

MEDIA RELEASE

Alexandrina Council's Comprehensive Asset Review results in a \$157 million increase in the overall value of Council's Assets leading to increased depreciation costs

20 March 2024

A multi-year comprehensive review of the current valuations of Alexandrina Council's major asset classes of roads (sealed and unsealed), kerb and footpaths has determined an increase of valuations of \$157m from \$143m to \$280m with Council's total assets across all asset classes increasing in value from \$496m to \$665m.

Councils are required by legislation to conduct regular re-evaluations of their assets to meet Australian Accounting Standards.

The process at Alexandrina began in 2022 and involved examination of more than 20,000 sealed roads, unsealed roads, footpaths and kerbing, costings based on current prices for materials and labour, validation of data and integration in Council systems.

The full impact of the asset revaluation and the extensive process undertaken was outlined at Council's independent Audit & Risk Committee Meeting on 8 March 2024 and with the Audit Committee comments, presented to the Council Meeting on 18 March 2024.

Council in considering the report on Asset Management Revaluation Outcomes resolved "That Council acknowledges the significant work undertaken by the CEO and Finance Team since May 2022 to now provide accurate and up-to-date data to inform and give more confidence to current and future decision making".

"The line has been drawn in the sand we now have reliable data to manage our major assets. We have a better understanding of where we are and are now better placed to work with Council and Community to plan for the future," said Alexandrina Council's Chief Executive Officer Nigel Morris.

"Council doesn't renew all its assets at once, but the new figures have shown that our forecast depreciation figure for roads, kerbs, footpaths, and associated infrastructure has risen by \$4.4m.

"Depreciation measures the decrease in value of an asset over time and we account for it, so we set aside sufficient funding to maintain and renew our assets into the future as they wear out.

"The current economic environment of high inflation is a significant factor. Our Independent Auditor advised that councils across the country are facing an increase in costs for fuel, bitumen, and concrete in the range of 30 to 60 per cent.

“Council is responsible for maintaining 793km of unsealed roads, 528km of sealed roads, 120km of pathways and 303km of kerbs so the material price increases really add up!

“At the March Council meeting Council received the audited financial statements for the previous financial year 2022/23 that achieved a minor operating surplus, however with the latest revaluations now finalised the impact of the required depreciation adjustments were made in the current 2023/24 Second Quarter Budget Review where Council has identified a revised forecast operating deficit of \$5.2m.

“It is noted that this figure is distorted due to the timing of receiving Financial Assistance Grants in advance on 30 June 2023, the adjusted Operating Deficit would be \$3,6m to our over \$60m operating budget.

“As we prepare for the next financial year 2024/25 budget process, it was recommended by Council’s external auditors to the Audit Committee that ‘it is unwise and inappropriate to pass sharp increases in rates on to ratepayers in response to significant changes in depreciation estimates. Whilst some increase in rates will be required, appropriately responding requires caution and restraint’.”

Mr Morris said: “Taking this into consideration Council at this week’s Council meeting adopted the Audit and Risk Committee’s recommendation to draft the 2024/25 Annual Business Plan and Budget with an assumption of an average 8.3 per cent rate increase, so we can start addressing the impact of the asset revaluation while continuing to service our community in a financially prudent manner.

“Our draft 2024/25 Annual Business Plan will be presented to the community in May for their important feedback. This will include the rates setting, services provided and project inclusions.”

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