabilities included in the Balance Sheet at 30 June:

Current
 Non-current
 Total lease liabilities

114
87
201

i. Leases classified as operating leases under *AASB 117 Leases*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying *AASB 16 Leases* to leases previously classified as operating leases under *AASB 117 Leases*.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under *AASB 117 Leases*, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under *AASB 117 Leases* immediately before that date.

Council is not required to make any adjustments on transition to *AASB 16 Leases* for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with *AASB 16 Leases* from the date of initial application.

Note 6 Assets we manage**6.1 Non current assets classified as held for sale**

Cost of acquisition
 Capitalised development costs (eg roads, drainage)
 Borrowing costs capitalised during development
Total non current assets classified as held for sale

2020 \$'000	2019 \$'000
66	-
-	-
-	-
66	-

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019	Acquisitions	Transfers	Found	Write-Offs	Revaluation	Depreciation	Disposal	At Fair Value 30 June 2020
Land	12,020	-	(66)	-	(6)	-	(26)	(272)	11,650
Buildings	55,057	276	-	23	-	-	(1,764)	(22)	53,570
Plant and Equipment	5,660	1,447	-	-	-	-	(872)	(117)	6,118
Infrastructure	390,937	6,632	-	3,040	-	(29,458)	(9,404)	(1,737)	360,010
Work in progress	963	2,935	-	-	(20)	-	-	-	3,878
Total	464,637	11,290	(66)	3,063	(26)	(29,458)	(12,066)	(2,148)	435,226

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	-	1,167	-	-	1,167
Infrastructure	963	1,768	-	(20)	2,711
Total	963	2,935	-	(20)	3,878

(a) Land and Buildings	Land - specialised	Land - non specialised	Land improvements	Total Land	Buildings - specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	11,562	432	132	12,126	73,175	73,175	-	85,301
Accumulated depreciation at 1 July 2019	-	-	(106)	(106)	(18,118)	(18,118)	-	(18,224)
	11,562	432	26	12,020	55,057	55,057	-	67,077
Movements in fair value								
Acquisition of assets at fair value	-	-	-	-	276	276	1,167	1,443
Revaluation increments/decrements	-	-	-	-	-	-	-	-
Reclassified as held for sale	-	(66)	-	(66)	-	-	-	(66)
Impairment losses recognised in operating result	-	(6)	-	(6)	-	-	-	(6)
Found & relinquished assets at fair value	-	-	-	-	25	25	-	25
Fair value of assets disposed	(272)	-	-	(272)	(38)	(38)	-	(310)
WIP expensed	-	-	-	-	-	-	-	-
Transfers	42	(42)	-	-	-	-	-	-
	(230)	(114)	-	(344)	263	263	1,167	1,086
Movements in accumulated depreciation								
Depreciation	-	-	(26)	(26)	(1,764)	(1,764)	-	(1,790)
Accumulated depreciation of disposals	-	-	-	-	16	16	-	16
Accumulated depreciation of found & relinquished assets	-	-	-	-	(2)	(2)	-	(2)
	-	-	(26)	(26)	(1,750)	(1,750)	-	(1,776)
At fair value 30 June 2020	11,332	318	132	11,782	73,438	73,438	1,167	86,387
Accumulated depreciation at 30 June 2020	-	-	(132)	(132)	(19,868)	(19,868)	-	(20,000)
	11,332	318	-	11,650	53,570	53,570	1,167	66,387

Property, infrastructure, plant and equipment (cont.)

(b) Plant and Equipment	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecoms \$'000	Total plant and equipment \$'000
At fair value 1 July 2019	11,079	440	1,331	12,850
Accumulated depreciation at 1 July 2019	(5,666)	(339)	(1,185)	(7,190)
	5,413	101	146	5,660
Movements in fair value				
Acquisition of assets at fair value *	1,030	400	17	1,447
Fair value of assets disposed	(297)	-	(28)	(325)
	733	400	(11)	1,122
Movements in accumulated depreciation				
Depreciation	(771)	(23)	(78)	(872)
Accumulated depreciation of disposals	180	-	28	208
	(591)	(23)	(50)	(664)
At fair value 30 June 2020	11,812	840	1,320	13,972
Accumulated depreciation at 30 June 2020	(6,257)	(362)	(1,235)	(7,854)
	5,555	478	85	6,118

* Acquisition of library book stock and fittings \$400k

(c) Infrastructure	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Parks open spaces and streetscapes \$'000	Other Infrastructure \$'000	Work In Progress \$'000	Total Infrastructure \$'000
At fair value 1 July 2019	323,555	96,187	16,914	21,082	6,119	786	963	465,606
Accumulated depreciation at 1 July 2019	(45,717)	(10,178)	(6,338)	(9,297)	(1,892)	(284)	-	(73,706)
	277,838	86,009	10,576	11,785	4,227	502	963	391,900
Movements in fair value								
Acquisition of assets at fair value	3,898	873	615	332	914	-	1,768	8,400
Revaluation increments/decrements	(28,556)	-	1,539	-	-	-	-	(27,017)
Found & relinquished assets at fair value	959	2,481	450	17	-	-	-	3,907
Fair value of assets disposed	(1,738)	(290)	(69)	(13)	(9)	(127)	-	(2,246)
WIP Expensed	-	-	-	-	-	-	(20)	(20)
Transfers	5,236	(5,236)	-	622	(172)	(450)	-	-
	(20,201)	(2,172)	2,535	958	733	(577)	1,748	(16,976)
Movements in accumulated depreciation								
Depreciation	(7,619)	(915)	(394)	(234)	(240)	(2)	-	(9,404)
Accumulated depreciation of disposals	349	51	17	6	5	81	-	509
Revaluation adjustment on accumulated depreciation	(1,459)	-	(982)	-	-	-	-	(2,441)
Accumulated depreciation of found & relinquished assets	(388)	(284)	(189)	(6)	-	-	-	(867)
Transfers	(1,180)	1,180	-	(147)	(15)	162	-	-
	(10,297)	32	(1,548)	(381)	(250)	241	-	(11,336)
At fair value 30 June 2020	303,354	94,015	19,449	22,040	6,852	209	2,711	448,630
Accumulated depreciation at 30 June 2020	(56,014)	(10,146)	(7,886)	(9,678)	(2,142)	(43)	-	(85,909)
	247,340	83,869	11,563	12,362	4,710	166	2,711	362,721

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using fair value basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

Depreciation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road formations are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$'000
Property		
land	-	All assets
land improvements	5 years	5
land under roads	-	All assets
Buildings		
buildings	15-100 years	5
Plant and Equipment		
plant, machinery and equipment	1-20 years	2
fixtures, fittings and furniture	2-10 years	2
computers and telecommunications	3-10 years	2
Infrastructure		
road pavements and seals	5-80 years	5
road formation and earthworks	-	5
road kerb and channel	15-100 years	5
bridges superstructure	120 years	15
bridges substructure	120 years	15
bridges rails	40 years	15
major culverts	20-80 years	15
footpaths and cycleways	15-80 years	5
drainage	20-120 years	5
parks, open spaces and streetscapes	15-100	5
heritage assets	15-100 years	10

Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Property, infrastructure, plant and equipment (cont.)

Valuation of land and buildings

Valuation of land was undertaken by qualified independent valuers Grant Kerambrun AAPI Certified Practising Valuer VRC Property Pty Ltd as at 30/06/2018. A revaluation and condition assessment of buildings was undertaken by Ashay Prabhu of Assetic Pty Ltd, MIE (Aust) CPEng, NPER: Membership 1102199 in the 2019/20 financial year. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date of the current valuation (DoV) is detailed in the table below together with details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 which are as follows:

	\$'000	\$'000	\$'000	DoV
	Level 1	Level 2	Level 3	
Non-specialised land	-	318	-	06/18
Specialised land	-	-	11,332	06/18
Land improvements	-	-	-	06/18
Buildings	-	-	53,570	06/19

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with an internal valuation undertaken by Mr Kandee Balasingham B.Engineering (Civil) MIE Aust as at 31/03/2020. This valuation was reviewed at 30 June 2020 with no material changes to valuations.

