COUNCIL POLICY

Asset Accounting Policy

Policy Number:	PO124		
Strategic Plan Objective	Corporate Governance and Leadership 2. Organisational Efficiency and Resource Management 2.1 Financially Sustainable Organisation		
Policy Owner:	Director Corporate and Community Services	**File Number:**	7.63.1
Responsible Officer:	Manager Financial Services	**Minute Reference:**	**175/2015 (08/07/2015)**
Date Adopted:	08/07/2015	**Next Review Date:**	July 2018

1. POLICY OBJECTIVES

To document the financial management of Council's assets which are recognised, capitalised and re-valued in accordance with Australian Accounting Standards and this policy.

Council has an obligation to ensure that all assets are managed efficiently and that decisions regarding the acquisition of new assets and the sale and maintenance of current assets are undertaken in an open and transparent fashion.

2. SCOPE

This Policy includes the accounting treatment of all Council's non-current assets.

3. DEFINITIONS

In this Policy, unless the contrary intention appears, these words have the following meaning:

Capital Renewal	Renewing the existing asset to extend its serviceability but not providing a higher level of service e.g. Resealing, re-sheeting and unsealed road (not widening).
Capital Upgrade	Renewing the asset, thereby providing a higher level of service – e.g. Sealing an unsealed road, upgrading a stormwater pipe with larger size.
Capital Expansion	Providing a new asset – e.g. extending a footpath to an area where the footpath did not exist or was classified as "natural earth".
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.
Recoverable Amount	Is the higher of its fair value less costs to sell; and its value in use.
Fair Value	the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length

	transaction

4. POLICY STATEMENT

RECOGNITION OF AN ASSET:

An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost that can be measured reliably.

MEASUREMENT AT RECOGNITION:

An asset that qualifies for recognition as an asset shall be measured at its 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. Where an asset is acquired at no cost or for a nominal cost, the cost is its fair value as at the date of acquisition. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

CLASSIFICATION OF ASSETS

Assets will be classified as follows:
- Land
- Buildings and Other Structures
- Transport Infrastructure
- Stormwater Drainage
- Plant and Equipment
- Furniture and Fittings
- CWMS Infrastructure
- Water Scheme Infrastructure
- Other Assets

CAPITALISATION OF ASSETS:

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 materiality test. Materiality levels 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.

Materiality levels for capitalisation are:-

• Office Furniture & Equipment	$1,000
• Other Plant and Equipment	$1,000
• Building – new construction / extensions	$5,000
• Park and Playground Furniture and Equipment	$2,000
• Paving, footpaths, kerb and gutter	$2,000
• Drains and Culverts	$5,000
• Road construction and reconstruction	$10,000
• 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.

Buildings leased to community groups - these buildings will not be capitalised since Council has no effective care and control over these structures and does not expect to achieve a future economic benefit from them.

Networked assets – Expenditure can still be capitalised on items that fall below the materiality thresholds 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. All non-current assets, excluding freehold land, are systematically depreciated over their useful lives, which reflects the consumption of the service potential embodied in those assets. In calculating depreciation expense the residual value of an asset will be taken into consideration.

Depreciation periods for infrastructure assets have been estimated based on the best information available to Council. Depreciation is recognised on a straight-line basis using the following standard estimates for useful lives although the actual useful life and therefore depreciation rates may be varied from this for specific assets where asset quality and environmental and/or operational conditions so warrant:-

Infrastructure

- Sealed Roads – Surface 15 to 30 years
- Sealed Roads – Structure 25 to 80 years
- Unsealed Roads 10 to 20 years
- Paving and Footpaths 10 to 70 years
- Drains, Kerb and Gutter 90 to 100 years
- Culverts 50 to 75 years
- Reticulation Pipes – PVC 50 to 60 years
- Reticulation Pipes – other 25 to 65 years
- Pumps and Telemetry 15 to 25 years

Building and Other Structures

- Buildings – masonry 50 to 100 years
- Buildings – other construction 20 to 40 years
- Park Structures – masonry 50 to 100 years
- Park Structures – other construction 20 to 40 years

Plant and Equipment

- Office Equipment 5 to 10 years
- Vehicles and Road-making Equipment 3 to 8 years
- Other Plant and Equipment 5 to 15 years

Furniture & Fittings

- Furniture & Fittings 5 to 20 years

Other Assets

- Playground equipment 5 to 15 years
- Benches, seats, BBQ's etc 10 to 20 years
- Reserve Furniture 5 to 15 years
- Artworks indefinite

REVALUATION OF NON-CURRENT ASSETS:

Where this policy requires the revaluation of assets they are 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 in accordance with Australian Accounting Standards and Regulations under the Local Government Act.

For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

The following classes of assets will be independently re-valued every five years:

Class	**Next Valuation date**
•Land	30 June 2019
•Buildings and Other Structures	30 June 2019
•Road Infrastructure	30 June 2018
•Stormwater Infrastructure	30 June 2020
•Community Water and Effluent Infrastructure	30 June 2020

To maintain the accuracy of asset valuations, where appropriate, Road Infrastructure asset values will be adjusted annually in line with changes in the cost of replacing those assets.

The following classes of will be valued at cost and not re-valued:

- Major Plant and Equipment
- Minor Plant and Equipment
- Furniture and Fittings
- Other Assets

ASSETS REGISTER:

A register of all assets shall be maintained in an appropriate Asset Management System and shall record individual assets in sufficient detail as to permit their identification and control. The assets registers shall be updated at least annually. The assets registers shall be used for the purpose of revaluing and depreciating assets and for stocktaking. A stocktake of all inventories shall be conducted independently every year.

REGISTER OF ATTRACTIVE PORTABLE ITEMS

A register of items which are attractive and portable shall be maintained for the purpose of controlling and safeguarding items which by their nature are at risk of loss.

A stock take of such items shall be conducted at least every two years.

Attractive portable items are items which are more likely to be subject to loss due to theft or misplacement and shall include items such as cameras, portable TV's, videos and communication equipment. This register will not only include assets which are capitalised but also those that fall below the threshold for capitalisation. The justification for inclusion and separate identification in the register pertains to the assets qualities of portability and potential high risk of loss given their attractiveness.

IMPAIRMENT OF 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 an 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. An 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 our external auditor.

Where an asset is determined to be impaired, the entity shall estimate the recoverable amount of the asset. If the assets carrying amount exceeds the amount to be recovered through the use or sale of the asset, it will be written down and an impairment loss recorded in the Financial Accounts, unless the asset is carried at a revalued amount. Where an 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.

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 three (3) years or as deemed necessary in consideration of any changes to legislation and relevant standards, codes and guidelines.

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

PO128 Asset Management Policy
PO147 Complaints Policy

8. REFERENCES AND LEGISLATION

Local Government Act 1999 (SA)
Local Government (Financial Management) Regulations 2011
Australian Accounting Standards Board AASB116

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