



two ways :: one outcome

**AGENDA**  
**FINANCE COMMITTEE MEETING**  
**TUESDAY, 14 OCTOBER 2014**

The Finance Committee Meeting of the Central Desert Regional Council will be held in the Bagot Street on Tuesday, 14 October 2014 at 2:00pm.



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**GENERAL BUSINESS**

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**ITEM NUMBER** 7.1  
**TITLE** Central Desert Regional Council Asset Write-Downs  
**REFERENCE** \COUNCIL AGENDAS AND MINUTES\FINANCE COMMITTEE MEETING\2014\2014 - 5.1 FINANCE COMMITTEE MEETING 14 OCTOBER, 2014 - 253375  
**AUTHOR** Edward Fraser, Director Finance and Corporate Services

**DUE DATE** 14 October, 2014

**LINKS TO STRATEGIC PLAN**

Goal 02: Physical Assets

Goal 05: Management and Governance

**RECOMMENDATION:****That Council:**

1. Approve the asset write off for a range of agency properties as outlined in attachment 1 that the Council has not applied for Section 19 or community living area leases over in 2013/14. This is an asset write down of \$4,756,678.33 at cost and \$3,850,301.41 written down value as at 30<sup>th</sup> June 2014.
2. Approve the write off for a range of non agency lease properties that the Council has not applied for Section 19 or community living area leases over as per attachment 2. This is an asset write off of \$6,489,969.64 at cost and \$5,508,239.91 written down value as at 30<sup>th</sup> June 2014.
3. Approve a write down to a Work In Progress item at Lajamanu Oval with a write down amount of \$71,818.18 as at 30<sup>th</sup> June 2014.
4. Approve the write off of an asset in relation to Yuelamu office worth \$121,817.48 as at 30<sup>th</sup> June 2014.

**SUMMARY:**

As part of our annual audit process the council reviews its treatment of assets. The introduction of section 19 leases has necessitated a review of the values of the assets reflected in the council's asset register. This report seeks approval of the finance committee to reduce asset values

**BACKGROUND**

The Council is being asked to consider asset write downs (that is reducing the value of assets within the asset schedule to zero) to a number of assets. The write downs arise from two circumstances:

1. The clarification of the section 19 leases and its implications on asset schedules, and
2. Corrections that have been identified during a recent asset review.

The Council's list of built assets has been developed over a number of years from the following sources:

1. Assets transferred from the community government councils;
2. New assets gifted or built by the Council; and
3. Allocation of responsibility for assets during the Northern Territory National Emergency Response.

During the intervention all buildings which have traditionally been used by the Council were allocated to the Council irrespective of the underlying legal ownership of the building or land. Unfortunately, at this time there were some buildings which were erroneously allocated to the Council which for various reasons have continued to be recorded in the asset schedule.

#### Section 19 Adjustments

Land in communities has always been owned by the Land Trusts. Until the compulsory leasing of land by the commonwealth government as part of the Northern Territory National Emergency Response, ownership of land and the ownership of the assets on this land had been informally vested with the community government councils on behalf of the various communities.

As the CLC has formalized the land leasing process through the granting of section 19 leases, the ownership of land and, therefore, the right or obligation to reflect assets on asset schedules, has become more formal.

As the Council has negotiated leases with the CLC it has become clear that a number of properties that have been traditionally considered to be owned by the Council are not. These include:

- Buildings which have erroneously been included on the asset schedule; and
- Buildings which rightfully belong to other agencies.

The Council has been in negotiation with the Commonwealth Government for some time regarding the granting of Section 19 leases on agency properties. The Council has clearly communicated with the various commonwealth departments that the Council considers the section 19 leases on these properties to be the agency responsibility because:

- The Council only provides services in these buildings because they have been contracted to do so;
- The Council would not require the building should the agency reallocate the service contract and does not want to take a lease over the lot of a period greater than the contract period; and
- The Council is not responsible for any capital improvements or maintenance on these properties other than through grant application to the agencies.

In financial accounting, an asset is an economic resource. It is something that is capable of being owned or controlled to produce value represent value of ownership that can be converted into cash.

Given the reasons outlined above, the Council does not consider these buildings to be assets and the Council needs to recognize this decision in its asset schedules.

The Council should note that the correct method of reflecting assets under section 19 leases is still contentious and LGANT and the NTG are still developing guidance notes on this subject. This will be the subject of a further paper.

#### Summary of recommendations

The following is a summary of each of the four related areas for council consideration and decision.

