



COUNCIL POLICY

Asset Accounting Policy

Policy Number:	PO124		
Strategic Plan Objective	Goal 5 – Responsible Governance		
Policy Owner:	Director Corporate and Community Services	Record Number:	16/14189[v2]
Responsible Officer:	Manager Financial Services	Minute Reference:	297/2019 (11/12/2019)
Date Adopted:	11/12/2019	Next Review Date:	December 2023

1. POLICY OBJECTIVES

To provide a framework that ensures Council's assets are accounted for in accordance with Australian Accounting Standards and Legislation.

2. SCOPE

This policy applies to non-current assets (i.e. Infrastructure, Property, Plant and Equipment), intangible assets and assets held for resale as disclosed in Council's Statement of Financial Position.

This policy impacts all Council employees. Specifically, the policy directly applies to Council officers who have responsibility for the management of non-current Council assets and those officers with asset management and asset accounting responsibilities.

This policy (read in conjunction with PO128 Asset Management Policy) is applicable but not limited to the following functions:

- Acquiring, constructing or developing a non-current asset;
- Accounting for costs incurred in maintaining a non-current asset;
- Renewing, replacing or enhancing the service potential of a non-current asset;
- Revaluing non-current assets;
- Disposal of non-current assets;
- Accounting for the depreciation or amortisation of non-current assets;
- Reporting and disclosing non-current assets;
- Establishing the useful life and residual value of non-current assets; and
- Testing non-current assets for impairment

3. DEFINITIONS

Definitions are provided in Appendix 1.

4. POLICY STATEMENT

EXPENDITURE CLASSIFICATIONS

Expenditure by Council in providing services through infrastructure is to be classified into two major categories: operating expenditure and capital expenditure.

Operating expenditure encompasses all costs associated with general maintenance and operations of an asset. These costs are to be expensed when incurred. Operating expenditure falls outside the scope of this policy.

Capital expenditure is expenditure which either renews or upgrades an existing non-current asset or is applied to the creation of a new non-current asset. Capital expenditure for the renewal and replacement of assets is required to be distinguished from capital expenditure for new and upgraded assets by Council in its financial statements in accordance with South Australian Model Financial Statements guidance.

For further guidance in relation to the distinction between operating and capital expenditure refer to Appendix 2.

RECOGNITION OF A NON-CURRENT ASSET

A non-current asset is recognised in Council's Statement of Financial Position (Balance Sheet) when all of the following criteria are met:

- Council has control over the non-current asset;
- It is probable that the future economic benefits associated with the non-current asset will flow to Council;
- The non-current asset has a cost or value that can be measured reliably; and
- The cost or fair value exceeds Council's capitalisation threshold.

Activities associated with the acquisition/creation of new assets are detailed in Appendix 3

MEASUREMENT AT RECOGNITION

Expenditure which qualifies for recognition as a non-current asset shall be measured initially at its cost. Where an asset is acquired at no cost or for a nominal cost, the cost is its fair value, which is to be determined consistent with the requirements of Australian Accounting Standard Board (AASB) 13 as at the date of acquisition. The cost of non-current assets constructed by the Council includes the cost of all materials, contractual services and other expenditure incurred in construction, direct labour and plant costs of the project and an appropriate proportion of variable and fixed overhead.

DONATED NON-CURRENT ASSETS

Ownership and/or care and control of a donated non-current asset will not transfer to Council until a formal decision of Council has been made to accept the non-current asset.

CLASSIFICATION OF NON-CURRENT ASSETS

The following asset classes are reported by Council:

- Land
- Buildings and Other Structures
- Stormwater Infrastructure

- CWMS Infrastructure
- Transport Infrastructure
- Water Infrastructure
- Plant, Equipment and Other Assets

CAPITALISATION THRESHOLDS

Assets should have a useful life of greater than one year in order for the expenditure to be capitalised and have a value above the capitalisation threshold as stated in the table below. Capitalisation thresholds are set so as not to misstate Financial Statements and to provide a guide as to whether it is practical from an administrative perspective that expenditure is capitalised.

Expenditure	Threshold
Office Furniture & Equipment	\$1,000
Other Plant and Equipment	\$1,000
Buildings & Other Structures	\$5,000
Park Furniture and Playground Equipment	\$2,000
Paving, footpaths, kerb and gutter	\$5,000
Drains and Culverts	\$5,000
Road construction and reconstruction	\$10,000
Computer software	\$5,000
All other assets	\$1,000

No capitalisation threshold is applied to the acquisition of land or interests in land. Land under roads is not capitalised.