The date of the current valuation is detailed in the following table.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

	\$'000	\$'000	\$'000	DoV
	Level 1	Level 2	Level 3	
Roads	-	-	247,340	03/20
Bridges	-	-	83,869	07/19
Footpaths and cycleways	-	-	11,563	03/20
Drainage	-	-	12,362	07/19
Parks (etc)	-	-	4,710	N/A
Other infrastructure	-	-	166	N/A

Property, infrastructure, plant and equipment (cont.)

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.05 and \$202.61 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated by individual building components and the remaining useful lives are determined on the basis of the current condition of each of the various components. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets. Parks and other infrastructure are valued using the cost method.

	2020 \$'000	2019 \$'000
Reconciliation of specialised land		
Land under roads	2	7
Parks and reserves	5,023	5,055
Vacant land	716	716
Water management	242	317
Waste management	286	310
Gravel reserve	263	263
Aerodromes	269	269
Carpark	619	619
Recreation	511	511
Zoning restrictions	726	726
Council controlled	2,062	2,120
Other	613	649
Total specialised land	11,332	11,562

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
6.3 Investment in associates		
Investments in associates		
Investments in associates accounted for by the equity method are:		
- Wimmera Regional Library Corporation	-	787
- Wimmera Development Association	197	190
	197	977
Change in equity share apportionment	(63)	9
Share of (deficit)/surplus for year	7	(2)
(a) Wimmera Regional Library Corporation		
Background		
Council's investment in the Wimmera Regional Library Corporation is based on the equity method of accounting		
Fair value of Council's investment in Wimmera Regional Library Corporation	-	787
Council's interest in equity	0.00%	27.20%
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	332	332
Change in equity share apportionment	(723)	4
Reported surplus for year	-	6
Transfers (to)/from reserves	391	(10)
Council's share of accumulated surplus at end of year	-	332
Council's share of reserves		
Council's share of reserves at start of year	454	439
Change in equity share apportionment	(63)	5
Transfers (to)/from reserves	(391)	10
Council's share of reserves at end of year	-	454
Movement in carrying value of specific investment		
Carrying value of investment at start of year	787	772
Change in equity share apportionment	-	9
Share of surplus for year	-	6
Withdrawal from WRLC	(787)	-
Carrying value of investment at end of year	-	787

Council withdrew from the Wimmera Regional Library Corporation effective from 30 June 2020 in accordance with the terms of the agreement signed with the library corporation. This decision was made on 01 April 2019.

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
6.3 Investment in associates (cont.)		
(b) Wimmera Development Association		
<i>Background</i>		
Council's investment in the Wimmera Development Association is based on the equity method of accounting.		
Fair value of Council's investment in Wimmera Development Association	197	190
Council's interest in equity	20.17%	20.17%
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	100	140
Reported surplus for year	7	(8)
Transfers (to)/from reserves	(14)	(32)
Council's share of accumulated surplus at end of year	93	100
Council's share of reserves		
Council's share of reserves at start of year	122	90
Transfers (to)/from reserves	14	32
Council's share of reserves at end of year	136	122
Movement in carrying value of specific investment		
Carrying value of investment at start of year	190	198
Share of surplus for year	7	(8)
Carrying value of investment at end of year	197	190

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Northern Grampians Shire Council is the parent entity.

Associates

Interests in associates are detailed in note 6.3.

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors

Councillor Brian Emerson (Mayor)
Councillor Kevin Erwin (Resigned - Mayor part year)
Councillor Anthony Driscoll
Councillor Karen Hyslop
Councillor Merrilee Reid
Councillor Jason Hosemans
Councillor Rob Haswell

Key Management

Chief Executive Officer - Liana Thompson
Chief Executive Officer - Michael Bailey (resigned part year)
Director Corporate Services - Vaughan Williams
Director Infrastructure - Trenton Fithall
Director Communities - Naomi Goode

Total Number of Councillors

Chief Executive Officer and other Key Management Personnel

Total Key Management Personnel

	2020	2019
	No.	No.
Total Number of Councillors	7	7
Chief Executive Officer and other Key Management Personnel	5	5
Total Key Management Personnel	12	12

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

Short-term benefits

Long-term benefits

Termination benefits

Post-employment benefits

Total

	2020 \$,000	2019 \$,000
Short-term benefits	948	1,029
Long-term benefits	21	23
Termination benefits	-	7
Post-employment benefits	86	98
Total	1,055	1,157

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

\$20,000 - \$29,999
\$30,000 - \$39,999
\$50,000 - \$59,999
\$110,000 - \$119,999
\$130,000 - \$139,999
\$140,000 - \$149,999
\$160,000 - \$169,999
\$170,000 - \$179,999
\$190,000 - \$199,999
\$200,000 - \$209,999
\$270,000 - \$279,999

	2020 No.	2019 No.
\$20,000 - \$29,999	5	5
\$30,000 - \$39,999	1	1
\$50,000 - \$59,999	1	1
\$110,000 - \$119,999	1	-
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	-	1
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	-	1
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	3	-
\$270,000 - \$279,999	-	1
Total	12	12

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:
a) has management responsibilities and reports directly to the Chief Executive; or
b) whose total annual remuneration exceeds \$151,000

The number of Senior Officers are shown below in their relevant income bands:

Income Range:	2020 No.	2019 No.
\$70,000 - \$79,999	-	1
\$100,000 - \$109,999	-	1
\$130,000 - \$139,999	1	-
\$150,000 - \$159,999	-	1
\$170,000 - \$179,999	-	1
\$200,000 - \$209,999	-	1
	1	5
Total Remuneration for the reporting year for Senior Officers included above, amounted to	130	722

7.2 Related party disclosures

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties on commercial terms:

Council engaged the provision of catering services from Reid's Takeaway during the financial year. In total Council paid \$962 to this business. This is a related party entity of Councillor Merrillee Reid.

Council paid \$14,750 for goods and services from Grampians Central West Waste & Recovery Group during the financial year. This is a related party entity of Councillor Kevin Erwin.

Annual membership is held with Wimmera Development Association totalling \$86,939 for the financial year. This is a related party entity of Councillor Kevin Erwin.

Council paid \$8,330 for goods and services from Exclusive Space Pty Ltd during the financial year. This is a related party entity of Councillor Robert Haswell.

Membership and course fees are paid to LG Pro Incorporated totalling \$5,106 for the financial year. This is a related party entity of CEO Liana Thompson.

(b) Loans to/from related parties

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party on commercial terms as follows:

Council provided a community loan to Exclusive Space Pty Ltd in November 2015 in line with its Community Loan Policy. At 30 June 2020, total loan repayable to Council totalled \$36,376. The term of the loan is 5 years and repayments of this loan are made in line with the agreed loan schedule. This is a related party entity of Councillor Robert Haswell.

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent liabilities

The Council is not presently involved in any matters which are expected to result in a liability for Council.

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent liabilities are presented inclusive of GST receivable or payable, respectively.

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

(b) Contingent Assets

Council provided notice of withdrawal from the Wimmera Regional Library Corporation effective from 30 June 2020 in accordance with the terms of the agreement signed with the library corporation. Pursuant to the terms and conditions of the agreement, the Council expects to recover its investment in associate which principally comprises assets that will be returned. Council has recognised a current asset (accrued income) of \$169k due from the Library Corporation being Council's estimated share of net assets owing at balance date. The amount of \$169k is subject to approval by the Wimmera Regional Library Corporation Board and expected to be finalised by 30 September 2020. Further reference at note 6.3.

(c) Guarantees for loans to other entities

The Council has provided bank guarantees in favour of the Commonwealth Bank to secure debts. The liability is contingent upon the satisfactory completion of contracts involving the following organisations.

