

Asset Accounting Policy

1. Purpose

This policy provides a framework to regulate and guide the identification, recognition and measurement of long-life (non-current) assets and intangible assets that provide future economic benefit to Campaspe Shire Council and the community. This policy is necessary to ensure compliance with Australian Accounting Standards (AAS), relevant legislation, and to capturing meaningful data for strategic planning purposes.

2. Scope

This policy will apply when performing the following functions:

- Acquiring, constructing or developing a long-life asset
- Accounting for costs incurred in maintaining a long-life asset
- Renewing, replacing or enhancing the service potential of a long-life assets
- Revaluing long life assets
- Disposal of long-life assets
- Accounting for the depreciation or amortisation of long-life assets
- Reporting and disclosing long life assets
- Establishing the useful life and value of long-life assets
- Testing long life assets for impairment
- Acquiring and revaluing intangible assets

This policy applies to all employees (including full time, part time, casual employees, agency staff and students), responsible for capturing transactions related to capital expenditure and the revaluation of assets.

3. Policy Statement

Council will account for its long-life and intangible assets as required by legislation and AAS so that Council's balance sheet reflects the fair value of assets owned or controlled by Council.

To achieve this, accounting for assets will adhere to the following principles:

1. Council must have control over the asset (Appendix B) and the future benefits associated with the asset will flow to Council.
2. The asset is expected to be used by Council for more than 12 months.
3. The cost of the asset can be measured reliably.
4. The cost or fair value exceeds Council's asset recognition threshold (Appendix A).
5. Assets fair value will be reassessed yearly and revaluations carried out via the use of indexes or condition and unit rates on a cyclical basis (Appendix C).
6. Assets may be disposed of if they are no longer required for service delivery, have reached the end of their useful life or are being replaced or renewed.
7. Assets will be depreciated over their useful life.
8. Assets proposed to be sold within 12 months will be moved to 'Assets Held for Sale'.

Principle 1 - Council must have control over the asset (Appendix B) and the future benefit associated with the asset will flow to Council.

The Council must have control over the asset and there be an expectation that future benefits will flow to Council. To control the asset, Council must be able to direct how the asset is utilised. If the asset meets these requirements, it will be added to the asset register.

Principle 2 - The asset is expected to be used by Council for more than 12 months.

This policy applies to long life assets, long life assets are assets that are not easily converted to cash and have a useful life of more than 12 months.

Principle 3 - The cost of the asset can be measured reliably.

A long-life asset that qualifies for recognition as an asset shall be measured initially at cost. Where an asset is acquired at no cost, or nominal cost, such as developer contributions and other contributed asset, the cost is its fair value as at the date of acquisition.

The cost of a long-life asset comprises the purchase price and costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended.

Costs that can be directly attributable to an asset are those cost related to activities following the decision to proceed with the investment. These are:

- Tendering costs
- Planning approvals
- Survey and design
- Professional fees
- Site preparation
- Construction
- Employee costs directly related to the construction or acquisition of an asset
- Council direct costs of plant hire, materials and oncosts
- Administration and other general overhead costs
- Supervision and project management
- Initial delivery, handling, installation and assembly

Costs which cannot be measured reliably or identified as directly attributable to the asset are not capitalised. These include:

- Initial project feasibility planning and investigation
- Community consultation
- Opening of a new facility

Principle 4 - The cost or fair value exceeds Council's asset recognition threshold (Appendix A).

The directly attributable cost of acquiring an asset or costs associated with work which renews, extends or upgrades the asset's underlying service potential and meet the thresholds in Appendix A, will be capitalised.

Principle 5 - Assets fair value will be reassessed yearly and revaluations carried out via the use of indexes or condition and unit rates on a cyclical basis (Appendix C).

Assets are initially recognised at cost where they meet capitalisation thresholds, thereafter assets are required to be revalued on a regular basis to ensure that their carrying amount on Council's balance sheet is not materially different to their fair value.