Assets that have been determined to form part of a network can still be capitalised. These items fall below the capitalisation threshold individually, but operate together as a cohesive whole to form a significant total value - for example the computer network.

DEPRECIATION OF NON-CURRENT ASSETS

All non-current assets have a limited useful life and are systematically depreciated over their useful lives (excluding land). The straight line depreciation method is adopted by Council to reflect consumption of the service potential embodied in its non-current asset. For more information in relation to the useful lives of Council's non-current assets refer to Appendix 4.

REVALUATION OF NON-CURRENT ASSETS

Pursuant to the Local Government (Financial Management) Regulations 2011 all material non-current assets are to be revalued in accordance with the requirements of AASB 116. Revaluation of non-current assets is to occur with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at reporting date. Council will annually review the movement in internal non-current road asset unit rates (pending a sufficient level of internal works for the asset class) to determine whether a material movement has occurred since last revaluation.

All assets subject to a revaluation process are to be revalued at fair value as determined in accordance with AASB 13 (AASB 13 has replaced the fair value definition and specific guidance in AASB 116). Under AASB 13 non-current assets may be revalued at fair value through use of one of the following methods:

Method	Explanation
Market Approach	Uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities.
Income Approach	Converts future amounts (cash flows or income and expenses) to a single current (Discounted) amounts, reflecting current market expectations about those future amounts.
Cost Approach	Reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost of a substitute asset of comparable utility and condition, i.e. the depreciated replacement cost of a new asset).

Council does not control any asset or group of assets where it is appropriate for the income approach to be adopted for asset revaluation purposes. As such, all assets subject to a revaluation are to be revalued at fair value based on the following criteria:

- Market approach if there is a readily available market; or
- Cost approach if there is no readily available market.

AASB 13 requires that valuation techniques employed to measure fair value shall maximize the use of relevant inputs and minimise the use of unobservable inputs. To aid users of Council's financial statements to make their own assessment about how much reliance they place on reported revaluations Council will ensure asset classes are segregated according to the type of inputs used to arrive at a valuation. In accordance with AASB 13 the hierarchy for this segregation is provided in the table below:

Fair Value Hierarchy	Explanation
Level 1 inputs	Are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 inputs	Are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability.
Level 3 inputs	Are unobservable inputs for the asset or liability.

At a minimum the following classes of assets will be independently revalued, by suitably qualified personnel, in accordance with the timetable below:

Asset Class	Last Revaluation	Next revaluation
Land	2018/2019	2021/2022
Buildings & Other Structures	2018/2019	2021/2022
Transport Infrastructure	2018/2019	2019/2020
Stormwater Infrastructure	2014/2015	2019/2020
Water Infrastructure	2014/2015	2019/2020
CWMS Infrastructure	2015/2016	2019/2020

Each asset class in the table above must be independently revalued at least once every four (4) years. Independent revaluations will, along with other relevant considerations, take into account the most recent condition assessment data (where available) in arriving at fair value.

As the total written down value of the Plant, Equipment and Other Assets class is not material this asset class will remain valued at cost and will not be subject to revaluation.

ASSET REGISTER

A register of all recognised non-current assets shall be maintained in an appropriate Asset Management System (i.e. – Conquest) and shall record individual assets in sufficient detail as to permit their identification and control. The asset registers shall be updated at least annually each financial year. The asset registers shall be used for the purpose of revaluing, depreciating assets and stocktaking.

IMPAIRMENT OF NON-CURRENT ASSETS

In accordance with AASB 136 Impairment of Assets, an annual assessment will be made at 30th June each year, as to whether there is any indication that a non-current asset (or a class of assets) is 'impaired'. This assessment can also be informed by any indications of impairment highlighted during the process of revaluing a class of Council assets. A non-current asset is impaired when its carrying amount exceeds its recoverable amount.

This assessment will be documented and recorded as part of the annual financial statements working papers, for review by the external auditor.

Where a non-current asset is determined to be impaired, Council staff will estimate the recoverable amount of the non-current asset. If the non-current assets carrying amount exceeds the amount to be recovered through the use or sale of the non-current asset, it will be written down and an impairment loss recorded in the accounts, unless the non-current asset is carried at a revalued amount. Where a non-current asset has been revalued, the impairment loss will be offset against the asset revaluation reserve to the extent available. An impairment loss can be reversed for physical non-current assets in subsequent years.