	2020 \$'000	2019 \$'000
Minister for Resources	50	50
Minister for Energy & Resources	110	110
Minister for Agriculture & Resources	6	6
	166	166

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

8.2 Change in accounting standards

The following new AAS's have been issued that are mandatory for the 30 June 2020 reporting period. Council has assessed these standards and included the necessary disclosures within the statements.

Financial Instruments (AASB 9) (applies 2018/19)

The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. The impact on Council is immaterial.

Disaggregated Disclosures (AASB 1052) (applies 2018/19)

AASB 1052 is a disclosure only standard. It applies to Local Government and Government departments. The disclosure states, the complete set of financial statements of a local government shall disclose in respect of each broad function or activity:

- (a) by way of note, (i) the nature and objectives of that function/activity; and (ii) the carrying amount of assets that are reliably attributable to that function/activity; and
- (b) by way of note or otherwise: (i) income for the reporting period that is reliably attributable to that function/activity, with component revenues from related grants disclosed separately as a component thereof; and (ii) expenses for the reporting period that are reliably attributable to that function/activity.

AASB 1052 applies from reporting period 2018-19 as part of Note 2 in the financial statements. There is no financial impact related to this standard.

The following new AAS's have been issued that are not mandatory for the 30 June 2019 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Revenue from contracts with customers (AASB 15) (applies 2019/20 for LG sector)

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

There is an expectation this will impact capital grant funding, however it is not possible to quantify the impact until such time as funding is received and projects commenced.

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

Leases (AASB 16) (applies 2019/20)

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

Council has elected to adopt the modified retrospective approach to the transition to the new lease

Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.

Impact is not able to be quantified until such time as capital grants are received and projects commenced.

8.3 Financial Instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(c) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements or we will not have sufficient funds to settle a transaction when required, we will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a long term financial plan which forecasts the cash and cash equivalent requirements over a long term period to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have an investment policy that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

(d) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 1.5%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

8.4 Fair value measurement

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, open space and heritage assets are measured at their fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

In addition, Council undertakes an indexation revaluation on an annual basis of Building and Infrastructure assets where there has not been a revaluation in that year. The indexations are calculated using generally accepted industry methods and analysis of Council's most frequently used materials.

Council subsequently undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 5 to 10 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period	Share of increment/ (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
2020			
Property			
Land	6,619	-	6,619
Buildings	52,966	-	52,966
	59,585	-	59,585
Infrastructure			
Roads	211,764	(30,029)	181,735
Bridges	65,715	-	65,715
Footpaths and cycleways	6,306	557	6,863
Drainage	570	-	570
	284,355	(29,472)	254,883
	343,940	(29,472)	314,468
Other			
Investment in associates	19	-	19
	19	-	19
Total asset revaluation reserves	343,959	(29,472)	314,487
2019			
Property			
Land	6,619	-	6,619
Buildings	55,097	(2,131)	52,966
	61,716	(2,131)	59,585
Infrastructure			
Roads	210,712	1,052	211,764
Bridges	54,373	11,342	65,715
Footpaths and cycleways	6,585	(279)	6,306
Drainage	570	-	570
	272,240	12,115	284,355
	333,956	9,984	343,940
Other			
Investment in associates	19	-	19
	19	-	19
Total asset revaluation reserves	333,975	9,984	343,959

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

Note 9 Other matters (cont.)

	Balance at beginning of reporting period	Transfer to / (from) accumulated surplus	Balance at end of reporting period
(b) Other reserves	\$'000	\$'000	\$'000
2020			
Economic development	247	-	247
Gravel pits restoration	97	(40)	57
Community loans	(2)	42	40
Waste management	2,320	869	3,189
Long service leave	304	(15)	289
Defined benefits	300	-	300
Loan repayments	1,225	275	1,500
Total other reserves	4,491	1,131	5,622
2019			
Economic development	247	-	247
Gravel pits restoration	138	(41)	97
Community loans	(2)	-	(2)
Waste management	1,155	1,165	2,320
Long service leave	284	20	304
Defined benefits	300	-	300
Loan repayments	950	275	1,225
Total other reserves	3,072	1,419	4,491

Economic Development Reserve - Funds held for use in enhancing the economic development of our towns.

Gravel Pits Restoration - Provision of the established rehabilitation of gravel pits. No further provision will be added to this in the future.

Community Loans Reserve - Funds held for the restoration of shop front verandahs and other community benefits.

Waste Management - Funds held for the restoration of waste sites and bin replacement.

Long Service Leave Reserve - Funds held for employee long service leave.

Defined Benefits Reserve - Funds held for future calls on defined benefits superannuation.

Loan Repayments Reserve - Funds are being held for the future repayment of interest only loans

**Notes to the Financial Report
For the Year Ended 30 June 2020**

	2020 \$'000	2019 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	3,272	1,461
Depreciation	12,066	10,201
Amortisation - Right of Use Assets	105	-
Net loss on disposal of property, infrastructure, plant and equipment	1,553	2,819
Assets recognised for the first time	(2,565)	-
Reversal of Provision	(45)	(46)
Share of (profit)/loss of associates	(7)	2
Contributions - Non-monetary assets	-	-
Finance costs (included in financing activities)	111	124
Finance Costs - Leases (included in financing activities)	3	-
Withdrawal from Investment in Associates	323	-
Other - WIP movements	26	21
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	27	(644)
Increase in other assets	418	(600)
Increase/(decrease) in trade and other payables	2,486	1,718
(Decrease)/increase in other liabilities	15	(117)
(Increase) in inventories	(17)	1
Increase/(Decrease) in provisions	(239)	173
Net cash provided by operating activities	17,532	15,113

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding Arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial review is currently underway for the Defined Benefit category as at June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs

.....
Net investment returns 6.0% pa
Salary information 3.5% pa
Price inflation (CPI) 2.0% pa

Vision Super has advised that the estimated VBI at 30 June 2020 was 104.6%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

9.3 Superannuation (cont.)

Employer Contributions

Regular Contributions

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement

Funding Calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and the last full actuarial investigation was conducted as at 30 June 2017. The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

- A VBI surplus of \$151.3 million; and
- A total service liability surplus of \$233.4 million.
- A discounted accrued benefits surplus of \$256.7 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019. The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019. Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

2020 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020.

10 Change in accounting policy

Council has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted *AASB 15 Revenue from Contracts with Customers* using the modified (cumulative catch up) method. Revenue for 2019 as reported under *AASB 118 Revenue* is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

b) AASB 16 Leases

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

c) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted *AASB 1058 Income of Not-for-Profit Entities* using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised as Council satisfies the performance obligations under the contract.

d) Transition impacts

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019.

	2019
	\$'000
Retained earnings at 30 June 2019	-
Revenue adjustment - impact of <i>AASB 15</i>	-
Income Adjustment - impact of <i>AASB 1058</i>	-
Retained earnings at 1 July 2019	-

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of *AASB 16 Leases*.

The following table summarises the impacts of transition to the new standards on Council's balance sheet for the year ending 30 June 2019.

	As reported	Adjustment	Post
	30 June 2019	s	adoption
	\$'000	\$'000	\$'000
Assets			
Right of use assets	-	314	314
	-	314	314
Liabilities			
Lease liability - current	-	113	113
Lease liability - non-current	-	201	201
	-	314	314

Northern Grampians Shire Council Performance Statement For the year ended 30 June 2020

Possessing some of the world's most spectacular natural scenery and a rich golden heritage, the Northern Grampians Shire has established an exceptional reputation as an ideal place to live, work and invest.

Location

Located in the picturesque Grampians region of Victoria, the shire covers almost 6,000 square kilometres and services the major towns and villages of Stawell, St Arnaud, Great Western, Halls Gap, Navarre, Glenorchy, Marnoo and Stuart Mill.

