



Asset Accounting Policy

Reference Number:	3.3
Type:	Council
Category:	Corporate Services
Relevant Community Plan Outcome:	<ul style="list-style-type: none">• Our values, leadership and collaborative approach are bold and courageous and enables us to deliver value for our Community and create a leading liveable City• The management of our city is progressive, responsive and sustainable to ensure a united and unique place for future generations• Open and accountable governance
Responsible Officer(s):	Manager Financial Services
First Issued/Approved:	July 1996
Minutes Reference:	CoS 07/08/2023, Item 4.29
Last Reviewed:	August 2023
Next Review Due:	August 2024
Applicable Legislation:	Local Government Act 1999 AASB 13, 116 and 136
Related Policies:	
Related Procedures:	

1. Purpose

This Policy details expenditure that is to be capitalised and the associated accounting treatment for non current assets in Council's asset register.

2. Scope

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

3. Policy Statement

3.1 Capitalisation

Expenditure, or other transactions, which result in the creation of future economic benefits which are controlled by Council are to be capitalised when:

1. It is probable that the future economic benefits embodied in an asset will eventuate, and

2. The asset possesses a cost that can be measured reliably (as value), and its value, at the time of Council gaining control over the asset, is in excess of:

<i>Financial Asset Category</i>	<i>Value \$</i>	<i>Financial Asset Classification</i>
Community Land*	\$5,000	(Land)
Non Community Land	\$5,000	(Land)
Community Amenities**	\$5,000	(Buildings)
Community Buildings ***	\$5,000	(Buildings)
Council occupied buildings***	\$5,000	(Buildings)
Commercial Properties***	\$5,000	(Buildings)
Accommodation Buildings***	\$5,000	(Buildings)
Street Furniture	\$5,000	(Buildings)
Computer Equipment	\$ 3,000	(Furniture and Fittings)
Office Furniture and Equipment	\$ 3,000	(Furniture and Fittings)
Domestic Equipment	\$ 3,000	(Furniture and Fittings)
Fixtures and Fittings	\$ 3,000	(Furniture and Fittings)
Roads	\$5,000	(Infrastructure - Roads)
Footpaths	\$5,000	(Infrastructure – Footpaths)
Stormwater	\$5,000	(Infrastructure -Stormwater)
Recycled Water	\$5,000	(Infrastructure – Stormwater)
Bridges	\$5,000	(Infrastructure - Bridges)
Major plant and machinery	\$2,000	(Plant and Equipment)
Vehicle Commercial	\$5,000	(Plant and Equipment)
Vehicle Other	\$5,000	(Plant and Equipment)
Vehicle Passenger	\$5,000	(Plant and Equipment)

* Community land includes landscaping and other improvements.

** Community amenities include playgrounds, park furniture, public toilets, car parks, fencing, reserve lighting, sporting facilities, irrigation and watering systems.

*** As part of componentisation of the building, the building interior such as internal fitout and building services such as hydraulics (plumbing) and mechanical services (air conditioning and elevators) are included in this financial asset category.

3. Where the value of individual assets fall below the asset threshold for capitalisation, but the assets form part of a network or asset group such as for park furniture on a reserve, consideration will be given to capitalising the individual asset based on whether the aggregate value of those assets exceeds the capitalisation threshold. Assets to be considered will be referred to the Manager Financial Services and/or Asset Management Lead in conjunction with the asset owner for a determination.
4. Acquisition costs of assets with less than these values will be treated as operating expenses.
5. Assets should have a useful life of greater than one year in order for the expenditure to be capitalised.
6. All capitalised expenditure is to be recorded in Council's asset register and shall be properly identified, recorded and classified. For each asset, a determination shall be made

of its total life, remaining useful life, cost for accounting purposes and method of depreciation.

7. Asset details shall be kept in Council's financial asset register for all capitalised assets. Furniture and Fittings shall be maintained in the Major asset register, Plant and Equipment in the Fleet asset register, IT assets in the IT asset register and all Infrastructure assets including Land and Buildings in the Infrastructure asset register. Accuracy of details supporting capitalised assets shall be the responsibility of the asset officer assigned to that asset. The relevant asset officer will be responsible for communicating to the Divisional Accountant AMS and Asset Accountant any changes to the Major and/or Infrastructure asset register in a timely manner.
8. Assets specifically excluded from capitalisation include directional and informational signage, trees, land under roads and library books.
9. All assets recorded in the fixed asset register will be correctly entered and maintained according to the information management principles applicable such as their specific Asset Class, Asset Category and Asset Group.

3.2 Acquisition of Assets

Assets acquired by Council shall be recorded using the cost method of accounting which is the fair value given as consideration plus costs incidental to acquisition including architect's fees, engineering fees and all other costs incurred in preparing the asset ready for use.