NON-CURRENT ASSET DISPOSAL

A non-current asset is to be removed from the asset register whenever:

- The asset is destroyed, abandoned or decommission with no future economic benefit expected to be generated from its use;
- The asset is scrapped, sold or traded;
- The asset is lost or stolen; or
- Control of the asset is transferred to another entity

Partial removal of a non-current asset is to occur whenever:

- A significant component or section of an infrastructure asset is destroyed, abandoned or decommissioned with no future economic benefit expected to be generated from its use; or
- Major renewal works have been undertaken resulting in a significant component or section of an infrastructure asset being replaced.

All decisions to remove/dispose an asset should be appropriately documented and authorised.

ACCOUNTING FOR DISPOSAL OF NON-CURRENT ASSETS

The gain or loss on disposal is the difference between net consideration received by Council and the carrying amount of the portion disposed within the asset register. Net consideration includes cash, trades, land swaps, any other type of asset received, liabilities transferred or extinguished less any costs associated with disposing the asset.

Cost of disposal can include real estate commission fees, dismantling costs, dumping fees and associated legal costs.

Depreciation is to be processed up to the date the asset is removed from service (or identified as being no longer in service when the actual date is not known) to ensure the appropriate carrying value is used in the calculation of the gain or loss on disposal.

WORK IN PROGRESS

Capital work in progress balances are to be reviewed at least annually to ensure that completed capital works are transferred to the appropriate asset register within Council's Asset Management System and reflected in the appropriate asset class in the Financial Statements.

ATTRACTIVE ASSETS

Minor assets are those items acquired for a cost less than \$1,000. The acquisition of minor assets is treated as an expense. Minor assets with a cost greater than \$500 are recorded in an Attractive Assets Register for the purpose of controlling and safeguarding items which by their nature are at risk of loss.

The Attractive Assets Register will be subject to a random audit. The register will be in a common format and include description, details of location, responsible officer, serial numbers, acquisition and disposal or transfer details. Items in this Register are to be identified by marking or engraving to reduce the likelihood of theft or aid police recovery where cost effective.

5. COMPLAINTS

Complaints about this Policy can be made in writing to the Director Corporate and Community Services. Complaints will be managed in accordance with Council's complaints policy PO147.

6. REVIEW

This Policy will be reviewed every four (4) years or as deemed necessary in consideration of any changes to legislation and relevant standards, codes and guidelines. Elected Members and employees will have the opportunity to participate in the review process.

7. TRAINING

Council is committed to supporting relevant authorised officers (through appropriate delegations) in complying with this Policy. Training needs will be identified and reviewed as necessary in consideration of any changes to legislation and relevant standards, codes and guidelines

8. RELATED COUNCIL POLICIES AND DOCUMENTS

PO072 Sale and Disposal of Land & Other Assets Policy
PO128 Asset Management Policy
PO147 Complaints Policy

9. REFERENCES AND LEGISLATION

Local Government Act 1999
Local Government (Financial Management) Regulations 2011
AASB 13 Fair Value Measurement
AASB 116 Property, Plant and Equipment
AASB 136 Impairment of Assets
South Australian Model Financial Statements
IPWEA Australia Infrastructure Financial Management Manual

10. COUNCIL DELEGATION

Details of Delegation:	Chief Executive Officer
Delegate:	Director Corporate and Community Services

11. VERSION HISTORY

Archived Policy Name	Policy Number	Date Adopted	Last Reviewed
Asset Management and Accounting Policy	PO128	10/6/2008	10/8/2010
Asset Accounting Policy	PO124	08/07/2015	3/12/2019
Asset Accounting Policy	PO124	11/12/2019	28/11/2019

