

## POLICY DOCUMENT

7.63.10

<b>Policy Name</b>	Asset Accounting
<b>Version:</b>	1
<b>Strategic Reference:</b>	5.2 Infrastructure aligned to community needs and expectations
<b>Responsible Department:</b>	Corporate, Community & Governance Services
<b>Policy Adopted:</b>	20 July 2020
<b>Last revised date:</b>	19 October 2015
<b>Minute reference:</b>	CO 20/101
<b>Next review date:</b>	Council will review this policy 4 years after adopted date or following significant change to legislation or aspects included within this policy.
<b>Applicable Legislation:</b>	Local Government Act 1999
<b>Related Policies:</b>	
<b>Related Documents:</b>	<p>Australian Accounting Standard – AASB116</p> <p>LGA Financial Sustainability Program Information Paper 6 Infrastructure and Asset Management (Policy and Planning)</p> <p>LGA Financial Sustainability Program Information Paper 17 Depreciation and Related Issues</p> <p>Australian Infrastructure Financial Management Guidelines (IPWEA)</p>

### 1. PURPOSE

To set guidelines for implementing consistent asset accounting processes throughout City of Port Lincoln.

### 2. OBJECTIVE

To ensure responsible management of major assets by:

- Safeguarding Council assets including physical assets by implementing appropriate asset accounting strategies and providing adequate financial resources for the maintenance and renewal of those assets.
- Creating awareness amongst employees and Elected Members of Council's responsibility to create and manage sustainable assets.
- Meeting legislative requirements for financial reporting of assets.
- Demonstrating transparent and responsible asset accounting practices.

### **3. PRINCIPLES**

Council will implement a consistent and systematic approach to accounting for its assets.

All relevant legislative requirements together with political, social and economic environments will be taken into account in asset management planning.

Asset renewals required to meet service levels or as identified in the Infrastructure and Asset Management Plan (IAMP) will be funded as a matter of priority in the annual budgeting process.

### **4. ASSET AND PLANT REGISTER**

All Council Assets and items of Plant will be recorded in Council's Asset Register when acquired by Council.

The information recorded should include:

- Asset Code or number
- Description
- Date of Purchase
- Acquisition Cost, including purchase price or consideration plus all incidental costs such as architectural, engineering and initial registration fees and all other costs incurred in preparing the asset for use
- Asset Group & Class
- Location
- Useful Life (Years)
- Depreciation Rate
- Accumulated Depreciation
- Annual Depreciation Amount
- Depreciation Method
- Valuation Basis
- Written Down Value

Not less than once a financial year, non-fixed Assets and Plant shall be reviewed and reconciled with the Asset Register.

### **5. ASSET GROUP STRUCTURE**

Council records the following asset groups:

- Bridges
- Buildings
- Recycled Water Scheme
- Footways
- Furniture and Fittings
- Kerbing
- Land
- Library Collection
- Library Furniture, Fittings & Equipment Plant & Equipment
- Other Community Assets
- Road Surface
- Road Base

- Stormwater

## **6. UNSEALED ROADSCAPITALISATION**

Expenditure, or other transactions, which results in the creation of an asset which is to be controlled by Council, are to be capitalised when the value of the asset can be reliably measured at the time of Council gaining control over the asset and is in excess of the capitalisation thresholds outlined in Section 7 of this Policy.

The cost of assets constructed by Council shall include the cost of all materials used in construction, direct labour and supervision, internal plant hire and an appropriate overhead charge in order to reflect a fair value of the asset.

Where the value of individual assets fall below the capitalisation threshold but the assets form a part of a network or asset group, (such as park furniture on a particular reserve,) consideration will be given to capitalising the individual asset or group based on whether the aggregate value of those assets exceeds the capitalisation threshold. Assets to be considered will be referred to the Manager responsible for the financial management of assets for a determination.

Acquisition costs of items with values below the capitalisation thresholds, or which are expected to have a useful life of less than one year, shall be treated as operating expenses.

## **7. DEFINITIONS AND CAPITALISATION THRESHOLDS**

### **7.1. Plant and Equipment**

Any mechanical or electronic equipment used by the Council, but does not include office equipment, which is valued over \$3,000.

### **7.2. Office Equipment**

Office Equipment refers to any mechanical or electrical equipment used within an office environment, which is valued over \$3,000. It will be comprised of items such as computer hardware and major software, photocopiers, facsimile machines, printers etc.