1. Write off for a range of agency lease properties with a written down value as at 30<sup>th</sup> June 2014 of \$3,850,301.41.

As discussed above, the Council has identified a range of properties (Attachment 1) that rightfully belong to other agencies. These buildings are currently being used by the Council and the Council, may at some future point, apply for section 19 leases over these properties.

As these buildings are not owned by the Council and can not be sold, it is recommended that Council approve the asset write down on these properties.

2. Write off for a range of non agency properties with a written down value as at 30<sup>th</sup> June 2014 of \$6,489,969.64.

During the asset review, a number of properties were identified that are not considered to be Council property. It is recommended that Council approve the asset write down for a range of properties

where Council has no responsibility for such properties and will not be applying for section 19 leases over.

A list of non agency properties is provided in attachment 2 showing the value by which the asset list will be reduced.

3. Write off to a Work In Progress item at Lajamanu Oval with a write down amount of \$71,818.18 as at 30th June 2014.

An analysis of the WIP (WIP Ref: No in Techone NF0000 59) showed that this work was for resheeting and reshaping of Lajamanu oval and this work has no current value.

It is recommended Council approve changes to Work in Progress recorded that was incorrectly capitalised worth \$71,818.18.

4. Approve the write off of an asset in relation to Yuelamu office worth \$121,817.48 as at 30th June 2014.

This amount relates to various payments made for earlier works at the Yuelumu office in particular architect fees and ground preparation works. In 2013/14 further review of the plans in light of the available funds resulted in the Council progressed a smaller project that did not utilize this work previously undertaken and so the work has no value.

## **ISSUES, CONSEQUENCES AND OPTIONS**

The write down of assets is required to ensure an accurate record of our assets in the balance sheet.

### **Legislative Considerations**

Council is required as per the Local Government (Accounting) Regulations 2014, section 23 (2) Writing off money or property which states:

(2) if a council is satisfied, on the certificate of a responsible officer, that an item of property has been misappropriated, destroyed or damaged beyond economical report, or cannot be found, the council may authorise the writing off of the item in the accounts of the council.

## **FINANCIAL IMPLICATIONS**

The write down of assets will have a significant impact on the Council's balance sheet and also reduce its non-cash depreciation expense.

The asset value for 2013/2014 will be reduced by a total of \$9,358,541.32.

It should be noted that this adjustment is a balance sheet adjustment and does not impact on any actual cash reserves held by the organization.

**ATTACHMENTS:**

- 1 Agency lease properties that Council has not applied for a Section 19 or Community Living Area lease over in 2013-14
- 2 Other Lease properties that Council has not applied for a Section 19 or Community Living Area Lease over in 2013-14



Attachment A  
Agency Lease properties that Council has not applied for a Section 19 or Community Living Area Lease over in 2013-14