National Parks

The Grampians National Park is one of Victoria's most iconic holiday destinations, attracting more than 1.5 million visitors each year. Renowned for its breathtaking views and unspoilt nature, the area is a noted rock climbing destination, popular among campers and bushwalkers. Declared in 1884, the 168,000 hectare park is rich in Aboriginal culture, European heritage and stunning wildflower displays. It is also home to almost a third of the state's plant species and an abundance of wildlife.

The Kara Kara National Park spans 13,900 hectares of predominantly steep terrain and allows visitors to experience what the forests were like before the gold rushes. The park has one of the largest intact areas of Box-Ironbark vegetation and encompasses the former Kara Kara State Park and much of the St Arnaud Range State Forest.

Industry

The shire's economy is based on manufacturing, agriculture, tourism and wine production. The two main centres of Stawell and St Arnaud supply and service agricultural machinery and are home to industries including brick, steel fabrication and meat production.

QUICK STATS:

Area: Approximately 5,918 square kilometres

Population: Approximately 11,420

Road Length: 3,380km of local roads

Rateable Properties: 9,367

Industry: There are more than 2,200 businesses operating in the shire, with major activity based in the thriving tourism, manufacturing and agricultural industries.

Major Attractions: Stawell Easter Gift Festival, Grampians Grape Escape, Grampians Arts Trail, Grampians Wildflower Festival, Festival of St Arnaud, St Arnaud Country Music Festival, Great Western Rodeo, Stawell Gold Cup, St Arnaud Cup, Great Western Cup, Halls Gap Cup, Run the Gap, Stawell Gift Hall of Fame and Grampians National Park.

**Northern Grampians Shire Council
Sustainable Capacity Indicators
For the year ended 30 June 2020**

Indicator/measure	Result 2017	Result 2018	Result 2019	Result 2020	Material Variations
Own-source revenue <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,585	\$1,804	\$1,769	\$2,004	Minimal change due to limited capacity to improve revenue sources and constant population.
Recurrent grants <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$1,275	\$981	\$915	\$1,010	Increase due to lower than expected prior year result. This ratio is expected to remain constant each year due to limited recurrent grant opportunities plus a constant population.
Population <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,912	\$3,465	\$3,311	\$3,380	Minimal change to unit cost due to limited capacity to increase service partly due to the impact of COVID-19.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$35,079	\$35,120	\$39,634	\$38,171	Marginal decrease due to the high level of capital works to be carried over to the ensuing financial year.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	3.3	3.4	3.4	3.4	Minimal change due to constant population and fixed road length.
Disadvantage <i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	1	1	1	1	Minimal change due to constant demographic.

Definitions

"adjusted underlying revenue" means total income other than -

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"infrastructure" means non-current property, plant and equipment excluding land

"local road" means a sealed or unsealed road for which the council is the responsibility road authority under the *Road Management Act 2004*

"population" means the resident population estimated by council

"own-source revenue" means the adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

"SEIFA" means the Socio-Economic Indexes of Areas published from time to time by the Australian Bureau of Statistics on its Internet website

"unrestricted cash" means all cash and cash equivalent other than restricted cash

**Northern Grampians Shire Council
Service Performance Indicators
For the year ended 30 June 2020**

Service/indicator/measure	Result 2017	Result 2018	Result 2019	Result 2020	Material Variations
Governance Satisfaction <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	44	47	51	50	Marginal decrease to the level of satisfaction.
Statutory Planning Decision making <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	0.0%	0.0%	0.0%	0.0%	There were no VCAT decisions in relation to planning applications for the year
Roads Satisfaction <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	54	48	53	50	Marginal decrease in satisfaction level to 50%.
Libraries Participation <i>Active library members</i> [Number of active library members / Municipal population] x100	15.4%	15.2%	14.0%	12.9%	Northern Grampians will directly manage the library operations from July 2020 with an aim to review the level of collection usage.
Waste Collection Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	31.9%	33.6%	33.6%	31.7%	Relatively constant percentage of waste diverted from landfill. Slight decrease likely to be impacted by COVID-19 with families remaining at home and generating additional waste products.
Aquatic Facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	4.5	3.9	4.1	4.4	Increased utilisation prior to the impact of COVID-19.
Animal Management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	0	0	0	0	No recorded prosecutions to date.
Food Safety Health and safety <i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about a food premises] x100	100.0%	100.0%	114.3%	133.3%	Result is above 100% due to two food premises follow ups from the prior year resulting in more inspections than the number of premises normally identified for inspection.

**Northern Grampians Shire Council
Service Performance Indicators
For the year ended 30 June 2020**

Service/indicator/measure	Result 2017	Result 2018	Result 2019	Result 2020	Material Variations
Home and Community Care (HACC) Participation <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	0.0%	0.0%	0.0%	0.0%	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS & CHSP Programs
<i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	0.0%	0.0%	0.0%	0.0%	
Maternal and Child Health (MCH) Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	89.0%	90.7%	85.9%	84.0%	Consistent rate of participation to prior year.
<i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	94.7%	83.3%	93.3%	89.4%	Marginal decrease in participation rate.

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006

"active library members" means a member of a library who has borrowed a book from the library

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

"class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act

"class 2 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth

"critical non-compliant outcome notification" means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorised officer under that Act, of a deficiency that poses an immediate serious threat to public health

"food premises" has the same meaning as in the *Food Act 1984*

"HACC program" means that Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorised officer under that Act, of a deficiency that does not pose an immediate

"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age

"population" means the resident population estimated by council

"target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth

"Work Safe" reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian Work Cover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.

**Northern Grampians Shire Council
Financial Performance Indicators
For the year ended 30 June 2020**

Dimension/indicator/measure	Result 2017	Result 2018	Result 2019	Result 2020	Forecasts				Material Variations
					2021	2022	2023	2024	
Operating position									
Adjusted underlying result									
<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	2.4%	-20.6%	-19.6	-9.5%	-43.3%	-21.5%	-20.8%	-20.0%	Insufficient revenue base resulting in ongoing deficit's. This result reinforces the inability to fully fund infrastructure renewal demand.
Liquidity									
Working capital									
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	301.0%	362.2%	368.0%	358.9%	167.2%	143.3%	145.4%	143.1%	Increase due to financial assistance grants in advice and incomplete capital works program. Future years assumes capital program will be expended.
Unrestricted cash									
<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	246.3%	268.0%	191.0%	213.0%	132.6%	103.8%	105.3%	102.8%	Increase due to financial assistance grants in advice and incomplete capital works program. Future years assumes capital program will be expended.
Obligations									
Loans and borrowings									
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	19.8%	17.5%	15.0%	13.5%	12.0%	5.8%	5.2%	5.2%	Ongoing reduction due to pay down of loan liability.
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	2.7%	2.7%	2.6%	1.8%	1.8%	6.2%	0.7%	0.2%	Ongoing reduction due to pay down of loan liability.
Indebtedness									
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	24.6%	15.1%	13.9%	14.8%	7.2%	7.3%	6.7%	6.2%	Ongoing reduction due to pay down of loan liability.
Asset renewal									
<i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and asset upgrade expenses / Asset depreciation] x100	New 2020	New 2020	New 2020	55.5%	101.0%	90.8%	58.0%	61.5%	Insufficient revenue base to fully fund infrastructure renewal requirements.
Stability									
Rates concentration									
<i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	48.1%	50.8%	55.1%	50.7%	66.6%	59.1%	59.3%	59.2%	Increase in this ratio reinforces long term sustainability challenges due to reliance on a single revenue stream (rates) that is restricted by the state government rate cap.
Rates effort									
<i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.79%	0.80%	0.66%	0.64%	0.57%	0.57%	0.56%	0.55%	Marginal reductions due to the static nature of property valuations.
Efficiency									
Expenditure level									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,595	\$4,281	\$4,047	\$4,126	\$4,189	\$4,104	\$4,118	\$4,153	The result for 2020 is in the order of 2% increase compared to the prior 2019 financial year. This result is in line with the CPI cost increases.
Revenue level									
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	#N/A	#N/A	#N/A	Retired 2020					This measure was replaced by E4 from 1 July 2019.
Workforce turnover									
<i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	10.0%	20.1%	22.9%	12.4%					Increase in appointments to Council and improvement in staff retention levels.