Financial reporting obligations require long life assets to be revalued in accordance with AASB 116 Property, Plant and Equipment and AASB 1041 Revaluation of Non-Current Assets. Where assets have an available market price for their current type and condition, the market price is deemed to be the fair value as defined in AASB 13 Fair Value Measurement. For infrastructure assets and assets where there is no market-based evidence of fair value, fair value is based on depreciated replacement cost (DRC). DRC is calculated based on the gross replacement cost of an equivalent asset, less any accumulated depreciation.

All asset classes will be formally revalued on a cyclical basis as defined in Appendix C. In between formal revaluations a fair value assessment will be carried out using appropriate indexes. Where there is a material difference to the carrying value, the index-based value will be used to revalue the asset class.

Fixed assets will be reviewed for impairment loss 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. Assets will be reviewed annually for impairment as per AASB 136 Impairment of Assets.

Principle 6 - Assets may be disposed of, if they are no longer required for service delivery, have reached the end of their useful life or are being replaced or renewed.

An asset is to be derecognised in the asset register whenever:

- The asset is destroyed, abandoned or decommissioned with no future economic benefit expected to be generated from its use.
- The asset is scrapped, sold or traded
- The asset is lost or stolen; or
- Control of the asset is transferred to another entity

Principle 7 - Assets will be depreciated over their useful life.

All long-life assets, except land, are depreciated over their determined useful lives and depreciation commences when the asset is available for use. Useful lives may change over time, the factors that can impact the life of an asset are climatic conditions, new technology or changes to operational conditions. Useful lives of assets will be reassessed each year in line with accounting standards.

Principle 8 - Assets proposed to be sold within 12 months will be moved to Assets Held for Sale.

When Council proposes to sell a long-life asset and the disposal can be reliable forecast to occur within 12 months, the asset is to be classified as 'Held for Sale' in current assets. The valuation of such assets will be the lower of the carrying value at the date of resolution or fair value less costs to sell if the carrying amount will be recovered principally through the sale transaction. Assets held for sale are to be reviewed at the end of each financial year. If the sale is no longer going to occur within 12 months, then the asset is to be reclassified back to long life assets.

3.1. Roles and responsibilities

Strategic Asset Management Team

- Organise and coordinate condition assessments for asset classes as set out in Appendix C. Ground truth data from condition assessments to ensure it is correct and fairly represents the current condition of assets.
- Ensure all new assets controlled by Council have been created in the asset register to enable the timely capitalisation of assets by the Asset Accountant.
- Assess assets for impairment annually in consultation with the Manager Finance
- Review the useful lives of assets classes annually as required by relevant AAS's.
- Carry out a fair value assessment of all asset classes to ensure that the carrying amount is not materially different to the fair value.
- In consultation with relevant stakeholders review this policy as required.
- Engage with Service Mangers to set the level of service applicable to each asset class.

Finance Team

- Capitalise all relevant costs associated with new or renewed, upgraded or expanded assets in a timely manner and according to the capitalisation thresholds set out in Appendix A.
- Move any assets deemed to be 'Held for Sale' from non-current assets to the Assets Held for Sale. **Only** if there is a **reasonable expectation** that the sale will occur within 12 months.
- Manage the depreciation process of all asset classes over their useful lives.
- Write off any remaining value of assets that have been disposed, sold, lost or are no longer controlled by Council.

4. Definitions

Terms and definitions used in this policy include:

Term	Details
Asset	An item or thing that has potential value to an organisation and for which the organisation has a responsibility. Assets include roads, bridges, buildings, footpaths and sporting facilities and playgrounds and many more.
Asset class	A group of assets having common characteristics.
Capitalisation thresholds	Minimum amount whereby the value of a long life asset must be capitalised, below this amount the cost is expensed.
Carrying value	The value at which an asset is recognised after deducting any accumulated depreciation or accumulated impairment losses.
Contributed asset	Assets such as footpaths, drainage, roads and public open spaces that are transferred from developers to council.
Control of an asset	The capacity of the council to benefit from the asset in pursuit of its objective and to be able to deny or regulate the access of others to those benefits.
Depreciation	Is the systematic reduction of an asset's value over its useful life.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants.
Future economic benefit	Is the potential to contribute, directly or indirectly, to providing a service to the community and/or council.
Impairment loss	The amount by which the carrying value of an asset exceeds its recoverable amount.
Long life asset (non-current)	An asset held for use which provides a benefit for a period greater than twelve months
Useful life	The period over which an asset is expected to be available for use.

