

Policy Reference Number:	1.39
Classification:	General
Last Reviewed:	April 2023 (376/2023)
Next Review Date:	April 2027
Responsible Officer:	Chief Executive Officer
Approved By:	Council Resolution
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Relevant Policies, Procedures and Standards:	

1. INTRODUCTION

The Council recognises that assets exist to provide services and this recognition underpins the Council's asset management policy and practices.

Council will only acquire assets after due consideration of the service needs of the community and the operating needs of the Council. Service levels will be determined in consultation with the community and in line with the Council's 'duty of care' to the community.

2. PURPOSE OF THIS POLICY

Council has an obligation to ensure that all assets are managed efficiently in accordance with the Council's Asset Management Plan. This policy is to set up essential accounting requirements for the asset management, which provide compliance with Local Government Act and Australian Accounting Standards.

3. SCOPE OF THE POLICY

This policy will apply to all assets owned by or under the asset register of the District Council of Robe. As the Accounting Policy includes the requirements in dealing with the current assets, this policy will concentrate more on the rules for non-current assets. It should be applied in conjunction with the Accounting Policy when required.

4. OBJECTIVES OF THE POLICY

Recognition of an Asset

a) Initial Recognition

All assets are initially recognised at cost. 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. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed ready for use.

Council has elected not to recognise any values for land under roads acquired before the commencement of AASB 1051 Land Under Roads.

b) Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are as per Table 1 below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Table 1

Asset Category	Asset Class	Asset Recognition Threshold	Useful life for depreciation	Measurement Model	Measurement Unit
Land & Improvement	Land	\$0	N/A	Revaluation	Fair Value
Buildings	Buildings and structures	\$20,000	15 to 170 years	Revaluation	Replacement Cost
	Open spaces structures	\$10,000	15 to 200 years	Revaluation	Replacement Cost
Infrastructure	Roads	\$20,000	20 to 100 years	Revaluation	Replacement Cost
	Bridges	\$10,000	40 to 50 years	Revaluation	Replacement Cost
	Paving & Footpaths, Kerb & Gutter	\$10,000	20 to 60 years	Revaluation	Replacement Cost
	Stormwater	\$10,000	40 to 90 years	Revaluation	Replacement Cost
	CWMS	\$10,000	20 to 80 years	Revaluation	Replacement Cost
Community Assets	Marina	\$10,000	10 to 90 years	Revaluation	Replacement Cost
Other Assets	Library/VIC Resources	\$5,000	4 to 20 years	Cost	Fair Value
	Furniture and Fittings	\$5,000	3 to 20 years	Cost	Fair Value
	Plant and Equipment	\$10,000	2 to 30 years	Cost	Fair Value

c) Subsequent Recognition

Certain asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be 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. Details of valuations, methods and valuers are to be provided in Notes to the accounts.

The Depreciated Replacement Cost method will be used as a default method unless Council determines otherwise, such as determining not to replace certain assets at the end of their economic useful life, which will require a disposal valuation method.

All non-current assets other than receivables and investments are revalued in accordance with the Local Government (Financial Management) Regulations 2011. However, if at any time Council considers that the carrying amount of an asset materially differs from its fair value, the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to depreciated replacement cost.

Revaluation increments arising upon revaluing the above mentioned non-current asset classes to their depreciated replacement cost are credited directly to the asset revaluation reserve.

d) Borrowing Costs Capitalization

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) will be capitalised in accordance with the allowed alternative treatment in AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are to be disclosed in Notes to the accounts, likewise a similar disclosure is required for amounts (if any) of interest revenue offset against borrowing costs.

e) Changes to the Recognition of Assets

An asset of property, plant or equipment is to be de-recognised or valuation-basis modified:

- On disposal; or
- When no future economic benefits are expected from its use, replacement or disposal.

Assets can be disposed by Council in a few ways:

- By sale or trade-in;
- By donation; or
- De-recognition due to such circumstances as being scrapped, stolen, considered obsolete, or through an initial recording error.

Any gain or loss from the disposal of an asset must be recognized in the Statement of Comprehensive Income.

An asset can be re-valued at 'disposal value' if it is determined that the asset would not be replaced, and that there are no regular cash flows to Council being generated by the asset, and that there is no market-based evidence of fair-value for that asset. Any adjustment due to this change must be recognized through an adjustment to Council's Asset Revaluation Reserve.

Measurement

a) Measurement method

After recognition as an asset, Council can choose either Cost Model or Revaluation Model for processing the measurement. Under the Local Government Act 1999, Council is required to use the Revaluation Model to access all the material non-current assets.