Notes

"adjusted underlying revenue" means total income other than -

- [a] non-recurrent grants used to fund capital expenditure; and
- [b] non-monetary asset contributions; and
- [c] contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that is to be expended in a specific manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue

that is not under the control of council (including government grants)

"population" means the resident population estimated by council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"unrestricted cash" means all cash and cash equivalents other than restricted cash

Northern Grampians Shire Council
Other Information
For the year ended 30 June 2020

Basis of preparation

Northern Grampians Shire Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measure together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the Local Government Act 1989 and Local Government (Planning and Reporting) Regulations 2014.

Where applicable results in the performance statement have been prepared on accounting bases consistent with those reporting in the Financial Statements. The results are based on information drawn from council information systems of from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents that actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 10 August 2020 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can viewed on councils website www.ngshire.vic.gov.au.

Northern Grampians Shire Council Certification of the performance statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

Malcolm Lewis,
Acting Manager Financial Services
Dated:

In our opinion, the accompanying performance statement of the Northern Grampians Shire Council for the year ended 30 June 2020 presents fairly the results of council's performance in according with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2014 to certify this performance statement in its final form.

Cr Kevin Erwin
Councillor
Dated:

Cr Karen Hyslop
Councillor
Dated:

Liana Thompson
Chief Executive Officer
Dated:

9 Internal and External Audits

No agenda items.

10 Compliance

10.1 Procurement Policy

Mr Malcolm Lewis will provide an update on the Procurement Policy.

Outcome

Malcolm provided an update to the latest Procurement Policy that is adopted on a yearly basis. The main updates centred around new inserts for the panel of contractors and approved suppliers ensuring greater clarity for the reader of the policy.

Lynn asked if the panel of contractors was a public document and it was noted that this was for internal use only.

Peter recommended that the policy was reviewed by the committee and endorsed by Council.

Moved - Ms Lynn Jenz

Seconded - Cr Kevin Erwin

Carried

Attachments

1. Procurement Policy 2020 [**10.1.1** - 13 pages]

Procurement Policy 2020

Council Policy

September, 2020







Northern Grampians Shire Council
LIVE | WORK | INVEST | VISIT

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PROCUREMENT POLICY 2020

Council Policy



Responsible director:
Responsible officer:
Functional area:
Date adopted by Council:
Review date:

Director Corporate Services
Manager Financial Services
Financial Services
September 2020
July 2021

Purpose

The purpose of this document is to set out the key policies and principles forming the framework for procurement at the Northern Grampians Shire Council, to ensure that all purchases:

- demonstrate and achieve value for money
- are undertaken in a consistent and robust manner
- are consistent with Council objectives
- comply with all relevant legislation; and
- meet expected standards of probity and transparency.

This policy document is supported by a more detailed set of Procurement Guidelines which are designed to assist with the implementation of this policy. These documents, along with the relevant sections of the *Local Government Act 1989* (the Act), provide direction for how all Council procurement should be performed.

Background

Section 186A of the Act requires Council to prepare and approve a procurement policy which must include the principles, processes and procedures that will apply to all purchases of goods, services and works by the Council.

The Northern Grampians Shire Council spends a significant amount of its annual budget on purchasing goods and services and assets. These purchases have an enormous impact on the delivery of programs, services and projects therefore it is crucial that the process is well conducted.

Policy

Basic Principles

There are some basic principles that should be applied to all purchases, irrespective of the value or complexity of the purchase:

- value for money
- open and fair competition
- accountability
- risk management
- probity and transparency
- ethical behaviour
- other considerations

Value for Money

Value for money does not necessarily mean accepting the lowest price, (section 186(4) of the Act provides that there is no obligation to accept the lowest tender) but obtaining the best quality and value for the price, for quality goods/services that meet Northern Grampians Shire Council's criteria and cost constraints.

Open and Fair Competition

All prospective suppliers/vendors must be treated fairly in an open and transparent manner without bias (or perception of bias), with the same access to information regarding the proposed purchase, in order to enable submission of quotes/tenders to be made on the same basis.

Accountability

Clear and robust processes consistent across the entire organisation must be followed, in order that the lines of responsibility and accountability are clear, and to ensure that appropriate audit controls are in place.

Risk Management

All purchases carry some level of risk. It is important that this risk is identified, assessed and dealt with appropriately.

Probity and Transparency

Probity in purchasing relates to fairness, impartiality and integrity, and is often used in a general sense to mean good process. All Council dealings must be conducted in a fair and open manner, observing the highest standards of honesty, and demonstrating the highest levels of integrity consistent with the public interest.

Council's purchasing processes must be undertaken in a manner which meets all expected standards of probity and transparency, including consistent application of procedures, appropriate record keeping, compliance with policies and legislation, consideration for suppliers, and clear and transparent decision making.

Ethical Behaviour

Ethical behaviour encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust, respect and consistency. Council's purchasing processes must be undertaken in a manner which meets all expected standards of ethical behaviour and includes avoiding conflicts of interest and avoiding improper use of an individual's position. At all times, Councillors and Council staff must act in accordance with relevant policies, codes of conduct and guidelines regarding gifts and hospitality and conflicts of interest.

Specific processes regarding application of these basic principles are included within the Procurement Guidelines. If any officer is unclear regarding their responsibilities in regards to procurement they should seek advice from the Manager Financial Services.

Other Considerations

There are also a number of organisational and legislative directives that help set the framework for purchasing decisions made by Council including the Council Plan and the *Local Government Act 1989* (see – Legislation/Standards).

In addition to the requirements of the Act, purchasing decisions must also give consideration to other principles, Council policies, guidelines and philosophies. These include:

- sustainable procurement
- social procurement
- environmental purchasing
- local purchasing philosophy
- innovation and collaboration
- category management
- purchase orders
- information security
- officer's financial delegations; and
- thresholds

Sustainable Procurement

Council will consider benefits and value for money based on whole of life costs, as well as social and environmental impacts of its procurement processes, in order to achieve the best outcomes for the community having regard to the long-term and cumulative effects of its decisions.

Social Procurement

Council supports procurement that not only delivers appropriate value for money goods and services and works, but also generates positive social outcomes.

Where strategic opportunities arise, Council's Economic Development Team will work with locals to encourage economic development.

The Economic Development Team and Contract Officer will work with local suppliers to explain Council's requirements with regards to providing goods and services and works to Council and the tendering processes in line with this policy, and encourage them to tender for business.

Environmental Purchasing

Council prefers to purchase recycled and environmentally sound products whenever they perform satisfactorily and represent value for money.

Local Purchasing Philosophy

Council is committed to supporting the local business community and encouraging its involvement in purchasing processes. Buying locally is preferred where local suppliers are competitive and achieve value for money.

Innovation and Collaboration

Council will use innovative procurement solutions to promote sustainability and achieve best value and will collaborate with other local government entities whenever possible in order to achieve the best outcomes for the community.

Category Management

Council will use a category management approach to identify the most appropriate and effective sourcing and supply arrangements in order to achieve the best outcomes for the community.

Purchase Orders

Notwithstanding the processes used to select suppliers, purchase orders are to be raised and forwarded to suppliers to commit Council expenditure in advance of the goods or services being received, or works being commenced, in accordance with the Council's Purchasing Guidelines.

Officer's Financial Delegations

Section 98 of the Act defines the process for Council to delegate its powers, duties and functions to a member of its staff. Northern Grampians Shire Council has by an Instrument of Delegation delegated powers and responsibilities to the Chief Executive Officer. In turn, the Chief Executive Officer has delegated powers, responsibilities and financial purchasing limits to Officers as appropriate to perform their duties.