5. Acknowledgements

5.1. Traditional Owners

The Shire of Campaspe is the traditional lands of the Dja Dja Wurrung, Taungurung and Yorta Yorta Peoples. We respect and acknowledge their unique Aboriginal cultural heritage and pay our respect to their ancestors, descendants and emerging leaders as the Traditional Owners of this country. We acknowledge their living culture and their unique role in the life of this region.

Policy Information

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16/09/2024	New policy – replaces the Asset Capitalisation and Asset Valuation Policies which are to be rescinded.

Currency: Documents are amended from time to time; therefore, you should not rely on a printed copy being the current version. Please consult the Campaspe Shire Council website to ensure that the version you are using is up to date. This document is available in alternative formats (e.g. larger font) if requested.

Appendix A – Capitalisation thresholds

Asset Class	Capitalised	Depreciated	Capitalisation Threshold	
			\$	Measure
Sealed Roads, car parks, aerodrome runways	Y	Y	N/A	>25% of segment area
Pavement (including earthworks and formation)	Y	Y	N/A	>100m2
Gravel Shoulders	Y	Y	Entire segment	N/A
Gravel Roads	Y	Y	N/A	>100 tonnes rock per segment
Earth Roads	Y	N	New works	N/A
Footpath (inc Shared Paths)	Y	Y	10,000	>50m2
Kerb & Channel	Y	Y	N/A	>10m segment
Bridges and major culverts	Y	Y	20,000	N/A
Boardwalks, Jetties, Moorings, Boat ramps	Y	Y	10,000	N/A
Riverine Structures (wharf)	Y	Y	20,000	N/A
Pipes and minor culverts	Y	Y	10,000	N/A
Pits & Structures	Y	Y	Full replacement cost	N/A
Channels & Open Stormwater Drains	Y	Y	10,000	N/A
Basins, Dams & Wetlands	Y	Y	10,000	N/A
Retaining Walls & Levee Banks	Y	Y	10,000	N/A
Pump – Stormwater, Flood	Y	Y	10,000	N/A
Irrigation - Parks & gardens and sporting grounds	Y	Y	10,000	N/A
Buildings	Y	Y	10,000	N/A
Swimming pools (excluding associated buildings)	Y	Y	10,000	N/A
Playing Surfaces	Y	Y	Full replacement cost	N/A
Sports Lighting & Electrical	Y	Y	10,000	N/A
Playgrounds	Y	Y	10,000	N/A
Fencing & Bollards	Y	Y	10,000	N/A
Parking Meters	N	N	N/A	N/A
Signs	N	N	N/A	N/A
Street and Public Lighting	N	N	N/A	N/A
Traffic Control Lights	N	N	N/A	N/A
Marine Vessels - Decking, hull, machinery & equipment	Y	Y	Full replacement cost	between >10 and >25% of cost
Artworks & monuments	N	N	N/A	N/A
Land	Y	N	At cost - new assets	N/A
Land Under Roads	Y	N	Fair value - impaired	N/A
Land Improvements	Y	Y	5,000	N/A
Water rights	Y	N	50,000	N/A
Plant and Vehicles	Y	Y	At cost - new assets	N/A
Plant and Machinery refurbishment	Y	Y	10,000	N/A
Furniture and fittings	N	N	N/A	N/A
Computer and telecommunications equipment	Y	Y	5,000	N/A

Appendix B – Council control

Land Ownership	Asset Management							
	Council Managed (Direct)	Council Managed (Delegated)	Council Managed (Contract)	Council Leased, Licenced or Agreed (Council Lessee/Licensee)	Asset Commercially Leased (Council Lessor)	Other (non-commercial) Lease (Council Lessor)	DEECA or DEECA Local Committee	Other
Council Land								
Crown Land - Shire of Campaspe Committee of Management								
Crown Land – Vested								
Crown Land – Lease								
Crown Land–Non-Council Managed								
Private Land								Proposed Subdivisions
Government Road*								

