Asset Accounting Policy

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Type	Financial
GDS Category	Financial Management – Public
Responsible Directorate	Corporate
Policy Adopted	August 2023
Review Period	Two years
Last Reviewed	August 2022
Next Review Date	August 2025
Policy Version Number	8
Applicable Legislation	• Australian Accounting Standards • Local Government Act 1999
Related Documents	• Model Financial Statements • Asset Management Strategy
Public Consultation Required	No

1. Introduction

Council has an obligation to ensure its assets are recognised, capitalised and revalued in accordance with relevant legislation and to efficiently manage new, existing and surplus assets.

2. Policy Objective

To provide a framework that ensures Councils' assets are recognised and accounted for in accordance with Australian Accounting Standards and the Local Government Act and Regulations.

3. Scope

This policy covers the acquisition and accounting treatment of non-current assets to ensure they are managed in an efficient and financially responsible manner. Financial information relating to non-current assets is to be presented consistently to enable users of Councils' financial information to make informed decisions.

4. Definitions

Asset – a resource controlled by Council, as a result of past events, from which future economic benefits are expected to flow.

Asset Class – a group of non-current assets having a similar nature or function in the operations of Council.

Capitalisation Threshold – sets the expenditure limit. Amounts below this limit are expensed and amounts equal to or above are capitalised.

Capital Expenditure – amounts spent to acquire, renew or upgrade assets which is expected to provide benefits for a period greater than 12 months.

Capital Renewal – expenditure on an existing asset, or on replacing an existing asset, without enhancement of the service capability (except where this is incidental and unavoidable).

Capital New – additional to Councils' existing asset base.

Capital Upgrade – replaces a previously existing asset with enhanced capability or functionality.

Carrying Amount – the value of the asset after deducting any accumulated depreciation and accumulated impairment losses.

Fair Value – the price that would be received if an asset was sold.

Residual Value – the estimated amount to be obtained when an asset is disposed of to another party at the end of its useful life.

5. 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.

Council has elected not to recognise land under roads in accordance with AASB 1051 Land Under Roads, as it is not possible to attribute a value reliably for these assets to qualify for recognition. Land acquired for road purposes during the year, is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

Assets with a useful life of less than 12 months will not be capitalised.

Capitalisation thresholds have been determined to provide a guide on minimum asset capitalisation levels.

Asset	Capitalisation Threshold
Office furniture and equipment	$5,000
Other plant and equipment	$5,000
Buildings – new construction/extensions	$10,000
Open space structures	$10,000
Street furniture and playground equipment	$5,000
Road construction and reconstruction	$10,000
Paving and footpaths, kerbs and gutters	$5,000
Drains and culverts	$5,000
Reticulation extensions	$5,000
Sidelines and household connections	$5,000
Irrigation	$5,000
Artworks	$5,000

Some segmented assets may be treated as network assets where appropriate to ensure capital expenses are appropriately recognised throughout the capitalisation process.

Measurement at Recognition

The initial valuation basis for an asset is its cost. Cost is determined as the fair value of the asset 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, or a nominal cost, the cost is its deemed fair value at the date of acquisition.

The cost of an asset constructed by Council includes the cost of all materials, direct labour and an appropriate portion of overhead costs.

Library books are expensed in the year of purchase / receipt.

AASB 113 requires the use of a Fair Value hierarchy where assets are reported as Level 1, Level 2 or Level 3 inputs. This refers to how the value of the asset has been determined. The following table outlines the fair value hierarchy disclosure classification by asset class for Council.

Hierarchy	Description
Level 1 Inputs	**Quoted Prices – Active Markets**
Financial Assets	A Level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (e.g. on different exchanges).
Level 2 Inputs	**Observable Inputs**
Non-community land Council buildings on non-community land able to be used commercially (e.g. offices, libraries and shops, plant, furniture and equipment	Level 2 inputs include the following: a) Quoted prices for similar assets or liabilities in active markets b) Quoted prices for identical or similar assets or liabilities in markets that are not active c) Inputs other than quoted prices that are observable for the asset or liability.
Level 3 Inputs	**Unobservable Inputs**
Buildings on community land, community land and all infrastructure assets	An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorised within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs such as the entity's own forecasts. An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity's own data and shall adjust that data if reasonably available information indicates that other market participants would use different data.