Officers must be aware of their role and financial responsibilities and must ensure that all purchases they make are within their delegated authority. In the case of a purchase exceeding their authority the intended purchase should be referred to an appropriate officer with suitable delegated levels. Under no circumstances is a single purchase to be dissected into smaller dollar values in order to circumvent the prescribed financial delegations.

It should be noted that no employee can raise a purchase order or authorise reimbursement for their own training/conferences and associated costs (such as accommodation and meals) and this should at all times be referred to their line manager for approval and authorisation.

Panel of Contractors

A panel of contractors is a contractor/company that has been appointed following an open tender process. A panel of contractors cannot be appointed in any other manner. Unless specified during a tender process, no minimum quantity of work or turnover is guaranteed to any contractor on the panel.

Benefits of appointing a panel of contractors include:

- Savings in time and money;
- Provide higher level of quality;
- Faster turnaround times; and
- Increased confidentiality.

A panel of contractors should be appointed for one (1) year with a further option to extend for two (2) x one (1) years to a maximum of three (3) years, subject to contract requirements.

Council's panel of contractors should always be utilised whenever possible. A full list is available from the OnBudget section within InSites. When utilising any contractor within the panel "best value for money" should always be the first consideration.

If a contractor on the panel has provided a schedule of rates for services during the tender process, direct appointment may be made up to a maximum of:

- \$80,000 for any single venture (plant & equipment hire).
- \$50,000 for any single venture (excluding plant & equipment hire)

For works exceeding the above mentioned maximum limits, three quotes must be obtained to ensure value for money. Any project, single purchase or a combination of approved contractors are not to be utilised to bypass the requirements to tender where the total project cost may exceed the legislated limits for tendering. If a schedule of rates was not provided, then a preferred supplier is to be selected by standard competitive quotation or tender process, subject to the value of the service or works (refer Thresholds section below).

Approval to complete the works or services, by panel contractors, is subject to normal limits for Council's financial delegates. Preferred panel contractors, selected by the competitive quotation process, may be approved by either the Director (subject to financial delegation limits) or the CEO.

Provided the preferred contractor is pre-approved by Council (member of the panel of contractors), the CEO may approve the supplier appointment notwithstanding that the services / works may exceed normal delegation limits. CEO approval of amounts above delegation limits only applies where:

- The preferred contractor is pre-approved by Council as a member of the contractors panel; and
- The services / works to be performed were identified in the tender specifications that gave rise to the panel of contractors; and
- The services / works are to be performed within the contract term pre-approved by Council.

Where the preferred contractor is pre-approved by Council to carry out services / works within the contract term, then it is deemed that the CEO is not exercising a financial delegation, by approving the preferred supplier, but rather exercising the resolution of Council.

Where the above conditions are not met, and the value of the works or service exceeds the CEO delegation, then the matter is to be the subject of a public tender prior to selection and approval of a preferred supplier.

Procurement Vehicle

The acquisition of goods and services for which the estimated expenditure exceeds \$150,000 and carrying out of works for which the estimated expenditure exceeds \$200,000 must be undertaken by public tender.

Contractor Register (Approved Suppliers)

Council has established a pre-qualified contractors register for those contractors who have submitted their insurances, qualifications, and OH&S documentation. These contractors/suppliers have not been through a public tender so have not submitted a schedule of rates. As a schedule of rates was not provided, then a preferred contractor/supplier is to be selected by standard competitive quotation or tender process, subject to the value of the service or works (refer Thresholds section below).

New contractors/suppliers can be added to the Contractors Register at any stage throughout the year via the process on Promapp: *Register a new contractor*.

Thresholds

There are a number of methods by which goods and services can be purchased, however not all methods are appropriate to all circumstances. The critical factors in determining the most appropriate method to purchase goods or services are the value of the purchase, the extent of risk associated with the purchase and any other complexities involved in the purchase decision.

Other factors such as market size/potential suppliers and time constraints may affect the decisions made in regards to the procurement process.

The current legislated value of contracts for which a formal public tender is to be conducted by Council is \$150,000 GST inclusive for contracts for goods and services and \$200,000 GST inclusive for contracts for the carrying out of works.

It should be noted that the thresholds as detailed below for a formal public tender will come into effect when one of the following occurs: 1) the cumulative supplier spend per financial year exceeds or is expected to exceed the threshold or 2) the expected spend per project exceeds the threshold.

In order to ensure that unforeseen variations will not cause Council to be non-compliant with the requirements of the Act, the following table sets out Council's policy regarding procurement processes to be followed based on the value of the purchase.

Value of Purchase (exc GST)	Method of Purchasing / Selection of Supplier
Under \$5,000	<ul style="list-style-type: none"> Officers are able to determine the most appropriate process as identified in Council's Procurement Guidelines.
\$5,000 - \$25,000	<ul style="list-style-type: none"> Minimum 2 written quotations (exemptions provided for in the Procurement Guidelines).
\$25,001 - \$100,000	<ul style="list-style-type: none"> Minimum 3 written quotations (exemptions provided for in the Procurement Guidelines).
\$100,001 - \$125,000 relating to contracts for the purchase of goods and services	<ul style="list-style-type: none"> Formal quotation required - Contracts Officer to be contacted Minimum 3 written quotations (exemptions provided in the Procurement Guidelines). May be publicly advertised. Formal contract agreement should be implemented if the purchase involves high risk for Council. Use of agency contracts (e.g. Procurement Australia) may be considered. Public Tender may be used depending on risk, complexity or where project estimates are close to \$125,000 for contracts for the purchase of goods and services.
\$125,001 and over relating to contracts for the purchase of goods and services	<ul style="list-style-type: none"> Public Tender is required. Option to Tender, or conduct Expression of Interest (EOI) followed by a Tender, as defined in <i>Local Government Act 1989</i> s.186. Use of agency tenders, (e.g. MAV Procurement) subject to Ministerial approval, may be considered.

	<p>Contracts that are exempt from tendering are:</p> <ol style="list-style-type: none"> 1. contracts entered into because of an emergency 2. contracts entered into with Council acting as the agent for a group of Councils, and the Council has otherwise complied with the Act 3. contracts entered into in accordance with arrangements approved by the Minister; and 4. contract types that have been exempted from this section by regulations.
<p>\$100,001 - \$170,000 relating to contracts for the carrying out of works</p>	<ul style="list-style-type: none"> • Formal quotation required. Contracts Officer to be contacted. • Minimum 3 written quotations (exemptions provided for in the Procurement Guidelines). • May be publicly advertised. • Formal contract agreement should be implemented if the purchase involves high risk for Council. • Use of agency contracts (e.g. MAV Procurement) may be considered. • Public Tender may be used depending on risk, complexity or where project estimates are close to \$170,000 for contracts for the carrying out of works.
<p>\$170,001 and over relating to contracts for the carrying out of works</p>	<ul style="list-style-type: none"> • Public Tender is required. • Option to Tender, or conduct Expression of Interest (EOI) followed by a Tender, as defined in <i>Local Government Act 1989</i> s.186. • Use of agency tenders, (e.g. Procurement Australia) subject to Ministerial approval, may be considered. <p>Contracts that are exempt from tendering are:</p> <ol style="list-style-type: none"> 1. contracts entered into because of an emergency 2. contracts entered into with Council acting as the agent for a group of Councils, and the Council has otherwise complied with the Act 3. contracts entered into in accordance with arrangements approved by the Minister; and 4. contract types that have been exempted from this section by regulations.

Specific details regarding application of these procurement processes are included within Council's Procurement Guidelines. If any officer is unclear regarding their responsibilities in regards to procurement they should seek advice from the Manager Financial Services.

Compliance

Compliance with this policy, including associated guidelines, is mandatory.

Officers must bring any instances of non-compliance to the attention of their direct Manager or Director. The Manager or Director must then notify the Manager Financial Services of the non-compliance and any remedial action taken.

Non-compliance with this policy is taken seriously and will be dealt with in accordance with Council's [Disciplinary Procedure](#).

