District Council of Grant	Asset Management and Accounting Policy *Policy No. FINPOL 23*	Version No:	1.0
		Responsible Officer/s:	Deputy CEO
		Issued:	18 March 2019
		Next Review:	August 2023

1. Purpose

This Policy ensures that Council's accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant legislation including the Australian Accounting Standards and the Local Government Act and Regulations.

2. Scope

This policy includes the accounting treatment of all Council's non-current assets.

3. Definitions

Accumulated Depreciation is the total of all the annual depreciation that has been applied to the asset since the asset has been used by the entity.

An ***Asset*** is a physical item that is owned or controlled by Council, and provide or contributes to the provision of services to the community.

Asset Management is the process applied to manage assets over each stage of their service life including asset needs analysis, creation, operation, maintenance, renewal and disposal. The objective of asset management is to ensure the assets deliver the required level of service in the most effective and efficient manner now and into the future.

Asset Management Plans are long-term plans (usually 10-20 years or more for infrastructure assets) that outline the asset activities and programs for each service area and resources applied to provide a defined level of service in the most cost-effective way.

Asset Condition Assessment is the process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Capital Renewal/Replacement is renewing an existing asset to extend its serviceability but not providing a higher level of service (e.g. resealing, re-sheeting an unsealed road)

Capital New/Upgrade is a new asset or renewing an asset thereby providing a higher level of service (e.g. sealing an unsealed road; upgrading a stormwater pipe with a larger size).

Carrying Amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses. This is also known as the Written Down Value.

Depreciable Amount is the cost of an asset or other amount substituted for cost, less its residual value.

Depreciation is a measure of the average annual consumption of service potential over the life of the asset. Depreciation is not a measure of required expenditure in any given year.

Fair Value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Lifecycle Cost is the total expenditure required throughout the life of an asset in order to fund the creation, design, construction, operation, maintenance, renewal and disposal so that the asset can deliver the desired service level over its life.

Impairment is the decline in the future economic benefits or service potential of an asset, over and above the use reflected through depreciation.

Maintenance is recurrent operating expenditure such as repairs, fuel, power, materials, labour, overheads and general services. It includes both reactive maintenance and planned maintenance programs and non-capitalised minor equipment purchases.

Replacement Cost is the current cost to replace an item of property, plant and equipment on a like for like basis.

The ***Residual Value*** of an asset is defined in terms of the amount that the Council would currently obtain from disposal of the 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.

Service Level is a relevant measurable standard or target that reflects the required performance to meet agreed community expectations in relation to the type, quality and quantity of services delivered by Council.

The ***Useful Life*** of an asset is the period over which an asset is expected to be available for use by the Council; or the number of production or similar units expected to be obtained from the asset.

Value in Use is the present value of the future cash flows expected to be derived from an asset over its useful life.

4. Policy

a) Decision Making

Council will consider when making any decisions impacting on infrastructure assets:

- Ensuring that the asset base is only increased with consideration of the impact on the ability to fund future maintenance and rehabilitation;
- Non-replacement of those assets that are determined to be under-utilised, at the end of their useful lives, subject to consultation with the community and determining the subsequent impact on the community;
- Increasing grant and other funding to ensure assets are maintained at least in their current condition;
- Integrated management linking asset management strategy, policy and procedures to other Council policies, strategies and procedures;
- Utilisation of technological advances relevant to asset management;
- An integrated planning approach which ensures manager roles are understood and documented and that communication procedures are in place which ensure assets are planned and delivered in a sustainable manner
- Implementation of Best Practice;
- Improving its maintenance and rehabilitation practices;
- Maintaining and rehabilitating its existing assets in a manner which is acceptable to the community in terms of financial burden, safety, quality, impact on the environment, meeting needs and Council's ability to fund those works;
- Maximising resources to achieve the best outcome for the community;

- Regularly consulting and surveying the community to determine whether its needs are being satisfied;
- Preparation and review of a strategic asset management plan which details how this policy is to be implemented;
- Preparation and review of detailed asset management plans for all major classes of assets and using these plans to assist in determining the priorities for capital and maintenance expenditure;
- Monitoring its performance in accordance with measures developed as part of its asset management plans; and
- Maximising use of external grant opportunities for new and upgraded infrastructure subject to ability to fund future maintenance.

