

	Function: CORPORATE SERVICES (FINANCIAL MANAGEMENT)	Adopted: 4 th April 2012 Resolution No.: C67:12
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ASSET ACCOUNTING POLICY		

Policy Statement

The Asset Accounting Policy (Policy) prescribes the required accounting treatment of non-current assets that provide future economic benefits to the Copper Coast Council (Council) and the community in accordance.

1. Introduction

- 1.1. Council has an obligation to ensure that its assets are managed and maintained efficiently, and that decisions regarding the acquisition of new assets and the sale of existing assets are undertaken in an open, accountable and transparent fashion.
- 1.2. As sound asset management is key to financial sustainability Council has adopted an Asset Management Plan which is incorporated into the Long Term Financial Plan and Annual Business Plan. An asset accounting policy ensures a distinction is made between expenditure on long lived assets and expenditure on goods and services for immediate consumption. This is important in determining the cost of providing services for Council's annual budget.

2. Scope

- 2.1. The purpose of this policy is to provide guidance, clarity and consistency regarding the treatment of capital expenditure, depreciation, revaluations, disposals and acquisitions when accounting for non-current assets. It will ensure Council is compliant with its requirements under Australian Accounting Standards and the Local Government Act 1999, in particular:
 - 2.1.1. All accounting records, accounts and financial statements are prepared and maintained with respect to all relevant Australian Accounting Standards;
 - 2.1.2. Revaluation of all material non-current assets are in accordance with the requirements of Australian Accounting Standards AASB 116;
 - 2.1.3. Any significant change in the expected pattern of consumption of the future economic benefits embodied in an asset shall be accounted for as a change in an accounting estimate in accordance with AASB 108; and
 - 2.1.4. Assets are assessed at the end of each reporting period whether there is any indication that an asset may be impaired in accordance with AASB 136.
- 2.2. This Policy generally impacts upon all Council employees and contractors. Specifically, the Policy is directly applicable to Council officers who have asset management and asset accounting responsibilities.

3. Legislation Framework

- 3.1. The following legislation applies to this Policy:
 - Local Government Act 1999
 - Local Government (Financial Management Regulations 2011 Part 3)

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Paragraph 11—Accounting standards

(1) A council, council subsidiary or regional subsidiary must ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards.

(2) Unless otherwise required or permitted by another law, a council, council subsidiary or regional subsidiary must ensure that reporting on a function, activity, good or service of the council, council subsidiary or regional subsidiary contained in its financial statements, or in any other external financial report prepared by the council, council subsidiary or regional subsidiary, is made according to a full cost attribution basis.

(3) For the purposes of sub regulation (2), an external financial report is a report of a financial nature prepared for the information and use of a person or body external to the council, the council subsidiary and the council which established the sub-sidiary, or the regional subsidiary and any constituent council (as the case may be).

Paragraph 12—Revaluation of assets

A council, council subsidiary or regional subsidiary must undertake a revaluation of all material non-current assets in accordance with the requirements of Australian Accounting Standard AASB 116.

- Australian Accounting Standard – AASB 13
- Australian Accounting Standard – AASB 1051
- Australian Accounting Standard – AASB 1031
- Australian Accounting Standard – AASB 116
- Australian Accounting Standard – AASB 108
- Australian Accounting Standard – AASB 136

3.2. This Policy is a statutory requirement but essential for good governance.

4. Integration with Corporate Objectives

4.1. This Policy supports Council's Strategic Plan 2019 - 2029

4.1.1. Governance Objective – Leadership

Goal 5 - To provide leadership and ensure resources are managed efficiently and effectively.

5.3 Finance – To have open accurate and effective financial Management.

5. Related Council Policies and Documents

5.1. This Policy is also designed to operate in conjunction with other Council policies, including but not limited to:

- Code of Conduct of Council Employees
- Public Interest Disclosure Policy
- Complaints Policy
- Fraud and Corruption, Misconduct and Maladministration Policy

6. Definitions

For the purposes of this Policy, the following definitions apply:

6.1. **Asset** – resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow.

6.2. **Asset Class** – grouping of assets of a similar nature in to categories for asset management and accounting purposes.

6.3. **Capital Renewal** – renewal or replacement of an asset occurs where a previously existing asset is replaced, giving a new asset with a new useful life, to extend its

