

Asset Accounting Policy

Version Information

Head of Power

All non-current (fixed or intangible) asset activities must meet or exceed the requirements in the *Local Government Regulation 2012*.

Policy Objective

The policy's objective is to assist Council to meet or exceed the requirements of the *Local Government Regulation 2012*, and related Australian Accounting Standards including:

- AASB 116 Property, Plant and Equipment
- AASB 13 Fair Value Measurement
- AASB 136 Impairment of Assets
- AASB 138 Intangible Assets
- AASB 140 Investment Property
- AASB 5 Non- Current Assets Held for Sale and Discontinued Operations

Policy Statement

Council is committed to the following policy statements in the accounting for non-current assets.

1. Asset Classes

The grouping of non- current assets for recording in the asset register and reporting in the financial statements is as follows:

- Land
- Buildings
- Plant and Equipment
- Roads
- Stormwater Drainage
- Water and Wastewater
- Parks
- Other Infrastructure
- Waste
- Work in Progress
- Intangibles

2. Asset Recognition

Initial recognition of an asset will occur when each of the following criteria are met:

- It is probable that the benefits will flow to Council(i.e. Council has control over the future benefits);
- The benefits are expected to last more than one year;

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- The costs exceed the capitalisation threshold for the appropriate class of assets; (refer Appendix 1 for threshold details); and
- The costs can be reliably measured.

3. Asset Recognition Thresholds

The asset recognition thresholds that apply to each asset class are detailed in Appendix 1.

4. Capital Costs Subsequent to Initial Recognition

4.1. Costs can be capitalised as part of an existing asset when the costs exceed the capitalisation threshold **and one** of the following criteria are met:

- The resulting asset provides a higher level of service (greater operational capacity or removes bottlenecks);
- The expenditure results in an overall cost saving; or
- The expenditure extends the life of the resulting asset beyond the original expectation.

4.2. Where subsequent costs are capitalised the remaining life of the asset must be updated.

4.3. If these criteria are not met, the costs must be expensed in the period they were incurred.

5. Depreciation and Amortisation

5.1. The straight-line method is adopted by Council to reflect patterns of consumption for all non-current assets.

5.2. Road earthworks, rock armor associated with seawalls, artworks, heritage assets and parcels of land, are not subject to depreciation due to their unlimited life.

5.3. Depreciation and Amortisation parameters (remaining life, asset condition, residual value), are to be reviewed at least annually to ensure currency for end of financial year reporting.

6. Impairment

6.1. Assets subject to impairment testing are to be reviewed for indicators annually.

6.2. Assets subject to testing include:

- Individual, simple assets with a carrying value greater than \$100,000;
- **All** Bridges, Marine (Jetties, Boat Ramps, Revetment Walls, Seawalls), Buildings, Pump Stations, and Water Treatment Plants. These generally are complex assets parenting a variety of lower value, simple assets; and
- Water, Wastewater, and Stormwater Sub-surface networks and the Road network are to be considered from a whole of network perspective.

6.3. An impairment loss will be recognised immediately as an expense, unless the asset class is carried at a revalued amount. In this circumstance, any impairment losses shall be treated as a revaluation decrease in accordance AASB 136 Impairment of Assets to the extent it reverses any previous revaluation increment.

7. Valuation

- 7.1. Plant and Equipment and Work in Progress are valued on a cost basis.
- 7.2. Intangible assets are valued at cost except where there is an active market present.
- 7.3. Land, Buildings, Investment Property and Infrastructure (Roads, Water, Wastewater, Parks, Other Infrastructure and Waste) assets are valued at fair value when that value can be measured reliably.
- 7.4. All revaluations are to be conducted professionally, through technically qualified Council Officers and through external Valuation firms as applicable.
- 7.5. External Valuation firms will be engaged for the revaluation of building assets to determine fair value.
- 7.6. Valuations will also provide the insurable values of the assets for insurance purposes where required.
- 7.7. Asset classes are to be physically revalued with sufficient regularity to ensure the carrying amount does not differ materially from the fair value.
- 7.8. The fair value of Investment Property is to be considered annually and revalued where material movement is evident.
- 7.9. Desktop indexing will be performed on the values for all asset classes in the intervening years of the revaluation cycle where assets are not physically revalued where material movement exists.

8. Non-Current Asset Retirements

- 8.1. Assets are retired when:
 - the asset is destroyed, abandoned or decommissioned 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.
- 8.2. Ethical disposal of non-current assets will be conducted in a timely, cost effective and environmentally friendly manner and within Council's legal and statutory obligations.
- 8.3. Disposals will be conducted professionally, ensuring Council Officers have a clear understanding of their responsibility, authority and delegated financial levels.
- 8.4. Asset retirements and replacements will be planned and budgeted for via Council's Asset and Service Management Plans.
- 8.5. Council Officers will comply with Workplace Health and Safety obligations for non-current assets being physically removed off-site once authorised for disposal.
- 8.6. Financial delegation limits are applicable for adjustments and write-offs from the asset register and from the Geographical Information System.
- 8.7. Operational components in capital projects are to be appropriately budgeted for at the commencement of a project.