b) Asset Management Plans

Council will prepare and maintain Asset Management Plans for the following classes of assets:

- Buildings
- Community Waste Management Systems
- Fleet
- Information and Communication Technology
- Open Space
- Stormwater Drainage
- Transport (Roads, Kerbs, Footpaths, Carparks, Bridges, Bicycle Paths and Safety Barriers)
- Mount Gambier & District Saleyards Infrastructure
- Mount Gambier Regional Airport infrastructure

4.1 Asset Recognition

An asset is recognised in the balance sheet when it is probable that 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. Where an asset is acquired at no or minimal cost, it will be recognised at its fair value as at the date of acquisition.

Information is material if its omission or misstatement could influence decisions of users on the basis of financial statements. In the context of materiality it is not necessary to recognise every non-current asset in the balance sheet. The setting of threshold levels provides a balance in efficiency for administrative effort associated with maintaining and depreciating individual asset records.

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.

Material thresholds for capitalisation of assets are:

Asset Type	Material Threshold
Bridges	$10,000
Buildings	$10,000
Information and Communication Technology Equipment	$ 1,000 *
Office Furniture and Equipment	$ 1,000
Plant and Equipment	$ 3,000
Playground Equipment	$ 3,000
Roads, Kerbs and Footpaths	$10,000
Stormwater Drainage	$ 3,000
Other Assets	$ 3,000

* With the exception of computers, tablets, multi-function devices and mobile phones which have no material threshold.

The above levels are also relevant to capital renewal and upgrade of an existing asset. Acquisition/capitalisation costs of assets with less than these values will be treated as operating expenses.

Where the value of individual assets fall below the asset threshold for capitalisation, but the assets form part of a network or asset group such as for playground equipment on a reserve, consideration will be given to capitalising the individual asset based on whether the aggregate value of those assets exceeds the capitalisation threshold. Assets to be considered will be referred to the Deputy Chief Executive Officer for a determination.

All capitalised expenditure is to be recorded in Council's asset register and shall be properly identified, recorded and classified. For each asset, a determination shall be made of its total life, remaining useful life, cost for accounting purposes and method of depreciation.

Council has elected not to recognise land under roads, street signs, trees and library books in accordance with the deferral arrangements available under AASB 1045. Council has also elected not to recognise any values for land under roads acquired before the commencement of AASB 1051 Land Under Roads.

Non-Council and community buildings, structures and associated assets (including those on Crown land which of which Council is the custodian) will not be valued in Council's asset register and therefore will not be depreciated. Council will only recognise an asset in the event of expiration/termination of the lease and the abandonment of the building and associated assets, unless the lease agreement specifies otherwise. In the event of a loss, it is recognised that Council would not necessarily replace the building and associated assets. Council may still conduct insurance valuations as per terms of lease agreements currently in place.

Buildings, structures and associated assets that have been resolved by Council not to be replaced will continue to be valued in Council's asset register, but will not be depreciated.

4.2 Asset Classes

AASB 116 requires Council's assets to be classified into classes. Council has nominated the following classes of assets:

Asset Class	Assets Included
Bridges	Bridges Culverts
Buildings (Level 2 and 3)	Buildings Major Structures
Community Wastewater Management Systems	All CWMS Assets
Footpaths	Pedestrian Paths and Ramps
IT & Office Fittings	Computers and Devices Furnishings Furniture IT Applications and Software IT Equipment and Infrastructure
Land (Level 2 and 3)	Community Land Crown Land Excluded Community Land
Marine and River	Boat Ramps Landings Pontoons Wharfs Associated Lighting
Other Structures (Level 2 and 3)	Coastal Protection Infrastructure Effluent Systems Fencing and Retaining Walls Memorials and Signs Pedestrian Facilities Tanks Waste Transfer Stations Water Supply Systems Yards
Plant and Equipment	Audio/Video Equipment Communication Equipment Fleet Assets Library Equipment Minor Tools and Equipment Office Equipment Trailers Water Supply Equipment
Playgrounds	Playgrounds Play Equipment Sporting Facilities
Roads and Kerbs	Airport Infrastructure Bicycle Paths Carparks (sealed and unsealed) Kerbing Roads (sealed and unsealed) Safety Barriers
Stormwater Drainage	Culverts Pits Pipes Bores

4.3 Asset Depreciation

AASB 116 – Property, Plant and Equipment, states that 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.

