



Asset Accounting Policy

Reference Number:	3.3
Type:	Council
Category:	Corporate Services
Relevant Community Vision Outcome:	<u>Responsible Governance</u> We will manage our city in a sustainable and affordable way with responsible governance. <u>Excellence in Customer Experience and Service Provision</u> We will foster an organisational culture focused on continuous improvement and delivering excellence in customer experience and service provision.
Responsible Officer(s):	Manager Financial Services
First Issued/Approved:	July 1996
Minutes Reference:	CoS 03/08/2026, Item 4.2
Last Reviewed:	August 2026
Next Review Due:	August 2028
Applicable Legislation:	Local Government Act 1999 (SA) Local Government (Financial Management) Regulations 2011 (SA) Australian Accounting Standards
Related Policies:	Statutory Financial Reporting Policy
Related Procedures:	

1. Purpose

This Policy sets out Council's approach to the accounting treatment of non-current assets. It supports consistent recognition, measurement, valuation, depreciation and reporting in accordance with relevant accounting standards.

2. Scope

This Policy applies to all Council-controlled non-current assets and related accounting activities across the asset lifecycle.

3. Policy Statement

3.1 Capitalisation

Council will recognise expenditure as property, plant and equipment where the asset is controlled by Council, it is probable that future economic benefits or service potential will flow to Council, and the cost of the asset can be measured reliably.

Expenditure will be capitalised where it meets the recognition criteria, has a useful life greater than one year, and meets the relevant capitalisation threshold. Expenditure below the relevant threshold will be recognised as an operating expense unless it forms part of an asset network, asset group or capital project that should be assessed collectively.

All capitalised assets must be recorded in Council's asset register and classified to the appropriate asset class. Asset records must contain sufficient information to support identification, control, valuation, depreciation, impairment assessment and financial reporting.

The following capitalisation thresholds apply:

Asset category	Capitalisation threshold	Financial asset classification
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
Transport	\$5,000	Infrastructure – Transport
Stormwater	\$5,000	Infrastructure – Stormwater
Recycled water	\$5,000	Infrastructure – Stormwater
Major plant and machinery	\$2,000	Plant and equipment
Commercial vehicles	\$5,000	Plant and equipment
Other vehicles	\$5,000	Plant and equipment
Passenger vehicles	\$5,000	Plant and equipment

For the purposes of this Policy, **community land** includes landscaping and other improvements that are controlled by Council and meet the relevant recognition criteria.

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

Building asset categories include relevant components where separately identifiable and material, such as internal fit out, hydraulics, mechanical services, air conditioning and elevators.

Transport assets include infrastructure assets such as bridges, footpaths, roads, traffic control devices and car parks.

Where individual assets are below the relevant threshold but form part of an asset network, asset group or capital project, the aggregate value and nature of the expenditure must be considered. Where judgement is required, the Manager Financial Services will determine the appropriate accounting treatment in consultation with the relevant asset owner.

Items that do not meet the recognition criteria, useful life requirement or capitalisation threshold will be expensed unless otherwise required to be capitalised under this Policy. Items not capitalised may still be recorded in operational registers where required for control, insurance, maintenance or stocktake purposes.

Assets specifically excluded from capitalisation include directional and informational signage, trees, land under roads and library books.

3.2 Acquisition of Assets

Assets acquired by Council will be initially measured at cost. Cost includes the fair value of the consideration given and directly attributable costs incurred in acquiring the asset and preparing it for its intended use.

Directly attributable costs may include professional fees, engineering fees, delivery, installation, site preparation and other costs necessary to bring the asset to the location and condition required for it to operate as intended. Costs that do not directly relate to acquiring or preparing the asset for use must be expensed.

3.3 Internally Constructed Assets

The cost of assets constructed by Council will include materials used in construction, direct labour and, where appropriate, variable and fixed overheads that are directly attributable to bringing the asset to the location and condition necessary for it to operate as intended.

3.4 Right-of-Use Assets

Council will recognise right-of-use assets and lease liabilities for lease arrangements where Council controls the right to use an identified asset for a period of time in exchange for consideration, in accordance with AASB 16 Leases.

At the commencement of a lease, the lease liability will be measured at the present value of lease payments that are unpaid at that date. The right-of-use asset will be measured at cost, including the initial amount of the lease liability, lease payments made before or at commencement, initial direct costs, and any restoration or make-good obligations, less lease incentives received.

Council will assess lease arrangements to determine whether the arrangement contains an identified asset and whether Council obtains substantially all of the economic benefits or service potential from use of that asset and has the right to direct its use.

Council may use an indicative threshold of 80% or greater when assessing whether it obtains substantially all of the economic benefits or service potential from use of an identified asset, noting that judgement must be applied based on the facts and circumstances of each arrangement.

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 two years.

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 year.
- (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 tablets, 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, in accordance with AASB 136 Impairment of Assets. 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 assets of Council that are regularly revalued to fair value under the revaluation model in AASB 116 and AASB 138.

3.9 Contributed assets

Contributed assets will be recognised when Council obtains control of the asset, future economic benefits or service potential are probable, and the asset can be measured reliably.

They will be initially measured at fair value at the date control is obtained, in accordance with AASB 116 and AASB 13. Where no active market exists, fair value will generally be determined using current replacement cost, supported by relevant asset, engineering or valuation information.

Recognised assets must be recorded in Council's asset register and classified to the appropriate asset class.

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 will be derecognised on disposal, when Council no longer controls the asset, or when no future economic benefits or service potential are expected from its use or disposal. Any gain or loss on derecognition will be recognised in the Statement of Comprehensive Income.

An asset will be derecognised from Council's asset register where it is:

- sold, disposed of, scrapped, destroyed, lost or stolen;
- retired, abandoned or removed from service with no future economic benefits or service potential expected;
- transferred to another entity through legislation, agreement, Council decision or other means; or
- replaced as part of renewal works, including where a significant component or section is replaced and the carrying amount of the replaced component can be reliably determined.

For infrastructure assets, Council will apply partial derecognition where a significant component or section is abandoned, destroyed, decommissioned or replaced. For this purpose, a significant component or section is generally one that exceeds 50% of the asset's primary dimension. Partial derecognition may also apply to smaller components where the replacement expenditure meets the relevant capitalisation threshold and the carrying amount can be reliably determined.

3.12 Asset Disposal

Asset disposals will be recognised when Council disposes of an asset, renews or replaces an asset, or transfers control to another entity. The carrying amount of the disposed asset will be reduced to nil and any gain or loss will be recognised in the Statement of Comprehensive Income.

Infrastructure assets renewed through Council's capital works program will generally be disposed of for nil consideration in the accounting records, with the renewal expenditure recognised in accordance with this Policy and Council's approved budget.

- Fleet assets renewed through Council's capital works program will generally be disposed of for market value consideration, such as through auction or other approved disposal method.
- Minor plant and equipment that has been expensed on purchase may be sold, recycled or otherwise disposed of depending on its condition and value.
- Assets compulsorily acquired by another level of government will be derecognised when control transfers, with any compensation recognised as consideration received.

3.13 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 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	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. 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.