3.3 Internally Constructed Assets

The cost of assets constructed by Council shall include the cost of all materials used in construction, direct labour employed and an appropriate proportion of variable and fixed overheads.

3.4 Right of Use Assets (ROUA)

AASB 16 *Leases* requires amounts paid, and payable, on transactions previously known as Operating Leases (rentals) and expensed on the Statement of Comprehensive Income (Profit and Loss) are now to be recorded on the Statement of Financial Position (Balance Sheet).

The Liability created is a Lease Liability and is the sum of the present value of the remaining lease payments.

The asset created is a Right of Use Asset (ROUA) and is the sum of the Lease Liability plus initial direct costs plus demolition of old asset plus any lease payments made prior to lease commencement plus restoration of asset at end of lease minus lease incentives (discounts) received.

AASB 16 *Leases* requires that a "significant proportion" of the identified asset is utilised by the lessee. However, AASB 16 *Leases* remains silent on defining what is a significant proportion.

Council's management has considered "significant proportion" and determined that an amount of 80% or greater satisfies a significant proportion of use.

3.5 Revaluation of non-current Assets

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All infrastructure assets, land and buildings shall be revalued on a regular basis such that the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

The asset officer responsible for the maintenance and accuracy of the data relevant to the asset information in the asset register shall with the Asset Accountant be responsible for ensuring revaluations occur regularly in accordance with AASB13.

AASB13 Fair Value measurement requires all assets and liabilities measured at fair value to be assigned to a “level” in the fair value hierarchy as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access as at measurement date.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

3.6 Assets Registers

Registers of all assets shall be maintained 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 plant and equipment, shall be conducted at least every 2 years. A stocktake of inventory shall be conducted every year.

3.7 Register of Attractive Portable Items – IT register

- (a) 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.
- (b) A stocktake of such items shall be conducted at least every 2 years.
- (c) 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 TVs, 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 asset’s qualities of portability and potential high risk of loss given their attractiveness.

3.8 Impairment of Assets

Assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use). For assets whose economic benefits are not dependant on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use (infrastructure assets) is determined by AASB 13 Fair Value Measurement.

AASB 136 does not apply to non-cash generating asset of Council that are regularly revalued to fair value under the revaluation model in AASB 116 and AASB 138.

3.9 Contributed assets

An item of Property, Plant and Equipment may be gifted or contributed to the council. As per AASB116 the cost of the item is its fair value as at the date it is acquired.

3.10 Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Straight line depreciation is the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Asset officers and asset owners are responsible for reviewing the useful lives of assets they have responsibility for annually and advising the Asset Accountant of any changes.

3.11 Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.

An asset should be derecognised from the financial asset register whenever the following occurs:

- The asset is scrapped within nil consideration.
- The asset is destroyed through nature disaster.
- The asset is lost or stolen.
- The asset is retired or abandoned and thereby removed from service with no future economic benefits expected to be consumed by the entity.
- A major renewal works has been undertaken resulting in a significant component or section (over 50% of an asset's primary dimension) of an infrastructure asset being replaced.

- Control over an asset has transferred to another entity via legislation, ministerial decree, Council policy or any other means.

Partial derecognition of an infrastructure asset is to occur whenever:

- A significant component (>50%) or portion of an infrastructure asset is abandoned, destroyed or decommissioned with no future economic benefit expected to be consumed by the entity.
- A minor (less than 50% of an asset's primary dimension) component or section of an infrastructure asset being replaced where the capital expenditure meets capitalisation threshold of \$5k.

3.12 Non current assets held for sale

AASB5 contains specific requirements for assets held for sale, and for the preparation and disclosure of discontinued operations. A non-current asset is classified as held for sale when its recovery is expected to result principally through a sale transaction, rather than continuing sale.

Where a non-current asset is classified as held for sale, it is :

- Measured at the lower of its carrying value and fair value less costs to sell
- No longer depreciated
- Classified separately from other assets on the statement of financial position

The definition of a non current asset (or disposal group) as held for sale is highly restrictive. The asset must :

- Be available for immediate sale in its present condition (subject only to terms that are usual and customary for sales of such assets);and
- Its sale must be highly probable.

For the sale to be highly probable, all of the following must also apply:

- The appropriate level of management must be committed to its sale, including relevant Council endorsement;
- An active program to locate a buyer and complete the plan must be initiated;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a complete sale within one year from the date of classification; and
- Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made to that the plan will be withdrawn.

Non current assets to be abandoned shall not be classified as held for sale

4. Definitions

Key Term – Acronym	Definition
Fair value	<p>is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.</p> <p>A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.</p>