An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, it may be appropriate to depreciate separately the roof, floor, envelope, electrical, plumbing and air-conditioning of Council buildings, as each of these components may be significant in cost and have different useful lives.

Depreciation is calculated by identifying the total cost of an asset, taking from this any residual value the asset may have at the end of its useful life; and then allocating the remaining amount over the useful life of the asset, reflecting the pattern in which the assets future economic benefits are expected to be consumed.

a) Useful Life

The useful life of an asset shall be reviewed at least at the end of each annual reporting period and if a change in the assets useful life is expected, the Council shall disclose the nature and amount of any change that has an effect in the current period or is expected to have an effect in future periods.

b) Depreciation Period

In accordance with AASB 116, depreciation of an asset will begin from the time the asset is available and ready for its intended purpose until the end of the assets useful life; or when no future economic benefits are expected from its use; or upon disposal. In the case of donated assets, depreciation will begin from the time of handover to Council of those assets.

c) Depreciation Methods

AASB 116 Property, Plant and Equipment, states that the depreciation method used shall reflect the pattern in which the assets future economic benefits are expected to be consumed by the Council. These methods include:

The Age Based Method – Based on the assumption that the economic benefits are generally consumed in a consistent manner throughout the useful life of the asset. This results in a constant depreciation charge over the useful life if the assets residual value does not change.

The Condition Based Method – Based generally on the regular assessment of the assets condition. The resulting depreciation charge is calculated on the change to the cost to ‘renew; the asset from one year to the next. (The Australian Accounting Standards Board concluded that this method of depreciation does not comply with AASB 116 – Property, Plant and Equipment and shall not be adopted by an entity).

Council uses the condition based method for roads, kerbs and footpaths. Straight line deprecation is used for all other assets, on the basis that the economic benefits provided by the assets (the service provided), are generally used in a consistent manner throughout the useful life of the asset.

d) Depreciation Estimates

The District Council of Grant's applied depreciation methods and estimates for asset useful lives and residual values, for the purposes of calculating depreciation; are contained with the respective asset management plans. They are categorised by asset categories, classes and types, to align with Councils policy and are also broken down into asset treatments (where appropriate) if these treatments are significant in cost; and result in a variation to the asset types useful life or residual value. It should be noted that when determining the useful life and residual of some assets, such as plant and equipment, the defaults contained within the plans are used as a guide only, with each asset individually assessed to ensure most appropriate life and residual is allocated.

4.4 Asset Impairment

Impairment is the decline in the future economic benefits or service potential of an asset, over and above the use reflected through depreciation (eg a Council asset is damaged in a natural disaster and its carrying value is no longer valid).

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.

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.

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.

4.5 Revaluation

AASB 116 requires revaluations to be undertaken with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from that which would be determined using fair value at the reporting date and for the entire class of asset to be revalued simultaneously.

a) Frequency of Revaluations

Determining the frequency of valuations depends on striking a balance between having relevant, timely information and the cost of obtaining such information. Therefore it is appropriate to provide for periodic comprehensive revaluations with interim revaluations based on specific indices.

AASB 116 requires that comprehensive revaluations every three to five years may be sufficient for non-current assets that experience only insignificant changes in fair value. It also provides that a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and revaluations are kept up to date.

A comprehensive revaluation will include the review and application of current condition assessment, unit rates, useful lives and residual values to determine the total current replacement cost and accumulated depreciation to the date of revaluation. It can be performed by an independent valuer, or by a suitably qualified and experienced Council Officer. If the revaluation is performed internally, the data should be sampled and parameters such as unit rate, useful life and residual value checked, signed off and compliance letter provided by an independent valuer.