Council Plan Objective/Strategy

Council Plan 2017-2021; Objective - to improve organisational effectiveness.

Strategies for effectiveness - streamline processes by reviewing internal processes to reduce red tape and increase efficiency.

Legislation & Standards

Local Government Act 1989 – s.186A Procurement Policy

Section 186A of the Act requires Councils to prepare and approve a procurement policy which must include the principles, processes and procedures that will apply to all purchases of goods, services and works by the Council.

Local Government Act 1989 – s.186 Competitive Process

Section 186 of the Act requires Councils to undertake a competitive process to test the market by giving public notice before entering into a contract when the value of the contract is equal to or greater than:

- \$150,000 GST inclusive for contracts for goods and services, and
- \$200,000 GST inclusive for contracts for the carrying out of works.

These thresholds are reviewed from time to time and any amendments fixed by an Order in Council. (Refer Appendix 1 - Order in Council dated 5 August, 2008)

While there are some exceptions to this, the general principle is that, as a minimum, purchases of these amounts should be opened up to appropriate levels of competition.

Council interpretation of s. 186 Competitive Process

There is no specific length of time applicable to a contract for the purpose of applying thresholds under section 186 of the Act. Where significant amounts are spent in aggregate either on one supplier or for one service over time, Council will determine whether section 186 of the Act applies based on the optimum period for the contract, on the basis of value for money, the efficiency and effectiveness of the procurement and the assessed value.

Local Government Act 1989 – s. 208 Best Value Principles

Section 208 of the Act sets out the Best Value Principles through which Councils are required to determine the most effective means of providing a service to the community. The Act also sets out a number of factors which may be taken into account when applying the principles, for example:

- The need to review services against the best on offer in both the public and private sectors
- An assessment of value for money in service delivery
- Community expectations and values
- The balance of affordability and accessibility of services to the community
- Opportunities for local employment growth or retention
- The value of potential partnerships with other governments (Local, State, and Commonwealth)
- Potential environmental advantages for the municipal district.

These principles apply to the delivery of services as a whole and should be applied by officers when making purchasing decisions on behalf of Council.

Responsibilities

The Director Corporate Services is responsible for the good governance of Council's procurement practices. The Manager Financial Services is responsible for the development and management of this policy. The Contracts Officer is responsible for assisting delegated purchasing officers and facilitating compliant tender and contract processes and procedures.

Monitoring of the Procurement Policy will be through:

- day to day enforcement of the processes as defined in the Procurement Guidelines by the officer/s responsible for processing the final payments for purchases made on behalf of Council
- periodic scrutiny of the processes as defined in the Procurement Guidelines by the officer/s responsible for authorising the final payments for purchases made on behalf of Council; and
- Internal Audits.

Stakeholders

Mayor, Councillors, Chief Executive Officer, Director Corporate Services, Manager Financial Services, Contracts Officer, all delegated purchasing officers and all other Council staff, temporary employees, contractors and consultants while engaged by Council.

Review

This policy will be reviewed annually, in line with the *Local Government Act 1989*, section 186A. If the policy is deemed to require only minor changes then the review process is to inform Councillors through the Councillor Bulletin. Significant alterations to the policy will require the Council to adopt the changes.

Communication & implementation

Northern Grampians Shire Council's EDRMS infoXpert
Procurement Guidelines
Council induction and in-house training presentations

References

Victorian Local Government Best Practice Procurement Guidelines 2013
MAV Model Procurement Policy (August 2011)
Local Government Victoria Conflict of Interest Guidelines
Procurement Guidelines
Staff Code of Conduct
Councillor Code of Conduct
Public Interest Disclosures
Fraud Policy and Fraud Awareness Training
Council Purchasing Delegations
Standard Tender and Contract documents
[Disciplinary Procedure](#)

Privacy and Data Protection compliance

All Council policies must consider the *Privacy and Data Protection Act 2014* and the *Victorian Protective Data Security (VPDSS) Framework* which adopts a risk-based approach to protective data security. This policy includes relevant, identified security risks and governance arrangements in place to protect security across the domains of information, personnel, ICT and physical.

Charter of Human Rights compliance

It is considered that this policy does not impact on any human rights identified in the *Charter of Human Rights & Responsibilities Act 2006*.

Definitions

In this Policy, the following words and phrases have the meanings set out below:

Procurement/Purchasing – to buy or acquire products, goods or services using Council's operational or capital works budgeted funds in order to deliver outcomes consistent with Council's objectives.

Category – an area of spending determined by market boundaries separating different products, services or industries.

Category Management – recognising suppliers within certain markets that are likely to have similarities which enable a tailored approach to procurement.

Conflict of Interest - an interest, pecuniary or otherwise, that could conflict with the proper performance of duties, or conflict or incompatibility between personal interests and the impartial fulfilment of public or professional duties.

Expression of Interest – Public request for organisations to register their interest in the supply of goods or services but without providing details of pricing, conducted in accordance with section 186(2) of the Act.
Sustainable Procurement – a process whereby Council meets its needs for goods and services and works in a way that achieves value for money on a whole of life basis in terms of generating benefits not only to Council, but also to society and the economy, whilst minimising damage to the environment.

Tender / Request for Tender – Public request for organisations to submit a bid for the supply of goods or services, including pricing and other relevant information which demonstrates their ability to meet the specification and address the relevant selection criteria.

Procurement Australia (Maps Group) / MAV Procurement – External contracting organisations that act on behalf of all Victorian Local Governments and establish various supply and service contracts at tendered rates.

Review history

Date	Review details	Action
7 November, 2013	Aligned to new format and updated to include information based on the Victorian Local Government Best Practice Guidelines 2013 and MAV Model Procurement Policy (Updated).	Presented to Audit Committee 12 November, 2013 Presented to Council Briefing 18 November, 2013 Presented to Council Meeting 2 December, 2013
18 November 2014	Increase the threshold levels that have remained constant for many years to recognise inflationary increases in costs.	Presented to Audit Committee 25 November, 2014 Presented to Council Briefing 23 November, 2014 Presented to Council Meeting 1 December, 2014
4 November 2015	Altered the review process of the policy to incorporate this statement, "If the policy is deemed to require only minor changes then the review process is to inform Councillors through the Councillor Bulletin. Significant alterations to the policy will require the Council to adopt the changes."	Submitted to the Councillor Bulletin on 4 November, 2015
29 June 2017	Aligned to new format and forwarded to civic support to include in next Councillor Bulletin	Submitted to the Councillor Bulletin on 29 June, 2017
22 August 2018	<p><i>New threshold limits:</i></p> <p>Threshold limit for going to public tender separated into 2 different dollar values being:</p> <ol style="list-style-type: none"> 1. \$125,001 and above relating to contracts for the purchase of goods and services 2. \$170,001 and above relating to contracts for the carrying out of works <p>Amended all NGSC thresholds from GST inclusive to GST exclusive.</p> <p>Included an additional section under thresholds in relation to information on compliance with the policy.</p> <p>New wording around purchase order splitting added.</p>	Presented to Audit Committee 5 September 2018 Presented to Council Meeting 1 October 2018
29 July 2019	<p><i>Thresholds:</i></p> <p>Paragraph 3 added for formal public tender to include cumulative spend per supplier and spend per project.</p>	Presented to Audit Committee 9 September 2019

	<i>Officers Financial Delegations:</i> Paragraph 3 added whereby no employee should be purchasing/reimbursing their own training/conferences and associated costs.	
7 October 2019	Presented to Council Meeting 7 October 2019	
31 August 2020	Panel of Contractors & Contractors Register now included	
7 September 2020	Presented to Council Meeting 7 September 2020	

Appendix 1

1908 G 32 7 August 2008

Victorian Government Gazette

ORDERS IN COUNCIL

Local Government Act 1989

ORDER FIXING THE VALUE OF CONTRACTS FOR WHICH A PRIOR PUBLIC TENDER IS TO BE CONDUCTED BY LOCAL COUNCILS

Order in Council

The Governor in Council under section 186(1) of the **Local Government Act 1989** sets the value of –

- \$150,000 for contracts for the purchase of goods and services: and
- \$200,000 for contracts for the carrying out of works,

for which a Council must, before entering into the contract, give public notice of the purpose of the contract and invite tenders from any person wishing to undertake the contract, or give public notice of the purpose of the contract or the project to which the contract relates and invite expressions of interest from any person interested in undertaking the contract or all, or any part of, the project.