- service-ability but not providing a higher level of service except where this is incidental and unavoidable. eg Resealing, resheeting and unsealed road (not widening).
- 6.4. **Capital Upgrade** – An upgraded asset replaces a previously existing asset with enhanced capability or functionality, where an option existed for replacement without the enhanced capability or functionality also thereby providing a higher level of service. eg Sealing/unsealed road, upgrading a stormwater pipe with larger size.
 - 6.5. **Capital Expansion** – Providing a new asset. eg extending a footpath to an area where the footpath did not exist or was classified as “natural earth”.
 - 6.6. **Chief Executive Officer (CEO)** means the appointed Chief Executive Officer under Section 96 of the Local Government Act 1999 and includes any person acting or delegated by the Chief Executive Officer’s under sections 100 and 101 of the Local Government Act 1999.
 - 6.7. **Council** means the Copper Coast Council and any delegate of the Council.
 - 6.8. **Depreciated Current Replacement Cost** – current cost of replacement or reproduction of an asset, less deductions for physical deterioration of the asset.
 - 6.9. **Depreciation** – the systematic allocation of the value of an asset over its useful life.
 - 6.10. **Fair Value** – equates to market value if a readily available market exists or depreciated current replacement cost where no market exists.
 - 6.11. **Financial Asset Register** – catalogue of financially recognised non-current assets and related information used primarily for financial accounting purposes.
 - 6.12. **Future Economic Benefit** – the goods and services to be provided by the asset, whether or not the entity receives a net cash inflow for their provision.
 - 6.13. **Historical Cost** – a measure of value where an asset is recorded at its original cost and is not periodically revalued.
 - 6.14. **Impairment** – decrease in service potential of an asset as a consequence of an irregular event or catastrophe, resulting in its recoverable amount being less than its carrying amount.
 - 6.15. **Market Value** – the price that would be received to sell an asset in an orderly transaction between market participants.
 - 6.16. **Maintenance** – Maintenance is an operating expense representing day to day expenditure incurred in relation to the use of an asset which acts to retain or restore the utility of an asset in its new condition, other than expenditure counteracting the effluxion of time. It just enables the asset to attain its planned lifespan. eg pothole repair, crack sealing and bitumen patching.
 - 6.17. **Market Value** – the price that would be received to sell an asset in an orderly transaction between market participants.
 - 6.18. **Network of Assets** – a chain of interconnected assets connected for the provision of the one simultaneous service. Individually, these assets are below the recognition threshold, but are accounted for in the financial statements due to their collective value.
 - 6.19. **Non-current Assets** – assets that are not expected to be fully consumed, realised, sold or otherwise disposed of within one financial year.
 - 6.20. **Public Officer** means a member, employee, volunteer or, contractor authorised to perform work on behalf of Council.
 - 6.21. **Revaluation** – the process of determining the value of existing assets.
 - 6.22. **Useful Life** – the time period in which an asset is expected to be available for use.
 - 6.23. **Works in Progress** – capital works not completed within the financial year and carried over in to the next financial year.

7. Recognition of Assets

- 7.1. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:
- 7.1.1. it is probable that future economic benefits associated with the item will flow to the entity; and
- 7.1.2. the cost of the item can be measured reliably.
- 7.2. In accordance with AASB 116, reliable measurement is an essential component for the recognition of an asset and in the absence of the ability to reliably measure the value of an asset, that asset cannot be recognised. Council has the opinion that it is not possible to reliably measure the fair value of land under roads and therefore, in accordance with the provisions of AASB 1051 of the Australian Accounting Standards, elects not to recognize land under roads acquired before 30 June 2008.
- 7.3. Land subsequently acquired for road purposes should initially be recognized at cost in accordance with AASB 116 but thereafter is to be carried forward using the fair value model, effectively requiring the amount to be written off as a revaluation decrement at the end of the reporting period.

8. Capitalisation

- 8.1. Assets with an economic life in excess of one year are only recognised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining such thresholds, regard is given to the nature of the asset and its estimated service life.
- 8.2. All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current 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.
- 8.3. Capitalisation thresholds are as follows:

Plant and Equipment	
Any mechanical, electronic or office equipment and furniture	\$1,000
Fixed Assets - All other assets of a fixed nature – Land, Building and Infrastructure, including roads, footpaths, storm water drainage, CWMS, kerbing, filtration and community assets as per the list below:	
Road Construction, Reconstruction and Reseal	\$10,000
Paving, Footpaths, Kerbing and Gutters	\$2,000
Storm Water Drains and Culverts	\$5,000
Reticulation Extensions	\$5,000
CWMS Components (sidelines and household connections)	\$5,000
Buildings – constructions/extensions	\$10,000
Park and Playground – furniture and equipment	\$2,000
Artworks	\$5,000

- 8.4. No capitalisation threshold is applied to the acquisition of land or interests in land.
- 8.5. Capital works still in progress at balance date are recognized as other non-current assets and transferred to infrastructure, property, plant and equipment when completed ready for use.

9. Asset Value

- 9.1. 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.
- 9.2. Where the future economic benefits of an asset for Council are not primarily dependent on the asset's ability to generate net cash inflows and where the Council would, if deprived of the asset, replace its remaining future economic benefits, fair value shall be determined as the depreciated replacement cost of the asset.
- 9.3. Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.
- 9.4. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.
- 9.5. If the Council does not intend to replace the asset the fair value is an estimate of the likely cash inflow from disposal.