Community	Lot No.	Description	Type	Area (m <sup>2</sup> )	Fair Value/Asset Cost	Annual Depreciation	Fair Value	Depreciation 1 0-11 to 12-13	Depreciation 13-14	Written down value at 30th June 2014
ATTIERE	84	COMMUNITY PURPOSES	WOMENS CENTRE/child care	60	8,772	1,754	8,772	5,283	1,754	1,754.40
ATTIERE	84	COMMUNITY PURPOSES	Site Development/child care	1	1,344	269	1,344	806	269	268.75
ATTIERE	95	HOUSING - OTHER	STAFF HOUSING/tenancy housing	77	148,885	8,028	148,885	24,087	8,028	116,878.00
LALAMAMU	246	RECREATION/OPEN SPACE	ART CENTRE/BRACKSPAC	341	91,569	18,312	91,569	54,935	18,312	18,311.70
LALAMAMU	245	RECREATION/OPEN SPACE	Site Development PARK	1	5,375	269	5,375	806	269	4,300.00
LALAMAMU	246	HOUSING - COMMUNITY	WOMENS CENTRE Dept Children & Families NT Gov	148	372,980	21,135	372,980	63,405	21,135	288,420.00
LALAMAMU	364	COMMUNITY PURPOSES	COMMUNITY CARE CENTRE/PARK	229	381,285	23,640	381,285	71,820	23,640	285,525.00
NIWRRIPI	25	COMMUNITY PURPOSES	WOMENS CENTRE (AGED ACCOMMO	133	526,148	17,201	526,148	51,003	17,201	455,944.00
NIWRRIPI	54	HOUSING - COMMUNITY	CHILD CARE	114	376,257	12,932	376,257	38,796	12,932	324,529.00
NIWRRIPI	60	COMMUNITY PURPOSES	BRACKSPAC	38	37,280	2,484	37,280	7,482	2,484	27,324.00
NIWRRIPI	142	COMMUNITY PURPOSES	MORQUE	25	138,000	3,450	138,000	10,360	3,450	124,200.00
NIWRRIPI	142	COMMUNITY PURPOSES	Site Development	1	1,438	144	1,438	431	144	862.50
WILLDORRA	15	COMMUNITY PURPOSES	VISITORS ACCOMMODATION/Tenancy H	36	83,180	3,259	83,180	9,777	3,259	70,124.00
WILLDORRA	27	COMMUNITY PURPOSES	NIGHT PATROL/PAC	42	162,984	4,836	162,984	14,508	4,836	143,640.80
WILLDORRA	27	COMMUNITY PURPOSES	NIGHT PATROL - SHED PAC	38	34,927	713	34,927	2,138	713	32,078.00
WILLDORRA	52	COMMUNITY PURPOSES	WOMENS QUARTERS	127	528,066	15,981	528,066	47,943	15,981	484,142.00
YUELIAMU	34	COMMUNITY PURPOSES	SPORTS FACILITY (PRE-SCHOOL) CA	98	83,700	6,370	83,700	19,110	6,370	39,230.00
YUELIAMU	34	COMMUNITY PURPOSES	Site Development	1	2,500	250	2,500	750	250	1,500.00
YUELIAMU	41	COMMUNITY PURPOSES	CRS/CHC (CLINIC)	80	177,120	4,320	177,120	12,680	4,320	159,940.00
YUELIAMU	41	COMMUNITY PURPOSES	Site Development	1	7,750	250	7,750	750	250	6,750.00
YUELIAMU	42	COMMUNITY PURPOSES	WOMENS CENTRE Aged care	84	134,400	7,459	134,400	22,377	7,459	104,584.00
YUELIAMU	487	COMMUNITY PURPOSES	WOMENS CENTRE NP	187	224,400	18,077	224,400	54,231	18,077	152,092.00
YUELIAMU	537	COMMUNITY PURPOSES	CHILD CARE	316	711,000	44,231	711,000	132,883	44,231	534,078.00
YUELIAMU	537	COMMUNITY PURPOSES	CHILD CARE - SHED	77	47,183	1,348	47,183	4,043	1,348	41,772.50
YUELIAMU	537	COMMUNITY PURPOSES	Site Development	1	30,000	1,500	30,000	4,500	1,500	24,000.00
YU-000444	364	Aged Care Building Upgrade Lignam anu			382,004.14	12,733.34	382,004.14	9038.44	12,733.34	360,238.36
YU-000470	537	Child Care Kitchen Upgrade Yueliamu			28,029.32	1,401.47	28,029.32	2918.13	1,401.47	23,709.72
YU-000481	75	Aged Care Bathroom Upgrade Larambe			50,073.82	2,503.69	50,073.82	3338.25	2,503.69	44,231.88
<b>TOTALS</b>					<b>4,759,678.33</b>	<b>671,117</b>	<b>4,759,678.33</b>	<b>285,250</b>	<b>285,250</b>	<b>3,890,301.41</b>

Attachment A and B for Council Approval of Write off Assets 18-14 (2)

18/10/2014

**Attachment B  
Other Lease properties that Council has not applied for a Section 19 or Community Living Area Lease over in 2013-14**

