

ACCOUNTING FOR PROPERTY, INFRASTRUCTURE, PLANT & EQUIPMENT

Adopted by Council: Day Month Year

Next Review: Day Month Year



ACCOUNTING FOR PROPERTY, INFRASTRUCTURE, PLANT & EQUIPMENT

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Business Unit:	Finance & Rates
Responsible Officer:	Manager Finance & Rates
Approved By:	Chief Executive Officer
Adopted By:	Council Day Month Year
Next Review:	Day Month Year

DOCUMENT REVISIONS

Version #	Summary of Changes	Date Adopted

PURPOSE

To provide Council with a framework for the accounting of Property, Infrastructure, Plant & Equipment assets.

OBJECTIVE

- To ensure that Council complies with all relevant statutory obligations, including the Australian Accounting Standards and Local Government Act 2020.
- To prescribe the accounting treatment of Council's Property, Infrastructure, Plant & Equipment assets with reference to recognition, measurement and disposal.

SCOPE

This policy will apply to all accounting transactions related to Property, Infrastructure, Plant & Equipment.

DEFINITIONS

Reference term	Definition
Age Based Valuation	Where there is correlation between the age of the asset and its remaining service potential, the valuation of the asset is based on the remaining useful life of the asset determined by its age.
Asset Capitalisation	The process of allocating capital costs to an asset on the balance sheet. These costs are then expensed over the life of the asset in the form of depreciation.
Capital Expenditure	Amounts spent to acquire or significantly improve the capacity/capability of an asset.
Carrying Amount	The cost of an asset less accumulated depreciation.
Condition Based Valuation	Where there is correlation between the condition of the asset and its remaining service potential, the valuation of the asset is based on the remaining useful life of the asset determined by its condition.
Council	Greater Shepparton City Council
Expansion Expenditure	Expenditure that expands the service level of an asset.
Historical Cost (HC)	The value of an asset is recorded at its original cost price
Market Value (MV)	The current value of an asset as determined by its relevant market.

New Expenditure	Expenditure which results in a new asset.
Operating Expenditure	Amounts spent on non-Council assets or recurrent expenditure that does not meet Council's capitalisation threshold.
Renewal Expenditure	Expenditure on an existing asset, which returns the service level or asset life to its original level.
Revaluation	Is an adjustment made to the recorded value of an asset to accurately reflect its current value.
Upgrade Expenditure	Expenditure that increases the level of service of an asset.

POLICY

1. Acquisition

- a. Council will capitalise expenditure when it meets the capitalisation thresholds as outlined in Council's Annual Financial Report.
- b. Any expenditure on an asset that does not meet the capitalisation threshold will be expensed in Council's income statement.
- c. Additionally, any expenditure on non-Council assets will also be expensed in Council's income statement.
- d. As part of the annual capital budget development, projects will be classified into the following categories; Renewal, New, Upgrade or Expansion.
- e. The annual capital budget will be developed utilising Council's Asset Management Plans and 10 Year Capital Works Plan.

2. Measurement

- a. Valuation methods and useful lives will be applied as per appendix A.
- b. Council will perform all necessary condition assessments every three years, except for gravel roads, which are assessed yearly.
- c. Council undertakes formal revaluations on all asset classes every three years. Informal revaluations/impairment tests are conducted annually on all assets.
- d. Council will use the straight-line depreciation method in all instances where depreciation is applied.
- e. All assets are subject to depreciation except for the following:
 - i. Artwork
 - ii. Antiques
 - iii. Mayoral Chains
 - iv. Earthworks and Formation of Roads
 - v. Land

- f. All changes to valuation methods or an assets useful life are to be approved by Council's Executive Leadership Team and reviewed by the Audit and Risk Management Committee.

3. Disposal

- a. The asset disposal process is the responsibility of Council's Strategic Assets department.
- b. The carrying amount of Property, Infrastructure, Plant & Equipment will be derecognized:
 - i. On disposal or replacement of an asset, or;
 - ii. When no future economic benefits are expected, or;
 - iii. When the asset no longer exists, or;
 - iv. Council is no longer in control of the asset.
- c. The gain or loss arising from the disposal of an item of Property, Infrastructure, Plant & Equipment will be reflected in Council's financial statements.
- d. Council will comply with the following principles when disposing of assets where there are financial and/or stakeholder considerations;
 - i. Public Accountability
Disposal of Council assets will be conducted in the best interest, financial and non-financial, of Council and the community.
 - ii. Transparency
The disposal process will be as transparent as possible with all decisions justifiable, particularly if the asset is disposed of for less than the current market value.
 - iii. Conflict of Interest
Council officers involved in the disposal of Council assets should be impartial and act with integrity, avoiding any conflicts of interest that may arise during the disposal process.
 - iv. Sale to Council Staff and Councillors
The sale of Council assets should not be privately made available to Council staff or Councillors. The sale of any asset should be made available to the public with Council staff and Councillors allowed to compete for the purchase in their capacity as a member of the public.
As an exception, staff and Councillors may request to purchase their IT devices (i.e. phone and tablets) that were used for their role upon their exit from Council. These may only be purchased at market value, as determined by similar products that are actively for sale in the market.
- e. All disposals are to be reported to the Financial Accountant – Fixed Assets to action the necessary changes to the finance system and asset register.

RELATED POLICIES AND DIRECTIVES

- Asset Management Policy

RELATED LEGISLATION

- Local Government Act 2020
- Australian Accounting Standards including:
 - AASB 116 Property, Plant and Equipment
 - AASB 1041 Revaluation of Non-Current Assets
 - AASB 136 Impairment of Assets
 - AASB 1051 Land Under Roads
 - AASB 138 Intangible Assets
 - AASB 5 Non-Current Assets Held for Sale and Discontinued Operations
 - AASB 1049 Whole of Government and General Government Sector Financial Reporting

REVIEW

This policy will be reviewed by the Manager Finance and Rates within four years from the date of adoption.

