



Asset Accounting Policy

Strategic Reference	Provide leadership, good governance, and efficient, effective and responsive Council services
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Responsibility	Director Corporate Services
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Applicable Legislation	Local Government Act 1999 Local Government (Financial Management) Regulations (2011) Australian Accounting Standards – No.116 Property, Plant and Equipment Australian Accounting Standards – No.13 Fair Value Measurement Australian Accounting Standards – No.136 Impairment of Assets Australian Accounting Standards – No.138 Intangible Assets Australian Accounting Standards – No.16 Leases
Related Policies	Asset Management Policy Sale and Disposal of Council Land and Other Assets Policy

1. Objective

This policy provides guidance, clarity and consistency regarding the treatment of capital expenditure, which will provide for greater understanding and accuracy of Council's capital requirements and depreciation expenses. The existence of this policy will assist to ensure there is a distinction made between expenditure on long- lived assets and expenditure on goods and services for immediate consumption. This is critically important in determining the cost of providing services.

2. Scope

This policy applies to the acquisition and accounting treatment of Council's non-current assets, to ensure they are managed in an efficient and financially responsible manner, and that financial information related to non-current assets are presented consistently.

3. Definition

"Capital Expenditure" – Capital expenditure can be broken down into two categories:

- i. Costs incurred in the creation of a new asset – including design costs, planning and development compliance costs, construction costs.
- ii. Costs incurred for replacement and repair of an existing asset – these costs can be considered capital when the replacement or repair results in an extension of the useful life of the asset.

"Carrying Value" – The carrying value of an asset is the value of the asset held on Council's balance sheet. It can be based on the cost of installation of a new asset or can be based on an independently revalued replacement cost for an existing asset.

"Cost" – the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

"Depreciation" – Depreciation is the mechanism by which the carrying value of an asset is expensed over its useful life. It represents the amount by which Council's asset stock is being consumed annually.

"Fair Value" – 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.

"Maintenance" – Maintenance of an asset is periodic expenditure required to ensure that the asset lasts as long as it is expected to last and that it provides and continues to provide future economic benefits or expenditure on non current assets that do not meet the capitalisation criteria. Maintenance costs are expensed annually as they are incurred.

"New/Upgraded Assets" – A new asset is additional to Council's previous assets held. An upgraded asset replaces a previously existing asset with enhanced capability or functionality, where an option existed for replacement without any enhanced capability or functionality.

"Renewal/Replacement Assets" – Renewal or replacement of an asset occurs where a previously existing asset is replaced, giving a new asset with a new useful life, without enhancement of the service capability.

"Residual Value" – The residual value of an asset is the estimated amount that an entity would currently obtain from the disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

“*Useful Life*” – The useful life is, the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

4. Policy Statement

Assets shall be recognised and accounted for in accordance with Australian Accounting Standards and the details contained in this policy.

5. Policy

5.1. Assets

An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

There are three specific elements that define an asset:

- i. Future economic benefits – in the case of public sector entities, future economic benefits (or service potential) are the goods and services to be provided by the asset, whether or not the entity receives a net cash inflow for their provision.
- ii. Control by the entity - control means the ability of the entity to benefit from the future economic benefits or to restrict the access of others to those benefits.
- iii. Occurrence of past event – the asset must be in existence. A contract to purchase an asset does not give rise to an asset, nor does the intent to acquire an asset.

5.2. 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 or value that can be measured reliably.

An asset that qualifies for recognition will be initially recorded at cost at the date of acquisition, including costs directly attributable to bringing the asset to the location and condition ready for operation by the Council.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.

Assets with an economic life in excess of one year will be capitalised where the cost of acquisition exceeds materiality thresholds set by Council for each type of asset.

Land under roads is not recognised as it not possible to attribute a sufficiently reliable value.

Capitalisation Thresholds

The following table provides guidance when determining whether expenditure is both capital and material in nature. Where a group of assets are materially the same they can be capitalised based on the total value.

	Maintenance	Capital
Fleet & Plant Assets	Expenditure <\$3,000 for individual items or items that cannot be easily grouped.	Expenditure >\$3,000 for individual assets, or assets that can be easily grouped*.
Sealed Roads and Car Parks	Minor road patching Shoulder grading Line marking Road cleaning & sweeping General kerb maintenance Guide posts Signage	Road patching other than minor works >\$10,000 New road construction. Resealing >\$10,000 or full segment Reconstruction >\$10,000 Repairs to kerb & channel >\$5,000 New kerb construction
Unsealed Roads	Grading Pot Holing Clearing Drain Clearing Guide posts Signage Ripping and Compacting	Other Treatments >\$10,000 or full segment Resheeting where treatment exceeds 3000m ²
IT Equipment	Expenditure <\$3,000 for individual assets or assets that cannot be easily grouped.	Expenditure >\$3,000 for individual assets, or assets that can be easily grouped*.
Stormwater	Minor repairs.	Pipe and structure replacement >\$5,000 New pipes and structures New wetlands Purchase or replacement of pump and bore equipment >\$5,000
Office Furniture & Equipment	Purchases <\$3,000	Expenditure >\$3,000 for individual item or items which can be grouped*
Bridges	Minor bridge repairs <\$10,000	Bridge structure replacement >\$10,000 New bridges Major Repairs >\$10,000
Signs	Repairs to existing individual signs & posts	Not capitalised