Community	Lot No.	Description	Type	Area (m2)	Fair Value	Annual Depreciation	Fair Value	Depreciation 10-11 to 12-13	Depreciation 13-14	Written Down Value as at 30th June 2014
ATTIERE	18	BUSINESS	SHOPSTORE	325	419,250	13,975	419,250.00	41,925	13,975	388,350
ATTIERE	18		Site Development	1	4,031	289	4,031.25	806.25	268.75	2,956.25
ATTIERE	108	COMMUNITY PURPOSES	ARTS AND CRAFTS my pathways	103	88,580	4,429	88,580.00	13,287.00	4,429.00	79,864.00
ATTIERE	108		Site Development my pathways	1	6,450	430	6,450.00	1,290.00	430.00	4,730.00
ATTIERE	108A	COMMUNITY PURPOSES	RURAL TRAFFIC CENTRE way pathways	137	508,982	15,280	508,982.40	48,840.00	15,280.00	447,862.40
ATTIERE	108B	COMMUNITY PURPOSES	TOILET BLOCK way pathways	26	22,360	2,236	22,360.00	6,708.00	2,236.00	13,416.00
ATTIERE	79A	AGED SERVICES	My pathways	45	58,050	4,257	58,050.00	12,771.00	4,257.00	41,022.00
ATTIERE	79B	AGED SERVICES	My pathways	45	58,050	4,257	58,050.00	12,771.00	4,257.00	41,022.00
ATTIERE	79C	AGED SERVICES	My Pathways	18	61,920	2,627	61,920.00	7,881.00	2,627.00	51,412.00
ATTIERE	79D	AGED SERVICES	My pathways	18	61,920	2,627	61,920.00	7,881.00	2,627.00	51,412.00
LAJAMAU	240	RECREATION/OPEN SPACE	COOPERATIVE LIBRARY BAYSHOR	372	1,562,400	46,872	1,562,400.00	140,616.00	46,872.00	1,374,912.00
LAJAMAU	324	RECREATION/OPEN SPACE	RECREATION HALL WYDAC	532	239,400	23,940	239,400.00	71,820.00	23,940.00	143,640.00
LAJAMAU	411	HOUSING - OTHER	WORKSHOP	483	186,283	15,826	186,282.50	46,878.75	15,826.25	93,577.50
LAJAMAU	412	HOUSING - OTHER	WORKSHOP	228	115,425	7,685	115,425.00	23,085.00	7,685.00	84,645.00
NYIRRIPI	11		WORKSHOP	99	22,770	2,277	22,770.00	6,831.00	2,277.00	13,662.00
NYIRRIPI	11		Workshop	1	2,875	288	2,875.00	882.50	287.50	1,725.00
NYIRRIPI	88	HOUSING - OTHER	VISITORS ACCOMMODATION SILVER B	30	13,800	2,760	13,800.00	8,280.00	2,760.00	2,760.00
PARARA JUTUNTA	70		ABUITIONS	48	34,300	3,430	34,300.00	10,290.00	3,430.00	20,580.00
WILLOWRA	23	COMMUNITY PURPOSES	ABUITIONAL LAUNDRY	24	23,760	1,584	23,760.00	4,752.00	1,584.00	17,424.00
YUENDUMU	327	INDUSTRIAL	OTHER	53	8,275	928	8,275.00	2,782.50	927.50	5,565.00
YUENDUMU	370	RECREATION/OPEN SPACE	SPORTS FACILITY TBRREDSH STREET WYDAC	2132	1,972,100	53,300	1,972,100.00	158,900.00	53,300.00	1,758,900.00
YUENDUMU	370		Site Development	1	18,500	500	18,500.00	1,500.00	500.00	16,500.00
YUENDUMU	420	COMMUNITY PURPOSES	COMMUNITY HALL Disraeli Church	114	95,760	4,860	95,760.00	13,880.00	4,860.00	77,820.00
YUENDUMU	420		Site Development	1	2,500	250	2,500.00	750.00	250.00	1,500.00
YUENDUMU	500	COMMUNITY PURPOSES	COEP - STORE	217	21,700	4,340	21,700.00	13,020.00	4,340.00	4,340.00
YUENDUMU	500	COMMUNITY PURPOSES	COEP - STORE (2)	285	29,500	5,900	29,500.00	17,700.00	5,900.00	5,900.00
YUENDUMU	500	COMMUNITY PURPOSES	COEP - WORKSHOP	216	145,800	4,880	145,800.00	14,580.00	4,880.00	126,360.00
YUENDUMU	500	COMMUNITY PURPOSES	COEP - RESIDENCE	50	52,500	6,517	52,500.00	19,551.00	6,517.00	26,432.00
YUENDUMU	500		Site Development	1	7,500	750	7,500.00	2,250.00	750.00	4,500.00
BU-000486	54	Wetara Music Hall				2,307	46,138.27	3,258.67	2,306.91	40,572.69
BU-000510	108	COEP RESOURCE CENTRE AMHRE				13,398	287,910.83	38,70	13,395.54	254,785.59
BU-000516	11	COEP Activity Centre Nympl				13,931	349,285.09	98,421	13,931.40	333,389.47
BU-000531	108	Hare Range Art Centre				79.4	11,914.31	0.00	794.29	11,120.02
<b>TOTALS</b>					<b>6,489,969.64</b>	<b>714,538.38</b>	<b>6,489,969.64</b>	<b>714,538.38</b>	<b>267,191.15</b>	<b>5,808,239.91</b>

Attachment A and B For Council Approval of White off Assets 13-14 (2)

18/10/2014