10. Revaluations

- 10.1. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.
- 10.2. Council will contract professionally qualified valuers to undertake revaluations. However, in the interim years a recommendation may be made by an experienced Council Officer.
- 10.3. Roads, Footpath and Stormwater – Using the ESRI system when functional will review the unit rates and lives in-house annually and shall be reviewed independently at least every three years. A full condition assessment in the field will be undertaken at least once in every five years.
- 10.4. Revaluations will be treated in accordance with applicable Australian Accounting Standards.

11. Depreciation

- 11.1. Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.
- 11.2. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
- 11.3. The useful life and depreciation method applied to an asset shall be reviewed at least at the end of each annual reporting period and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the life or method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with AASB 108.
- 11.4. Depreciation is recognised on a straight-line basis and a guide for assessing the useful lives for each class of asset are shown below. Residual value is to be considered when determining the rate of depreciation to be applied to individual assets.
- 11.5. Land is not a depreciable asset.

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Plant, Furniture and Equipment	
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	
Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground Equipment	5 to 15 years
Benches, Seats, etc	10 to 20 years
Infrastructure	
Sealed Roads – surface	15 to 25 years
Sealed Roads – structure	20 to 50 years
Unsealed Roads	10 to 20 years
Bridges – concrete	80 to 100 years
Paving, Footpaths, Kerb and Gutter	80 to 100 years
Drains	80 to 100 years
Culverts	50 to 100 years
Dams and Reservoirs	80 to 100 years
Bores	20 to 40 years
Reticulation Pipes – PVC	70 to 80 years
Reticulation Pipes – other	25 to 75 years
Pumps and Telemetry	15 to 25 years
Other Assets	
Library Books	10 to 15 years
Artworks	indefinite

12. Asset Impairment

- 12.1. Impairment is the decline in the future economic benefits or service potential of an asset, over and above the use reflected through depreciation (e.g. a Council asset is damaged in a natural disaster and its carrying value is no longer valid).
- 12.2. AASB 136 requires that a Council assess at each reporting date whether assets under its control may be impaired. External indicators for impairment could be as a result of significant adverse changes in the technological, market, economic or legal environment. Internal indicators for impairment could include obsolescence or physical damage of an asset.
- 12.3. Indicators may provide evidence that an asset is of no benefit to the community or that plans to replace or dispose of the asset will require the re-assessment of its useful life. If any such indication exists, the Council shall estimate the recoverable amount of the asset.
- 12.4. Impairment shall be determined subject to AASB 1031 Materiality, when the total change in the written down value for the asset or the total impact on the depreciation is material. An impairment loss is recognised in the Income Statement, unless the asset is carried at a revalued amount, when it is to be treated in the same way as a revaluation decrement against the same asset. An impairment loss can be reversed in subsequent years.

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13. Infrastructure and Asset Management Plans

- 13.1. According to the requirements of Section 122 of the Local Government Act 1999:
- (1a) A council must, in conjunction with the plans required under subsection (1), develop and adopt—*
- (a) a long-term financial plan for a period of at least 10 years; and*
- (b) an infrastructure and asset management plan, relating to the management and development of infrastructure and major assets by the council for a period of at least 10 years, (and these plans will also be taken to form part of the council's strategic management plans).*

14. Reporting

- 14.1. Reporting of assets within the Annual Financial Statements shall be in accordance with all relevant Australian Accounting Standards and South Australian Legislation.

15. Complaints

- 15.1. Complaints under this Policy must be in writing to the Chief Executive Officer and lodged in accordance with Council's Complaints Policy.
- 15.2. Any breaches under the Council Employee Code of Conduct will require evidence to support the allegation(s).
- 15.3. In the case of a complaint against the Chief Executive Officer, complaints must be in writing to the Mayor and will require evidence to support the allegation(s).
- 15.4. Complaints about this Policy can be made in writing to the Governance Officer. These complaints will be managed in accordance with Council's Complaints Policy.

16. Council Delegation

- 16.1. Pursuant to Section 44 of the Local Government Act 1999, Council has delegated to the Chief Executive Officer authority to administer Council's policies.
- 16.2. This Policy will be implemented by the Chief Executive Officer or relevant portfolio director and managed in accordance with Council's scheme of delegations.

17. Adoption and Review

- 17.1. This Policy shall be reviewed within twelve (12) months after the conclusion of each periodic election, or more frequently, if legislation or Council requires by the Department of Corporate and Community Services and a report shall provide to Council for consideration and adoption.

18. Records Management

- 18.1. Official records will be managed in accordance with Council's Records Management Policy pursuant to Section 125 of the Local Government Act 1999.

19. Availability of Policy

- 19.1. Policies will be available for inspection without charge at Council's Principal Office and on Council's website www.coppercoast.sa.gov.au.
- 19.2. A copy of this Policy may be obtained on payment of a fee in accordance with Councils' Register of Fees and Charges.

Signed		
	Mayor	Chief Executive Officer
Date	5 th July 2023	