Major asset classes are determined by the Council and are required to be revalued on a regular basis to ensure such that the carrying values are not materially different from the fair values.

Local Government Act 1999 states, "A council, council subsidiary or regional subsidiary must undertake a revaluation of all material non-current assets in accordance with the requirement of Australian Accounting Standard AASB116." According to AASB 116, "The frequency of revaluation depends upon the changes in fair values of the items of property, plant and equipment being valued. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which the asset belongs shall be revalued."

Table 2 below identifies a revaluation frequency for each class of assets to process regular revaluations.

Table 2

Asset Category	Asset Class	Measurement Model	Measurement Unit	Materiality	Regularity of revaluations
Land	Land	Revaluation	Fair Value	Major	At least 5 yearly
Buildings	Buildings	Revaluation	Replacement Cost	Major	At least 5 yearly
	Other Structures	Revaluation	Replacement Cost	Major	At least 5 yearly
	Building/Structure (non-replaced)	N/A	Disposal	N/A	N/A
Infrastructure	Roads	Revaluation	Replacement Cost	Major	At least 5 yearly
	Bridges	Revaluation	Replacement Cost	Minor	At least 5 yearly
	Footpaths	Revaluation	Replacement Cost	Major	At least 5 yearly
	Stormwater	Revaluation	Replacement Cost	Major	At least 5 yearly
	CWMS	Revaluation	Replacement Cost	Major	At least 5 yearly
	Marina	Revaluation	Replacement Cost	Major	At least 5 yearly
Furniture & Fittings	Furniture & Fittings	Cost	Fair Value	Minor	N/A
Plant & Equipment	Plant & Equipment	Cost	Fair Value	Minor	N/A
Library Books	Library Resources	Cost	Fair Value	Minor	N/A

Fair value is the methodology for assets that Council has decided to utilize the Revaluation Model for measurement purposes.

For assets for which there is no market-based evidence existing to determine fair value, a replacement cost approach is used to estimate fair value. Where the future economic benefits embodied in the asset would not be replaced if the entity was deprived of the asset, then the asset should be measured at the net present value of future cash flows from its highest and best use, if this information is able to be derived. Where there is no regular cash flow generated from the asset, the net present value of future cash flows for that asset is the disposal value. (AIFMG Section 12.12.3). Where assets are not rationally replaced, and Council has decided that no expected future economic benefit continuing to flow to Council, the disposal value will be reduced to nil.

A separate asset sub-class for these assets exists under the land improvement and building structures main class. Assets which are not replaced and have no regular expected future economic benefits from their use are derecognized from the main asset classes and re- categorized in these special sub-asset classes. There is no revaluation or depreciation processes assigned to these assets.

All other assets should be revalued at least in a five-year period. For assets that experience significant change in fair value, more regular revaluation is required.

As a result of revaluation, the increment or decrement in the asset's carrying amount should be recognized in other comprehensive income and accumulated in the Asset Revaluation Reserve account.

Revaluations generally are conducted by the qualified revaluation entity. All revaluations undertaken by Council's staff will be reviewed by an appropriately qualified external party.

To minimise the impact of revaluations on the depreciation expense and therefore on Council's operating surplus / deficit position, it is recommended that Council attempt to achieve a progressive revaluing of asset classes so that increases in depreciation expense are recognised in small increments each year rather than as large increases every 3 to 5 years. This can be achieved by undertaking a comprehensive asset revaluation within an established 5 year cycle, and a desktop revaluation whenever required.

b) Depreciation of Non-Current Assets

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.

Depreciation is recognised on a straight-line basis or other recognized depreciation methods. Major depreciation periods for each class of asset are shown as the Table 1 above. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council.

c) Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment 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 (which is the higher of the present value of future cash outflows or value in use). For assets assessed under Revaluation Model, the loss should be treated as revaluation decrease, and recognized in other comprehensive income and Asset Revaluation Reserve account. (AASB136 – Impairment of Assets)

Evaluation - Asset Ratios

There are two key ratios related to the Asset management as recommended by the Local Government Association, which are Asset Sustainability Ratio and Asset Consumption Ratio. They are effectively tools in the evaluation of the Council's current asset financial performance and also provide indicators on how the future assets management plans could impact on Council's sustainability and financial position. The ratios are required to be included as part of the Council's Financial Reports.

5. MEASURE

Check that the Asset Accounting Policy is reviewed annually for accuracy and pertinence and that it is adjusted for new accounting standards changes.

6. 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.

7. 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).