Asset depreciation

All non-current assets, with the exception of land, are depreciated over their determined useful lives. Depreciation of an asset commences when the asset is available for use and is calculated on a straight-line method using the standard estimates for useful lives below. The actual useful life for specific assets may be varied where asset quality, environmental and/or operational conditions warrant.

The span of available useful lives for some asset components are quite large, taking into account that the specific assets within these categories can vary significantly. Council takes the advice of engineering experts when applying these lives to specific assets.

Plant, Furniture and Equipment	**Useful Life**
Office equipment	5 to 10 years
Office furniture	10 to 20 years
Vehicles and road-making equipment	5 to 8 years
Other plant and equipment	5 to 15 years
Building and Other Structures	**Useful Life**
Buildings – masonry (overall)	50 to 100 years
Buildings – other construction	20 to 40 years
Buildings – roofing	40 to 60 years
Buildings - Services	10 to 100 years
Buildings - Interior	20 to 40 years
Buildings – Sub Structure	50 to 120 years
Buildings - Super Structure	50 to 100 years
Open Space Structures – masonry & engineered structures	50 to 100 years
Open Space Structures – other construction	20 to 40 years
Playground equipment	5 to 20 years
Transport Infrastructure	**Useful Life**
Sealed Roads – Surface	15 to 30 years
Sealed Roads – Pavement Base	65 to 100 years
Sealed Roads – Pavement Sub-Base	100 to 400 years*
Unsealed roads	10 to 20 years
Paving and footpaths, kerb and gutters	25 to 75 years
Traffic signals and school crossings	25 years
Stormwater Infrastructure	**Useful Life**
Drains	70 to 100 years
Culverts	70 to 100 years
Flood control structures	70 to 100 years
Dams and reservoirs	70 to 100 years
Bores	20 to 40 years
Reticulation pipes – PVC	70 to 80 years
Reticulation pipes – other	25 to 75 years
Irrigation	**Useful Life**
Primary Supply Lines	80 years
Secondary Supply Lines	50 years
Sub-Surface Supply Lines (Tertiary)	25 years
Pump Stations & Controls	10 to 20 years
Sprinklers, Drippers and Valves	15 to 20 years
Miscellaneous	25 to 50 years
Other Assets	**Useful Life**
Artworks	indefinite
Street furniture	10 to 20 years

**Useful life for Pavement Sub-Base renewal is projected based on renewal occurring after approximately every 2-3 Pavement Base renewals. This projection will be cross-checked at the time of transport condition assessment.*

Asset revaluation

Non-current assets are revalued regularly 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 1999.

Plant, furniture, equipment and other assets are not revalued and will remain at cost.

Land held for development and/or resale is valued at the lower of cost and net realisable value.

Asset Revaluation Condition Assessment Schedule

Asset Class	Upcoming	Subsequent
Land & Buildings	2025	2030
Open Space	2025	2030
Irrigation	2026	2031
Transport	2028	2033
Stormwater	2024	2029

Residual Values

The residual value of vehicles and plant that are traded at the end of their useful lives can be calculated via AASB 13 Fair Value Measurement.

Residual values are not recognised for all other asset classes.

Asset Impairment

Assets that have an indefinite life are not subject to depreciation and are reviewed annually for impairment.

Assets that are subject to depreciation are 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 assets carrying value exceeds its recoverable amount in accordance with AASB 136 impairment of Assets.

Disposal or Sale of Assets

The disposal or sale of Council assets must be made in accordance with Council's Disposal of Land and Other Assets Policy.

6. Authority

Adopted by Council – August 2023

7. History

- Version 8 – adopted August 2023
- Version 7 – adopted August 2022
- Version 6 – adopted August 2021
- Version 5 – adopted July 2020
- Version 4 – adopted July 2018
- Version 3 – adopted June 2016
- Version 2 – adopted June 2014
- Version 1 – adopted May 2012