

POLICY NO AM01 ASSET RECOGNITION AND DEPRECIATION POLICY

DEPARTMENT:	Corporate Services
RESPONSIBLE OFFICER:	Manager Corporate Services
LINK TO STRATEGIC PLAN:	Ensure the efficient and effective provision of appropriate community assets
STATUTORY AUTHORITY:	Local Government Act 1993 Local Government (General) Regulations 2005 AASB Accounting Standards
OBJECTIVE:	Break O'Day Council is required to capitalise certain expenditure where it is probable that future economic benefit will eventuate. This policy provides the framework for ensuring that a consistent and transparent approach is taken to this recognition and any subsequent revaluation.
POLICY INFORMATION:	Adopted 25 June 2012 – Minute No 06/12.11.9.149 Amended 29 January 2013 – Minute No 01/13.11.10.21 Amended 17 March 2014 – Minute No 03/14.11.7.052 Amended 21 March 2016 – Minute No 03/16.12.4.58 Amended 20 August 2018 – Minute No 08/18.12.6.189

POLICY

1. BACKGROUND

Break O'Day Council is committed to appropriate accounting practices and transparency in the reporting of financial information to the community.

2. POLICY STATEMENTS

2.1 Recognition and Measurement

The cost method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

An asset will be recognised where it is probable that future economic benefits embodied in the asset will eventuate, the useful life of the asset exceeds one year, and the cost of the asset can be measured reliably and exceeds the threshold applicable to its class as follows:

	Threshold
	\$000
Property	
Land	
land	5.0
land improvements	5.0
Buildings	5.0
buildings	5.0
heritage buildings	5.0
Plant and Equipment	
plant, machinery and equipment	1.5
fixtures, fittings and furniture	1.5
computers and telecommunications	1.5
Infrastructure	
Roads	
road pavements and seals	5.0
road substructure	5.0
road formation and earthworks	5.0
road kerb, channel and minor culverts	5.0
Bridges	
bridges deck	5.0
bridges substructure	5.0
Other	
footpaths and cycle ways	5.0
drainage	5.0
recreational, leisure and community facilities	5.0
waste management	5.0
parks, open space and streetscapes	5.0
off street car parks	5.0

2.2 Depreciation and Amortisation

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Where a specific asset has an identifiable life attributed by a qualified expert, this may be used rather than depreciation periods by asset class.

Road earthworks are not depreciated.

Straight line depreciation is charged based on the residual useful life as determined each year.

Major depreciation periods used are listed below:

Property	Period Years
Land	
land improvements	25
Buildings	
buildings	30-100
Plant and Equipment	
plant, machinery and equipment	3-20
fixtures, fittings and furniture	3-20
computers and telecommunications	5-10
Infrastructure	
Roads	
road pavements and seals	22-85
road substructure	100
road formation and earthworks	100
road kerb, channel and minor culverts	85
Bridges	
bridges deck	20-80
bridges substructure	20-80
Other	
footpaths and cycle ways	50
drainage	60-80
recreational, leisure and community facilities	25
waste management	25
parks, open space and streetscapes	25

2.3 Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than Plant and Equipment, Furniture and Fittings, Land Improvements and Historical Assets are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

For infrastructure and other assets where no active market exists, fair value will be 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 benefit of the asset. The current replacement cost of the asset will be based on the asset in its current form, not an intended future form.

Council shall undertake a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 3 to 5 years. The valuation shall be performed either by experienced council officers or independent experts.

Where the assets are re-valued, the revaluation increments are credited directly to the asset revaluation surplus except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year shall be offset.

2.4 Land under Roads

Land under Roads is valued by:

- Office of the Valuer-General provides valuation by land category
- Council identifies the length and land category of each road in the municipality
- Council identifies the width of road formation for each road

Total value of Land under Roads is therefore the area of road in each category, added together to provide the total for the municipality.

3. ANNUAL REPORTING

These policies are included in Note 1 Significant Accounting Policies to the Financial Statements in each Annual Report.

4. MONITORING AND REVIEW

This Policy will be reviewed every three (3) years in line with the Council's Policy Framework or earlier in the event of major changes to legislation or related policies, procedures or if deemed necessary by the General Manager.