Footpaths	Footpath maintenance (pothole repair, joint grinding, segment paving resetting) <\$5,000	Footpath replacement New footpath construction
Research, Design & Project Management Costs	All research, design & project management costs incurred on projects which have not proceeded.	Subject to the tests of AASB 136 Impairment of assets
Traffic Control Devices	All line marking. Any maintenance to existing devices <\$3,000	Any new or complete replacement of kerb, fence and component of the device New traffic islands
Land and Reserves	Maintenance of landscaping structures Renewal of mulch and garden beds Plants and Trees Maintenance to existing park furniture Maintenance to existing irrigation equipment <\$3,000	New pavers and concrete paths >\$3,000 New irrigation >\$3,000 New park furniture > \$3,000 Replacement of existing park furniture > \$3,000 New irrigation equipment Major repairs/replacement of irrigation equipment >\$3,000
Sporting Ovals and Playing Courts	Line Marking Lawn mowing Light tower bulb replacements	Court construction and resurfacing Light tower construction and replacement
Playground Equipment	Maintenance to existing playground equipment	New playground equipment Replacement of playground equipment >\$2,000
Buildings	All maintenance of building components.	Any structural addition to the buildings >\$5,000 Renewal of building components
Software (Software as a Service)	Ongoing licence fees	As per AASB 138 – including implementation, software purchase costs, configuration.

5.3. Depreciation

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the economic benefits provided by those assets. Land is not a depreciable asset. The depreciation method applied shall be the straight line basis.

5.3.1. Useful Lives

Road Infrastructure	Useful Lives (years)
Spray Seal	17-20
Asphalt	17-25
Sheeted	8-20
Pavement	40-80
Kerbing	70
Footpath - Concrete	50
Footpath - Pavers	50
Footpath - Asphalt	20
Footpath - Spray Seal	20
Footpath - Gravel	15
Bridges	80
Plant, Furniture & Equipment	Useful Lives (years)
Office Equipment and Furniture	3-10
Fleet and Plant Equipment	2-10
Building & Other Structures	Useful Lives (years)
Buildings - Masonry	50-100
Buildings - Other Constructions	20 - 40
Buildings - Water Supply Pumps & Meters	7 - 30
Stormwater	Useful Lives (years)
Stormwater - Pipes	80-100
Stormwater - Pits	80
Stormwater - Other	70
Recreation	Useful Lives (years)
Recreation Assets	15-50
Software	Useful Lives (years)
Software as a Service	3-5

5.4. Revaluations

When an asset is recognised, its value can be recognised either by the cost model or by the revaluation model. The cost model recognises the original cost of an asset less any accumulated depreciation and impairment losses. The revaluation model recognises assets at their fair value only if that can be measured reliably. If an asset is revalued, its value is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluation of assets will be undertaken with sufficient regularity to ensure the carrying amount of the asset does not differ materially. Asset classes will be revalued on a rolling 5 year cycle.

The following asset classes will remain at cost and will not be revalued.

- Furniture & Fittings
- Plant & Equipment
- Software as a Service
- Right of Use Assets

5.5. Intangible Assets

Intangible assets, such as software, will be recognised subject to AASB138.

5.6. Impairment

In accordance with AASB 136, Council will assess annually whether assets under its control may be impaired.

Impairment loss shall be recognised as a depreciation expense when the recoverable amount of an asset is less than its carrying amount. If, however, the asset is carried at a revalued amount the impairment loss is treated as a revaluation decrease.

5.7. Leases

In accordance with AASB16, all leases will be capitalised by recognising a Right of Use asset together with a liability for the present value of the lease obligation.

Depreciation will be calculated on the Right of Use asset and interest will be calculated on the lease liability.

The value of the Right to Use asset and the lease liability will include non-cancellable lease payments and payments for option periods with Council is reasonably certain to exercise.

Exceptions to the capitalisation rule are short term leases with a period of 12 months or less, and leases for which the value of the asset is less than \$10,000.

6. Further Information

This policy will be available for inspection at the Council office listed below during ordinary business hours and provided to interested parties as per Council's Fees and Charges Register. Copies are available to be downloaded, free of charge, from Council's website: www.yankalilla.sa.gov.au/policies

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Office hours: Monday to Friday, 9.00am to 5.00pm (except public holidays)

7. Grievances

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer of Council.

8. Review Cycle

This document is subject to review in four (4) years from the date of authorisation.

9. Document History

Date	Version	Council Resolution No.	Description of changes
April 2023	1.0	C23067	Adoption of Policy
			Review of Policy