This Order comes into operation on the day it is made.

Dated 5 August 2008

Responsible Minister

RICHARD WYNNE MP
Minister for Local Government

RYAN HEATH
Clerk of the Executive Council

10.2 Credit Card Policy

Mr Malcolm Lewis will provide an update on the Credit Card Policy.

Outcome

Malcolm gave an overview of the Credit Card Policy and noted that various updates had been made to the document including the move to an annual review of cardholders together with the individual transactions by the CEO and Mayor being provided to Council on a regular basis.

Peter noted the policy and the endorsement to Council.

Moved - Mr Tony Roberts

Seconded - Cr Karen Hyslop

Carried

Attachments

1. Credit Card Policy [10.2.1 - 5 pages]

Credit Card Policy

Administration Policy

June, 2020





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Credit Card Policy



Administration Policy

Responsible director
Responsible officer
Functional area
Date adopted by ELT
Review date

Director Corporate Services
Manager Financial Services
Financial Services
June 2020
July 2022

Purpose

The purpose of this policy is to set out the framework by which corporate credit cards will be issued and used.

Background

Council currently has a corporate credit facility of \$250,000. Whilst it is important to provide a convenient and efficient method of purchasing, it is equally important to ensure that all transactions adhere to acceptable internal control requirements.

Policy

Corporate credit cards shall be used only for Council business activities and for the purchase of goods in accordance with Council's Procurement Policy.

Credit cards will be issued with the credit limits in [Appendix A - credit cardholders](#). The individual transaction limit for cardholders will be in line with, or no more than, the approved purchasing delegation as per *S7. Instrument of Sub-Delegation by the Chief Executive Officer (CEO)*. Credit cards will only be issued when it is established that the anticipated usage of the card is warranted.

On receipt of a credit card, the named cardholder must complete a Credit Card Acknowledgment and Undertaking form as found in the [New credit cardholder process](#). On an annual basis, cardholders must complete an annual declaration to acknowledge their continued understanding of being a corporate credit cardholder.

Cards will not be authorised for cash advances, and card limits must not be exceeded.

Cardholders are responsible for keeping their card details and personal identification number (PIN) secure and not permitting the card to be used by any other person. Any unauthorised use may be regarded by Council as fraud, will be treated as directed by the *Fraud Prevention Policy*, and the cardholder will be subject to Council's disciplinary process.

The loss or theft of a credit card must be immediately reported by the cardholder to the card provider regardless of the time or day discovered. The cardholder must also formally advise the Manager Financial Services of the loss or theft on the next working day. Advice of a damaged card is to be provided to the Manager Financial Services who will organise a replacement card.

Expenditure which may validly be charged against the corporate credit card includes (but is not limited to) expenses associated with approved conferences (eg meals), work related activities of the cardholder, elected members and guests of Council, minor equipment, stationery or business expenses incurred in the course of the employee's duties, or as authorised under any contract of employment.

Credit cards cannot be used for fuel purchases or booking of travel and accommodation. Fuel purchases for Council vehicles are to be charged to the relevant pool vehicle fuel card while travel and accommodation is to be booked directly by the Governance team.

Goods and Services Tax (GST) can be claimed as an input tax credit by Council. For this to happen it is essential that all suppliers who are registered for GST provide a valid tax invoice or tax receipt. All purchases must be supported by an invoice/receipt stating the type of goods purchased, amount of goods purchased, the price paid for the goods and the GST status (if the supplier is registered for GST).

The cardholder is responsible for retaining all documentation pertaining to purchases made with their credit card, and ensuring that it is provided for administration purposes as per the *Credit Card Process* guides on Promapp. Non allocation of transactions on a recurring basis will result in suspension of the credit card.

Council is responsible for the settlement of all credit card transactions, provided that all transactions have been made in an appropriate manner, as per this policy and the *Credit Card Process* guides on Promapp.

A member of the finance team will review the monthly expenditure undertaken by each staff member. All receipts and documentation will be reviewed and any expenses that do not appear to represent fair and reasonable business expenses shall be referred to the Manager Financial Services/CFO for a decision. Should the expense be deemed as a non business expense recovery of the expense shall be met by the cardholder.

Credit card expenditure incurred by the CEO and the Mayor is to be referred to the Director Corporate Services for a secondary review prior to reporting to the Audit and Risk Committee as well as reporting to Council.

Credit limits are reviewed annually for all cardholders. In an emergency situation the CEO has the discretion to increase one or more of the card limits should this be considered necessary. The CEO is to report back to Council on the extent of the increase in the credit card limits as soon as practicable after the event.

Any breach in Council policy will be reported to the Audit and Risk Committee and may result in the suspension of the credit card for repeat occurrences.

Council Plan Objective/Strategy

Improve organisational effectiveness - streamline processes by reviewing internal processes to reduce red tape and increase efficiency

Legislation and Standards

Local Government Act 1989

Responsibilities

The Manager Financial Services is responsible for the administration of credit cards, and for the review and management of this policy.

Stakeholders

Mayor, Councillors, Chief Executive Officer, Director Corporate Services, Manager Financial Services, all staff issued with credit cards.

Review

This policy and related credit card processes will be reviewed in two years, unless changed circumstances require an earlier review.

Communication and implementation

This policy will be communicated via credit card training and InfoXpert and will be referred to in the *Credit Card Process* guides on Promapp.

References

Fraud Prevention Policy
Councillor Code of Conduct
Procurement Policy
Procurement Procedures
Staff Code of Conduct
[New credit card holder process](#)
[Appendix A - credit card holders](#)

Privacy and Data Protection compliance

All Council policies consider the *Privacy and Data Protection Act 2014* and the *Victorian Protective Data Security (VPDSS) Framework* which adopts a risk-based approach to protective data security. Governance arrangements are in place to protect security across the domains of information, personnel, ICT and physical.

Gender Equality Act 2020

This policy considers relevant gender equality principles, workplace gender equality of rights, opportunities, responsibilities and outcomes and the promotion of gender equality in the policies, programs and services it delivers.

Charter of Human Rights compliance

It is considered that this policy does not impact on any human rights identified in the *Charter of Human Rights & Responsibilities Act 2006*.

Definitions

Credit card: A credit card issued by Northern Grampians Shire Council to a person

Cash advances: Withdrawing cash using a credit card, either at an ATM or an over the counter transaction

Tax invoice: A tax invoice is a document containing the details for a transaction that **is yet to be paid** as per the ATO website. Including the itemised GST treatment of a transaction.

Tax receipt: A tax receipt is a document containing the details for a transaction that **has been paid for** as per the ATO website. Including the itemised GST treatment of a transaction.

Review history

Date	Review details	Action
04/05/2015	No major changes	Adopted by Council
23/05/2017	Reviewed in line with new credit card rollout. Changed to administration policy Changed review period to be in line with Council policy Changed facility limit Changed types of purchases allowed with a credit card	
27 June 2017	Reviewed by Audit Committee	Approved
22 July 2019	Included paragraph on Privacy and Data Protection Compliance	
June 2020	Policy reviewed and updated	

11 Next Meeting - Wednesday, 2 December 2020 at 9am

Virtual Meeting.

Next meeting - Wednesday 2nd December 9am (virtual meeting)

The CEO extended her thanks to Cr Karen Hyslop and Cr Kevin Erwin for their attendance at these meetings and noted that this was the Councillors last meeting due to the end of the current Councillor term.

12 Close

The meeting closed at 11.08am.