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Responsible Officer:	Chief Executive Officer
Applicable Legislation:	
Relevant Policies:	
Related Procedures:	
Compliance Standard:	

1. PREAMBLE

An outlay of expenditure may meet the definition of an asset, in accordance with Accounting Standards, however it may not be recognised as an asset due to the small amount of outlay. This is because financial information should be presented in a manner that is meaningful and material.

There are certain record keeping requirements associated with assets. These requirements have a cost associated with them. Materiality thresholds are applied when deciding whether an asset should be recognised or expensed so that the expense or recording assets is balanced with the need to present financial information fairly.

2. PURPOSE

To set a monetary value for the capitalisation (recording) of non-current assets for the District Council of Robe.

3. SCOPE

This Policy is applied to Council's non-current assets that are referred to in AASB 116 Property, Plant and Equipment, these are:

- Land
- Buildings and Other Structures
- Roads
- Footways
- Sewerage – Effluent Drainage
- Stormwater Drainage
- Plant & Equipment
- Furniture & Fittings
- Other Community Assets

4. POLICY STATEMENT

Council is responsible for providing and maintaining many assets for the benefit of the community. These assets are of relatively high values. In order to manage these assets in a financially responsible manner, financial information must be presented in a manner that is

useful in decision making.

The relevance of information is affected by its nature and materiality. Information is material if its omission or misstatement could influence the decisions of users or assessments made by users on the basis of the financial statements. Materiality depends on the nature and size of the item judged in the particular circumstances of its omission or misstatement.

Thus materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic that information must have it is to be useful. The concept of materiality leads to the recognition that, in the case of non-current assets, it is not necessary to recognise each and every non-current asset in the Balance Sheet. For example, a small calculator may have a useful life greater than 12 months, but its \$45 cost in the context of millions of dollars of Council equipment suggests it would be simpler to expense it. The same principal would be applied to a minor refurbishment of a non-current asset.

The purpose of setting a threshold is to minimise the expense and effort associated with maintaining accounting records. This must be balanced with the need to “expense” items, through depreciation, against more than one financial year so that the revenues and expenses are matched and the need to present financial information fairly.

Care needs to be taken to ensure that assets which may be under the threshold, but which form part of a collection or asset group such as desktop PC's; office furniture e.g. office chairs and desks etc., are treated as a group.

When upgrade works are carried out as a project e.g. Public Convenience upgrade items such as painting that would traditionally be expensed will be capitalised as part of the project.

The capitalisation process is achieved by recording the capital expenditure of assets into the fixed assets register and then into the balance sheet. The purpose of setting a threshold is to minimise the expense and effort.

CAPITAL EXPENDITURE

General Capital Expenditure

Where the expenditure is above the capitalisation threshold and is used to procure a new asset, upgrade the capability of the asset, extend the life of the asset, or restore the asset, the expenditure shall be capital expenditure. According to the Model Set of Financial Statements, expenditure that results in a new asset or an upgrade to an existing asset generally has to be separately disclosed. The corresponding budget is held in the Capital Budget.

Examples of capital expenditure include but are not limited to:

- Purchase / construction of infrastructure – (new capital)
- Purchase of land (new capital)
- Purchase / replacement of plant & equipment – (renewal capital)
- Replacement of roof or kitchen in a building – (renewal capital)
- Upgrade of air conditioning system to increase capacity to extend its life – (upgrade capital)
- Addition of building partitions or extensions – (upgrade capital)
- Upgrade drainage pipe size when replacing pipes (upgrade capital)

Collective Assets Capital Expenditure

Multiple non-current assets, which are taken to perform a whole service (see examples below) are classified as Collective assets. All expenditure on collective assets for purposes of procuring a new asset or upgrading the capability of the asset, extending the life or restoring

the asset (i.e. expenditure that is capital in nature), is to be capitalised, whether or not the individual asset items exceed the capitalisation threshold.

Collective assets are classified as follows:

- Roads and associated assets including kerb and watertable, streetscapes and footways. Includes expenditure on reseal or material overlay of roads.
- Drainage – underground culverts and pipe components. Includes expenditure for re-lining pipes.
- Computer Equipment – including servers, desktops, laptops and printers.
- Communication equipment – servers.
- Other communication equipment such as smart phones, digital cameras, mobile phones are discussed in the section titled *Register of Small, valuable and portable items*.

Maintenance Expenditure

Where the expenditure is to ensure that an asset continues to operate at the current level of service until the end of its life, it is regarded as maintenance / operational expenditure and the corresponding budget held in the Operating Budget.

5. CAPITALISATION THRESHOLDS

The Capitalisation Thresholds as contained in Note 1 of the Annual Financial Statements is as follows:

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings – new construction / extensions	\$1,000
Park & Playground Furniture & Equipment	\$1,000
Road construction & reconstruction	\$1,000
Paving Footpaths, Kerb & Gutter	\$1,000
Drains & Culverts	\$1,000

6. Register of small, valuable, portable items

Some items have a low value and therefore it is not efficient to include them on an asset register which requires all asset accounting entries, including depreciation, to be undertaken. It may be advisable however to include these items on a register to safeguard Council's assets. This register would include details such as where the asset is located, who is the officer responsible for the asset and the purchase and disposal date of the asset.

The register would be kept for, but not limited to, the following asset groups:

- Small Plant – items under \$1,000
- Cameras
- Smart phones
- Mobile Phones

7. Responsible position / department

The Chief Executive Officer has overall responsibility for ensuring that procurement and capitalisation of all assets is in accordance with the Local Government Act, Australian Accounting Standards and Council Policies.

Managers are responsible for ensuring that purchase or procurement of non-current assets

complies with the Asset Capitalisation and Materiality Thresholds Policy.

FURTHER INFORMATION

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's internet site: www.robe.sa.gov.au

Royal Circus, Robe SA 5276

Copies will be provided to interested parties upon request. Email council@robe.sa.gov.au

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

POLICY REVIEW

This policy may be amended at any time and must be reviewed at least every four years since its adoption (or latest amendment).