Peter Harriott	Date
Chief Executive Officer	

ATTACHMENTS

Appendix A: Valuation Model

Appendix A: Valuation Model

CA = Cost Approach (as defined by AASB 13)

MV = Market Value

HC = Historical Cost

Asset Class	Asset Component	Valuation Method		Asset Life
		Fair Value Method	(If CA) Age or Condition Based	
Roads	Sealed Roads – Wearing Course – Asphalt	CA	Condition	33
	Sealed Roads – Wearing Course – Spray Seals	CA	Condition	15
	Sealed Roads – Wearing Course – Concrete	CA	Condition	60
	Sealed Roads – Substructure	CA	Condition	60
	Kerb and Channel	CA	Condition	60
	Unsealed Roads – Wearing Course	CA	Condition	12
	Unsealed Roads – Substructure	CA	Condition	53
	Unsealed Roads – Earthworks and Formation	CA		
Off Street Car Parks	Sealed Carparks – Wearing Course – Asphalt	CA	Condition	33
	Sealed Carparks – Wearing Course – Spray Seals	CA	Condition	15
	Sealed Carparks – Substructure	CA	Condition	60
	Unsealed Carparks – Wearing Course	CA	Condition	12
	Unsealed Carparks – Earthworks & Formation	CA		
Footpath and Cycleways	Concrete Footpath	CA	Condition	70
	Asphalt Footpath	CA	Condition	50
	Brick Paving Footpath	CA	Condition	50
	Gravel Footpath	CA	Condition	10
	Asphalt Shared Path	CA	Condition	50
	Concrete Shared Path	CA	Condition	65
	Spray Seal Shared Path	CA	Condition	25
	Gravel Shared Path	CA	Condition	10
Bridges	Timber Bridges	CA	Condition	40-60
	Concrete Bridges	CA	Condition	100
	Steel Bridges	CA	Condition	100
	Major Culverts	CA	Condition	80

Asset Class	Asset Component	Valuation Method		Asset Life
		Fair Value Method	(If CA) Age or Condition Based	
Heritage Buildings	Structure – Long Life (Heritage)	CA	Condition	100
Buildings	Structure – Long life (Other)	CA	Condition	100
	Structure – Short Life	CA	Condition	50
	Shade Sails	CA	Condition	20
	Roof	CA	Condition	50
	Building Services (Mechanical)	CA	Condition	25
	Fit Out	CA	Condition	25
	Swimming Pools – Pool Structures (Shells)	CA	Condition	80
	Swimming Pools – Pool Pumps & Water Treatment Systems	CA	Condition	30
Drainage	Pipes	CA	Age	90
	Pits & Endwalls	CA	Age	90
	Minor Culverts	CA	Age	90
	Rural B.C Culverts	CA	Age	90
	Gross Pollutant Traps	CA	Age	15-80
	Drainage Pumps & Housings	CA	Age	10-50
	Drainage Pump Wells	CA	Age	90
	Drainage Penstocks	CA	Age	50
	Dam/Retardation Basin Walls & Levies	CA	Age	100
Other Infrastructure	Litter Bins	CA	Condition	20
	Picnic Tables	CA	Age	15
	Seats	CA	Condition	10
	Barbeques	CA	Age	20
	Bus Shelters	CA	Condition	25
	Bollards	CA	Age	20
	Bicycle Racks	CA	Condition	10
	Traffic Lights	CA	Age	35
	Guardrails	CA	Age	50
	Trees	CA	Age	50
	Water Rights	MV		
	Miscellaneous	CA	Age	20

Asset Class	Asset Component	Valuation Method		Asset Life
		Fair Value Method	(If CA) Age or Condition Based	
Land	Land - Freehold	MV		
	Land – Controlled	MV		
	Land Under Roads	MV		
Land Improvements	Irrigation Pumps & Housing	CA	Age	30
	Irrigation	CA	Age	25
	Irrigation Stand Pipes	CA	Age	20
	Retaining Walls	CA	Condition	30
	Saleyards Yard Pavements (Concrete & Sealed)	CA	Age	30
	Saleyards Fences and Structures	CA	Age	50
	Saleyards Plumbing (Gas, Water & Sewer)	CA	Age	10
	BMX Tracks	CA	Condition	20
	Miscellaneous	CA	Age	20
	Township & Boundary Signs	CA	Age	25
Recreational, Leisure and Community Facilities	Playing Surface (Grassed)	CA	Condition	35
	Playing Surface (Synthetic)	CA	Condition	25
	Playing Surface (Asphalted)	CA	Condition	25
	Spectator Areas – Concrete & Sealed	CA	Condition	25
	Sports & Flood Lighting	CA	Age	40
Fixtures, Fittings & Furniture	Play Grounds	CA	Condition	20
	Skate Parks	CA	Condition	20
	Internal Artworks	MV		
	External Artworks	MV		
	Miscellaneous Antique Items	MV		
	Mayoral Robes	MV		
	Mayoral Chains	MV		
	Computer Servers	CA	Age	5-10
	Furniture & Office Equipment	HC		10
	Christmas Decorations	HC		5
	Software (Licensed)	HC		10

Asset Class	Asset Component	Valuation Method		Asset Life
		Fair Value Method	(If CA) Age or Condition Based	
Plant and Equipment	Plant – Heavy	HC		7-15
	Plant – Light/Medium	HC		5-10
	Light Vehicles	HC		5-10
	Other Equipment	HC		8-20