Council intends to conduct comprehensive revaluations on the following basis:

- Land and Buildings to be revalued by external valuers at intervals of no more than five years;
- Infrastructure to be revalued by internal staff and signed off by an external valuer at intervals of no more than five years;
- Plant, equipment, furniture and fittings assets are not to be subject to revaluation, as they have relatively short useful lives. Council will hold these assets at historical cost.

b) Interim Revaluations

Interim revaluations of major classes of assets will be performed on a biennial basis to minimise the impact of periodical revaluation. If there is evidence of a material change between scheduled revaluations, revaluations will be performed to ensure that valuations are kept up to date. Minor classes of assets will also be assessed biennially to determine if their carrying values differ materially from that which would be produced if a revaluation had been conducted at that time.

Interim valuations will be conducted by an independent valuer, or be produced by Council staff using an appropriate indexation method and qualified by an independent valuer. Interim revaluations do not require condition assessment.

Revaluation transactions will be accounted for in accordance with AASB 116, when revaluation increments or decrements or transfer of amounts relating to assets no longer held by the Council are posted to or from the Asset Revaluation Reserve.

Useful lives and residual values (where appropriate) of all assets within a class of assets will be reviewed in conjunction with revaluations and interim revaluations, to ensure that depreciation calculations reflect actual rates of consumption and likely value of the asset at the conclusion of its useful life.

4.6 Fair Value Measurement

AASB 13 allows consideration for a particular valuation method termed "highest and best use", if the measurement for an asset cannot be gained via market based method or by cost estimation.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Council classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

Level 1	quoted price in an active market for an identical asset	Unlikely for non-current physical assets
Level 2	quoted price in an active market for a similar asset	Non-specialised land & buildings – i.e residential
Level 3	where there is no active market in the area	Specialised land and buildings with limited alternative uses i.e crown & community land

Council's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As Council has not identified any factors to suggest an alternative use, fair value measurement will be based on based on current use.

4.7 Disclosure

The following disclosures will be made in the Annual Financial Statements in respect of asset revaluations:

- the net amount of revaluation increments less decrements for each class of assets;
- the date of the last comprehensive valuation;
- whether that valuation was made internally or by an independent external party;
- the method and significant assumptions underlying the valuation; and
- the basis on which interim revaluations are made.

4.8 Asset Register

The asset register for Infrastructure, Property and Plant will maintain details of fair/replacement/historical value, accumulated depreciation and carrying amount for each asset and asset class, along with historical information relating to revaluation and impairment.

Depreciation will be calculated using Council's asset management software and applied through Synergysoft on a monthly basis. Asset additions and disposals will be recorded and reconciled at least quarterly.

Asset registers will be used to ensure that Council has adequate security arrangements and insurance cover to ensure fixed assets are protected from destruction, deterioration, theft, fraudulent or illegal use. A register will also be kept for minor items which may be more likely to be subject to loss including cameras, television and communication equipment.

4.9 Asset Acquisition

Council constructs and/or manages the construction of infrastructure assets. The asset cost will include the cost of all materials used in construction, supervision, direct labour and an appropriate proportion of variable and fixed overheads.

Council receives infrastructure assets such as roads, kerbing, footpaths and stormwater drainage from developers following the issue of a certificate of practical completion, usually after a period of one year following its construction. Council treats these as new assets from the date of receipt, from when it commences the calculation and application of depreciation.

Assets which are not completed as at 30th June in any year will be shown in the Balance Sheet as Work In Progress rather than as Infrastructure, Property, Plant and Equipment. These assets may be recorded in the Asset Register as incomplete assets and will not attract depreciation until completion.

4.10 Asset Disposal

When an asset is sold, its selling price often varies from the carrying amount in Council's Balance Sheet. The variation will be recorded in the Council's Statement of Comprehensive Income as a gain or loss on disposal in accordance with AASB 116. If an asset is scrapped before it is fully depreciated, the carrying amount will represent a loss on.

Where a disposed asset has previously been subject to revaluation, the net increment in the asset revaluation reserve relating to the disposed asset will be transferred to the Accumulated Surplus. The amount transferred must not exceed the accumulated balance of the asset revaluation.