### **7.3. Furniture and Fittings**

Furniture and Fittings are assets not integral to a building structure, although they may be affixed to walls and ceilings. This asset type will include such things as large furniture items, air conditioning units etc. valued over \$3,000.

### **7.4. Fixed Assets**

All other assets of a fixed nature - Land, Building, Infrastructure, including Roads, Bridges, Footpaths, Stormwater Drainage, Kerbing, Filtration and Community Assets. All costs relating to construction, upgrade or replacement of fixed assets will be capitalised.

## **8. DEPRECIATION**

The Chief Executive Officer shall cause depreciation to be charged to all non-current assets with limited useful lives. The charge is to be systematically brought to account each year.

Depreciation is recognised on a straight line basis using rates which are reviewed each reporting period.

Non-current assets having limited useful lives shall be systematically depreciated over their useful lives in a manner which reflects consumption of the service potential embodied in those assets.

The useful life of new assets will be determined by an authorised person within the work area responsible for the relevant asset category or according to Council plant replacement programs. Residual value is to be considered when determining the rate of depreciation to be applied to individual assets.

Land is not a depreciable asset.

## **9. COMPONENTISATION OF FIXED ASSETS**

Where possible, Fixed Assets valued will be broken down into significant individual components ("components") and separate assets created even if the components are not independent operating units, (e.g., buildings consist of structure, roofing, floor coverings, electrical fittings, etc.)

Componentisation occurs when the component:

- Is separately identifiable and measurable and able to be separated from the Fixed Asset; and
- Requires replacement at regular intervals during the life of the Fixed Asset to which it relates (e.g. due to historical evidence or manufacturer's instructions); and
- Exceeds Council's Capitalisation Threshold as outlined in Section 6; and
- Has a significant value in relation to the total value of the Fixed Asset (e.g. is material enough to justify the effort in tracking it both physically and in accounting terms); and
- Has a different estimated useful life from the Fixed Asset so that failure to depreciate it separately would result in a material difference in annual depreciation expense.

## **10. GUIDELINES FOR ESTABLISHING USEFUL LIFE**

Each asset should be assessed according to construction materials, intended use and exposure to elements and general wear and tear, however the following provides some guidance:

### **10.1 Building Assets (subject to Section 9 above)**

Building items: 50 – 100 years

Other structures: 10 – 100 years

### **10.2 Road Assets**

Road surfaces: 13 – 25 years

Road base: 20 – 80 years

Kerb & gutter: 40 – 70 years

### **10.3 Bridges**

Bridge: 50 – 100 years

**10.4 Footpaths**

Paved/sealed surfaces: 20 – 50 years

**10.5 Carparks**

Sealed surfaces: 15 – 25 years

Base: 40 – 80 years

**10.6 Stormwater**

Pipe length: 40- 50 years

Pit/access point: 40 – 50 years

Drainage structure: 40 – 50 years

Dams/retention basins: 80 – 120 years Pumps/bores: 10 – 40 years

Facilities & other structures: 5 – 20 years

**10.7 Parks & Recreation Assets**

Playground equipment: 15 – 20 years

Furniture: 5 – 50 years

Irrigation systems: 20 – 30 years

**10.8 Fences**

Fencing (dependant on type): 25 – 50 years

**10.9 Plant & Equipment**

Earthmoving plant: 5 – 20 years

Motor vehicles: 2 – 5 years

Furniture & fittings: 3 – 20 years

**11. ASSET REVALUATIONS**

Council will conduct regular asset revaluations to ensure carrying values within the Asset Register do not differ materially from the fair value of the asset at the reporting date.

Council will contract professionally qualified Valuers to undertake revaluations.

Revaluations will be treated in accordance with applicable Australian accounting standards.

**12. INFRASTRUCTURE AND ASSET MANAGEMENT PLAN**

In accordance with the requirements of Section 122 of the Local Government Act 1999, Council has adopted an IAMP for its infrastructure and major assets.

The IAMP is to be reviewed annually to align with Council's Long Term Financial Plan and annual budget.

**13. RELEVANT DELEGATED POWERS AND DUTIES**

Any actions or decisions made regarding this policy will be enacted upon as per Council's current Delegations Register.