APPENDIX 1 - DEFINITIONS

Asset Class	An asset class is a group of non-current assets having a similar nature or function in the operations of Council. The asset class is the unit of reporting of assets in Council's financial statements.
Capitalisation Threshold	The capitalisation threshold sets the expenditure limit, below which an outlay is expensed as maintenance and above which it is recognised as capital expenditure.
Capital Expenditure (Renewal or Replacement)	Renewal or replacement of an asset occurs where a previously existing asset is replaced - giving a new asset with a new useful life - without enhancement of the service capability except where this is incidental and unavoidable.
Capital Expenditure (Upgrade)	An upgraded asset replaces a previously existing asset with enhanced capability or functionality, where an option existed for replacement without the enhanced capability or functionality.
Capital Expenditure (New)	A new asset is additional to Council's previous asset complement.
Cost	Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition and all other costs incurred in getting the asset ready for use.
Depreciated Current Replacement Cost	Current cost of replacement or reproduction of an asset, less deductions for physical deterioration of the asset.
Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where no active market exists for an asset fair value is taken to be the depreciated current replacement cost.
Impairment	The decline in the future economic benefits or service potential of an asset over and above the consumption reported through depreciation. An asset is said to be impaired when its carrying amount exceeds its recoverable amount.
Maintenance	Does not upgrade or renew the asset, but enables the asset to attain its planned lifespan – e.g. pothole repair, crack sealing and bitumen patching.
Materiality	Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.
Non- Current Asset	An asset is a resource controlled by Council as a result of past events and from which future economic benefits/service potential are expected to flow to Council. Assets include physical assets which provide future economic benefits/service potential for more than 12 months. Any items which has a life less than 12 months is expenses under a maintenance/operational budget and cannot be classified as an asset.
Recoverable Amount	The higher of its fair value less costs to sell or its value in use.

APPENDIX 2 – ACTIVITIES ASSOCIATED WITH ASSET ACQUISITION / CREATION

Operating Expenditure	Capital Expenditure
All activities prior to decision made to proceed with investment including: <ul style="list-style-type: none">• Strategic planning reports• Project scoping and investigation, valuation reports, planning approvals	All activities following decision made to proceed with investment including: <ul style="list-style-type: none">• Borrowing costs• Survey and design• Professional fees• Site preparation• Construction• Contract payments• Council direct costs, wages, salaries, plant hire, materials, on-costs• Overheads• Supervision• Transport, installation, assembly and testing• Project Management• Future dismantling and removing item and site restoration (where applicable)

APPENDIX 3 – EXPENDITURE CLASSIFICATION EXAMPLES (NOT EXHAUSTIVE)

Item	Operating Expenditure	Capital Expenditure
Fleet and Plant Assets	<ul style="list-style-type: none">• Expenditure <\$1,000 for individual assets or assets that cannot be easily grouped	<ul style="list-style-type: none">• Expenditure >\$1,000 for individual assets, or assets that can be easily grouped
Sealed Roads (including Kerb & Gutter)	<ul style="list-style-type: none">• Expenditure <\$10,000 for individual assets, or assets that cannot be easily grouped.• Minor road patching• Shoulder grading• Line marking• Road cleaning and sweeping• General kerb maintenance• Condition assessment	<ul style="list-style-type: none">• Expenditure >\$10,000 for individual assets, or assets that can be easily grouped including:<ul style="list-style-type: none">• Road patching• Road construction• Resealing• Reconstruction
Unsealed Roads	<ul style="list-style-type: none">• Expenditure <\$10,000 for individual assets, or assets that cannot be easily grouped.• Grading• Sweeping• Vegetation Clearing	<ul style="list-style-type: none">• Expenditure >\$10,000 for individual assets, or assets that can be easily grouped including:<ul style="list-style-type: none">• Road patching• Road construction• Resealing• Reconstruction
Information Technology	<ul style="list-style-type: none">• Expenditure <\$1,000 for individual assets or assets that cannot be easily grouped• Minor repairs	<ul style="list-style-type: none">• Expenditure >\$1,000 for individual assets, or assets that can be easily grouped
CWMS Infrastructure	<ul style="list-style-type: none">• Expenditure <\$1,000 for individual assets or assets that cannot be easily grouped.• Minor repairs• Inspections/condition assessments	<ul style="list-style-type: none">• Expenditure >\$1,000 for individual assets, or assets that can be easily grouped including:<ul style="list-style-type: none">• Pipe and structure replacement• New pipes and structures• Purchase or replacement of Pump and Bore
Office Furniture and Equipment	<ul style="list-style-type: none">• Asset purchases <\$1,000	<ul style="list-style-type: none">• Asset purchases >\$1,000

