

Finance/Performance Meeting

Tabled Documents

30 July 2020

Item 8	Chair's Report
Item 10	Unsealed road useful life change

Chairs report, July 2020
Finance & Performance Committee

TABLED DOCUMENT

Tabled at Finance Performance
on 30 July 2020

Welcome to the Finance and Performance Committee meeting for July 2020.

Today's order paper for Finance and Performance, whilst light, contains some pertinent and valuable information for the committee to assess. Of particular note is the paper on house sales happening within our district. House sale numbers are slightly down on the same time last year, however, the value of sales has increased. Marton urban is showing a huge amount of interest and also remembering that this does not reflect new house builds which are happening at an astounding pace. With the current subdivision developments taking place, this trend will continue for some time. The policies that Council have put in place to attract people to our district are showing their fruits!

Ms Devine has provided some valuable commentary on Council's financial performance and no doubt there will be some questions from the committee. One particular area which has had a significant impact on the ratepayer is the depreciation on our re-valued assets. This is a substantial figure and I wonder if this has been a common concern across other Councils of similar topography to ours.

The capital works program has again showed significant differences as to what has been budgeted. This has been a continual trend that I have noticed in my time on Council. I believe we should be having some vital discussions leading into our setting of the new LTP around realistic timeframes of rolling out what are large projects over the next 3 or more years. Whilst the impact to the ratepayer is not felt until these projects are completed, my fear is that we are pushing a bow wave out further that will eventually have an enormous financial impact on our ratepayer base in a very short time span.

I look forward to everyone's valuable input today.

Nigel Belsham

Finance & Performance Committee Chair

MEMORANDUM

TO: Finance & Performance Committee

FROM: Jo Devine

DATE: 29 July 2020

SUBJECT: **Unsealed road useful life change**

FILE: 5-FM-2-2

A complete Roading asset valuation as at 30 June 2019 was undertaken by an Independent Valuer. This 3 yearly valuation included unsealed roads. Part of this review identified that the unsealed road useful life had increased from 7 years to 19 years.

There are two main reasons for this change in methodology:

- The actual physical work undertaken on an unsealed road does not actually result in a creation of a new singular asset. With a sealed road you can physically identify that a section of roading is new; but with an unsealed road the network is continually maintained through the application of metal and grading.
- The depreciation method used for Roading assets is straight line where it is determined that there is a useful life that can be identified. With the unsealed roads there expected life can be considered to be infinite if they are consistently maintained. There is a commitment of expenditure to unsealed roading on an annual basis to ensure that the network is always maintained.

If the previous valuation approach was continued it would have the effect of depreciating the asset to a minimum remaining life of one year. The 2019 valuation method reset the default construction. If the approach was not changed it could have produced a result where the annual depreciation charge was greater than the expenditure incurred to keep the asset maintained.

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