Partial renewal/replacement of an asset is recognised by adding the renewal/replacement cost to the existing asset value. The useful life of the asset will be adjusted (if necessary) with a review of useful lives.

Asset sales will be conducted in accordance with the Sale and Disposal of Land and Other Assets policy.

4.11 Reporting

a) Annual Business Plan and Budget

The Council's Capital Budget is prepared as a separate document from the Operating Budget, but forms part of the overall annual budgeting process. The Capital Budget outlines all expected projects and purchases which will be incorporated into the

Asset Register upon completion, and provides details of grants and other capital revenue offsets to provide an estimated gross and net capital investment for the year.

The first draft of the Capital Budget is generally drawn from the Long Term Financial Plan, which is then reviewed to take into account any changed priorities, financial and resourcing capacities or other circumstances.

The Annual Business Plan outlines the Council's proposed services, programs and projects for the year in accordance with Section 123 of the Local Government Act 1999. In particular, the section on "Significant Projects" outlines the major capital proposals for the year. The draft Plan is released for public consultation in May each year, from which members of the public may attend a public meeting and/or prepare submissions for Council consideration.

b) Annual Financial Statements

The Local Government (Financial Management) Regulations 2011 require Councils to use the Model Financial Statements as the format for annual financial reporting.

The following Statements and Notes directly relate to capital and assets for the financial year:

Statements	Inclusions
Comprehensive Income	Capital grants and contributions, Net Gains/Losses on disposal of Assets and Physical Resources received free of charge from developers
Balance Sheet	Infrastructure, Property, Plant and Equipment net current value, Work in Progress and Asset Revaluation Reserve
Changes in Equity	Asset Revaluation Movements
Cash Flow	Expenditure on new and replacement assets
Notes to Accounts	Various information on asset accounting policies, valuations and methodology, reconciliations, depreciation, additions, disposals and commitments on asset related matters.

The Annual Financial Statements are audited, adopted, published and circulated as part of the Council's Annual Report in November each year.

c) Financial Indicators

Financial indicators have been developed to assist Councils to evaluate their financial performance from the information provided in the annual financial statements. The Model Financial Statements provide seven financial indicators to be used for annual reporting. Councils are required to evaluate their performances against the financial indicators through long term financial planning, annual budgeting and annual reporting.

The **Asset Sustainability Ratio** is a measure of capital expenditure on the renewal or replacement of existing depreciable assets. The ratio is calculated as the capital expenditure on renewal or replacement of assets divided by the optimal level of expenditure detailed in Council's Infrastructure Asset Management Plans.

The Council has set a medium term target to achieve a ratio of a least 80% over any three year rolling period.

5. Responsibilities

Elected Council
Provide stewardship
Consider the impact on Council's asset base of planning, financial and service level decisions.
Adopt the Asset Management Policy
Adopt the Asset Management Plans

Chief Executive Officer and Senior Management Team
Ensure that sound business principles are reflected in the Asset Management Plans that are developed
Ensure the impact on Council's asset base is considered when making recommendations to Council in relation to planning and financial matters or the delivery of services
Support the implementation of the Asset Management Plans
Approve the Asset Management Plans
Ensure the integration and compliance with the Asset Management Policy and Strategy with other policies and business processes of the organisation
Ensure compliance with legal obligations
Facilitate 'Best Appropriate Practice in Asset Management'

Asset Management Coordinator
Develop and maintain Asset Management Plans
Coordinate the development and maintenance of asset maintenance and renewal plans
Provide professional advice and comment to other departments of Council in relation to asset management
Develop and maintain an Asset Management Information System to facilitate efficient and effective asset management

6. References:

Local Government Act 1999
District Council of Grant Long Term Financial Plan
District Council of Grant Asset Management Plans
AASB 116 Property Plant and Equipment
AASB 136 Impairment of Assets
AASB 13 Fair Value Measurement

7. Review

This Asset Accounting Policy shall be reviewed by the District Council of Grant at minimum every four (4) years, within 12 months of a general election (or on significant change to legislation or other matters which could affect this policy).

Action	Date	Minute Reference
Adopted by Council	18 March 2019	19038.1.1