Mobile/Non-Fixed Physical Asset Ownership	Asset Management							
	Council Managed (Direct)	Council Managed (Delegated)	Council Managed (Contract)	Council Leased, Licenced or Agreed (Council Lessee/Licensee)	Asset Commercially Leased (Council Lessor)	Other Lease (Council Lessor)	DEECA or DEECA Local Committee	Other
Council								
Private								

Other Physical Asset Ownership	Asset Management							
	Council Managed (Direct)	Council Managed (Delegated)	Council Managed (Contract)	Council Leased, Licenced or Agreed (Council Lessee/Licensee)	Asset Commercially Leased (Council Lessor)	Other Lease (Council Lessor)	DEECA or DEECA Local Committee	Other
Council								
Private								

	Assets in these categories will be included in the Asset System
	Assets in these categories will be included in the Asset System (with management as per lease or formal agreement)
	Assets in these categories will not be included in the Asset System
	Assets in these categories will be included in the Asset System as 'Proposed Assets' to be confirmed as Council Assets once subdivision gains Statement of Compliance
	Scenario is not possible

* Note that further to Government Roads 'Freehold Roads' exist under the local Government Act 1958. These are extremely complex and where these are identified Council's Asset Management obligations will need to be determined in each individual case.

Appendix C – Revaluation schedule

Asset Class	Valuation method	Adopted Useful Life (years)	Condition assessment frequency (years)	Full Revaluation frequency (years)	Interim revaluation frequency (years)
Sealed Roads - wearing course asphalt	DRC	20	5	5	1
Sealed roads - spray seals	DRC	15	3	5	1
Pavement - earthworks and formation	DRC	80	5	5	1
Gravel Roads & shoulders	DRC	15	3	5	1
Earth Roads	N/A	Indefinite	N/A	N/A	N/A
Footpath (inc Shared Paths)	DRC	40-50	5	5	1
Kerb & Channel	DRC	50	5	5	1
Bridges and major culverts	DRC	100	5	5	1
Boardwalks, Jetties, Moorings	DRC	100	5	5	1
Riverine assets (wharf)	DRC	100	5	5	N/A
Pipes and minor culverts	DRC	80	5	5	1
Pits & Structures	DRC	80	5	5	1
Channels & Open Stormwater Drains	DRC	80	5	5	1
Basins, Dams & Wetlands	DRC	40	5	5	1
Retaining Walls & Levee Banks	DRC	40	5	5	1
Pump – Stormwater, Flood	DRC	20	5	5	N/A
Irrigation - Parks & gardens and sporting grounds	DRC	25	N/A	N/A	N/A
Buildings	Market Value	75	5	5	1
Swimming pools (excluding associated buildings)	DRC	80	5	5	1
Playing Surfaces	DRC	20-50	5	5	1
Sports Lighting & Electrical	DRC	20-30	5	5	1
Playgrounds	DRC	20	1	5	1
Fencing & Bollards	N/A	50	N/A	N/A	N/A
Parking Meters	N/A	N/A	N/A	N/A	N/A
Signs	N/A	N/A	N/A	N/A	N/A
Street and Public Lighting	N/A	N/A	N/A	N/A	N/A
Traffic Control Lights	N/A	N/A	N/A	N/A	N/A
Marine Vessels - Decking, hull, machinery & equipment	DRC	100	5	5	5
Artworks & monuments	N/A	N/A	N/A	N/A	N/A
Land	Market Value	N/A	N/A	3	1
Land Under Roads	Impaired Market Value	N/A	N/A	5	1
Land Improvements	N/A	N/A	N/A	N/A	N/A
Water rights	Market Value	N/A	N/A	1	1
Plant and Vehicles	N/A	3-20	N/A	N/A	N/A
Plant and Machinery refurbishment	N/A	3-20	N/A	N/A	N/A
Furniture and fittings	N/A	3-15	N/A	N/A	N/A
Computer and telecommunications equipment	N/A	4-7	N/A	N/A	N/A