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8.8. Work in progress transactions are to be reviewed on a monthly basis and any non-budgeted operational components subsequently identified are to be expensed immediately.

8.9. Disposal of those assets must be through a tender or public auction process where they are identified as surplus to requirements and have an apparent (realisable) value greater than:

- \$1 for Land assets;
- \$5000 for all other assets.

8.10. Disposal of assets identified as surplus to requirements and with an apparent (realisable) value less than \$5,000, must be completed with approval of the appropriate Group Manager.

8.11. Officers will adopt a whole-of-life approach for the asset when considering the decision to dispose of non-current assets.

9. Stocktakes and Validity Checks

9.1. Stocktakes and validity checks will be completed and documented by assets assignees at regular intervals to verify the integrity of the asset register.

9.2. Checks may be performed on a rotating basis and may include integrity checks other than physically sighting the assets as appropriate for the asset class.

10. Work In Progress

10.1. Work in progress costs are to be monitored by the Project Manager on a monthly basis with costs being cleared from work in progress in a timely manner.

10.2. Work in Progress costs are not be carried forward into the new financial year if at 30 June:

- construction was complete; or
- the acquired asset is in operation; or
- the costs are operational in nature.

11. Portable and Attractive Items

11.1. Group Managers are responsible to determine the need to create and maintain separately a portable and attractive items register for their Group and for assets that are managed within their Group.

12. Assets Held for Sale

12.1. Items are to be classified as 'Held for Sale' in the Current Assets section of the Statement of Financial Position in situations where they have been previously recognised as non-current assets; are now being held for the purpose of resale; and where they are expected to be sold within 12 months. The asset must be immediately available for resale in its present condition.

12.2. Assets acquired for the purposes of resale, must be treated as outlined in AASB 102 Inventories.

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Version Information (bookmark)

Version number	Date	Key Changes
2	April 2016	<ul style="list-style-type: none">• Change of Policy name from Enterprise Asset Management Policy to Asset Accounting Policy. POL 3118 addresses Enterprise Asset Management.• Update reference to the <i>Local Government Regulation 2012</i>.• Re-write to encompass all Asset Accounting Policy statements and to combine POL-3041 Non Current Asset Retirements, POL 3052 Revaluation of Non-Current Assets and other policy position statements into one Asset Accounting Policy.• Addition of paragraph 8.8 regarding the disposal of assets under \$5,000.

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Appendix 1 Asset Classes and Thresholds

Asset Class	Asset Category	Examples	Threshold
Land	Land	All land in RCC ownership <i>Land under Roads is NOT recognised as a Council asset.</i>	ALL
Buildings	Buildings	Administration buildings, depots, sheds, amenities, community halls, cabins	\$500
	Fixtures and Fittings	Air conditioning, hot water systems, fans, awnings and blinds, cable network	\$500
Plant and Equipment	Plant and equipment	Power tools, generators, mowers, edgers trimmers, winches, cleaners, survey equipment, GPS, vehicles, boats	\$500
	Office equipment and Furniture	Audio visual equipment, televisions, projectors, kitchen appliances, general office equipment	\$200
	IM equipment (individual items excluding mobile phones)	Pc's, servers, printers, computer hardware and peripheral devices	\$1,000
	IM Network (annual under threshold)	Pc's, servers, printers, computer hardware and peripheral devices	ALL
	Collection network	Library, artwork, furniture	ALL
Intangible	Software	Includes both internally generated and externally provided. When the software is an integral part of the related hardware it should be treated together with the hardware	\$1,000
Roads	Infrastructure Assets (individual assets)	Bus shelters, lighting, pathways, traffic signals, streetscapes, bridges, crash barriers, retaining walls, signs, fencing	\$5,000
	Networked	Road seal, pavement, , bus shelters, LATMS's, Car parks, earthworks	ALL
Stormwater Drainage	Infrastructure Assets (individual assets)	Manholes and pits, end structures, surface drains, gross pollutant traps	\$5,000
	Networked	Subsurface pipes and drainage	ALL

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Asset Class	Asset Category	Examples	Threshold
Water and Wastewater	Infrastructure Assets (individual assets)	Motors, switchboards, pumps, structures, instrumentation, sheds, electrical wiring,	\$5,000
	Networked	Subsurface pipes, conduits, valves, hydrants, meters	ALL
Other Infrastructure	Infrastructure Assets (individual assets)	Jetties, navigation beacons, berthing piles, sea walls	\$5,000
Parks	Park and Sporting Furniture	Tables, seats, BBQ's, play equipment, bin enclosures, signage, taps/ fountains	\$500
	Infrastructure Assets (individual assets)	Path structures, Shelters, sports facilities, lighting, retaining walls, pumps, and switchboards.	\$5,000
Waste	Infrastructure Assets (individual assets)	Lighting, fencing, structures, sheds, manholes, mechanical and electrical.	\$5,000
	Networked	Wheelie Bins	ALL

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