Item	Operating Expenditure	Capital Expenditure
Signs	<ul style="list-style-type: none"> Expenditure <\$1,000 for individual assets, or assets that cannot be easily grouped. Repairs to existing signs and posts 	<ul style="list-style-type: none"> Expenditure >\$1,000 for individual assets, or assets that can be easily grouped including: <ul style="list-style-type: none"> New signs and/or posts Replacement of existing signs
Footpaths	<ul style="list-style-type: none"> Expenditure <\$2,000 for individual assets, or assets that cannot be easily grouped. Footpath maintenance (pothole repair, joint grinding, segment paving resetting) 	<ul style="list-style-type: none"> Expenditure >\$2,000 for individual assets, or assets that can be easily grouped including: <ul style="list-style-type: none"> Footpath replacement Footpath construction
Research, Design and Project Management Costs	<ul style="list-style-type: none"> All research, design and project management costs incurred on projects which have not proceeded. 	<ul style="list-style-type: none"> Subject to the tests of AASB 136 Impairment of assets.
Playground Equipment & Park Furniture	<ul style="list-style-type: none"> Expenditure <\$2,000 for individual assets, or assets that cannot be easily grouped. All maintenance to existing playground equipment 	<ul style="list-style-type: none"> Expenditure >\$2,000 for individual assets, or assets that can be easily grouped including: <ul style="list-style-type: none"> All new playground equipment/park furniture Repairs/replacement to existing equipment/park furniture
Buildings	<ul style="list-style-type: none"> Any structural addition to the buildings <\$5,000 Repairs/renewal of building <\$5,000 Building/shelter construction <\$5,000 	<ul style="list-style-type: none"> Any structural addition to the buildings >\$5,000 Repairs/renewal of building >\$5,000 Building/shelter construction >\$5,000
Computer Software	<ul style="list-style-type: none"> Computer software with an initial cost of <\$5,000 Relocation Costs Report development Annual software and license agreement charges Ongoing staff training General admin costs Decommissioning cost 	<ul style="list-style-type: none"> Computer software with an initial cost >\$5,000 Purchases (including initial software licenses) > \$5,000 Testing, development and implementation costs associated with purchased software Additional concurrent user licenses for installed software

Item	Operating Expenditure	Capital Expenditure
Irrigation	<ul style="list-style-type: none">• Expenditure <\$1,000 for individual assets, or assets that cannot be easily grouped• Maintenance to existing irrigation equipment	<ul style="list-style-type: none">• Expenditure >\$1,000 for individual assets, or assets that can be easily grouped including:<ul style="list-style-type: none">• New irrigation equipment• Major repairs/ replacement of irrigation equipment
Sporting Ovals and Playing Courts	<ul style="list-style-type: none">• Expenditure <\$5,000 for individual assets, or assets that cannot be easily grouped Line Marking• Lawn mowing• Light tower bulb replacements• Utilities	<ul style="list-style-type: none">• Expenditure >\$5,000 for individual assets, or assets that can be easily grouped including:<ul style="list-style-type: none">• Major Earthworks• Court construction and resurfacing• Light tower construction
Stormwater Infrastructure	<ul style="list-style-type: none">• Expenditure <\$5,000 for individual assets or assets that cannot be easily grouped• Minor repairs	<ul style="list-style-type: none">• Expenditure >\$5,000 for individual assets, or assets that can be easily grouped• Pipe and structure replacement• New pipes and structures• Purchase or replacement of Pump and Bore

APPENDIX 4 – ESTIMATED USEFUL LIVES CURRENT AS AT 30 JUNE 2019

Buildings & Other Structures	
Buildings (with components)	10 – 100 years
Buildings (no components)	20 – 100 years
Structures	5 to 100 years
Stormwater Infrastructure	
Nodes	25 – 70 years
Pipes/Drains	30 – 100 years
Reuse & Storage	10 – 50 years
Community Wastewater Management Scheme Infrastructure	
Nodes	20 – 70 years
Pipes	50 – 70 years
Pumping Stations	15 – 50 years
Wastewater Treatment Plants & Storage	10 – 100 years
Transport Infrastructure	
Sealed Roads (Upper Surface)	17 – 30 years
Sealed Roads (Lower Surface)	80 – 90 years
Sealed Roads (Pavement)	80 – 90 years
Unsealed Roads (Wearing Surface)	15 – 50 years
Unsealed Roads (Low Base & Earthworks)	90 – 400 years
Paving & Footpaths	30 – 60 years
Drains, Kerb & Gutter	80 years
Walking Trails	30 years
Airfields	20 – 80 years
Water Infrastructure	
Nodes	25 – 60 years
Pipes	60 – 100 years
Pumping, Storage and Treatment	15 – 50 years
Plant, Equipment & Other Assets	
Fleet Vehicles	2 years (Residual 55%)
Major Plant	5 – 25 years (Residual 5% - 35%)
Minor Plant	5 – 60 years
Information Technology	3 – 20 years
Furniture & Other Equipment	5 – 100 years
Other Assets	5 – 100 years
Carparks	30 – 60 years

Useful lives shall be reviewed at the end of each financial year and adjusted where required in accordance with Australian Accounting Standard requirements.