



Asset Management and Accounting Policy

Responsible Officer	Chief Executive Officer
Relevant Delegations	Director Corporate Services
Legislation and References	Local Government Act 1999 Local Government (Financial Management) Regulations 2011 AASB 116 – Property, Plant and Equipment AASB 136 – Impairment of Assets Asset Management Plan Disposal of Land & Assets Policy Procurement Policy

1. Purpose

To integrate Asset Management into Council's corporate and financial planning taking into account whole of life costing, service levels and financing options.

2. Objectives

To ensure adequate provision is made for the long-term replacement of assets by:

- Ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service to residents, visitors and the environment.
- Safeguarding Council assets including physical assets by implementing appropriate asset management strategies and providing appropriate financial resources for those assets.
- Creating an environment where all Council employees play an integral role in the management of Council assets by creating and sustaining asset management awareness throughout the Council.
- Ensuring that Council's accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant legislation.
- Ensuring resources and operational capabilities are identified and responsibility for asset management is allocated.
- Demonstrating transparent and responsible asset management processes.
- Providing information concerning the accounting treatment of non-current assets.

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- Providing a basis for the Council's accountability to the community for its investment in or divestment of assets.

3. Legislation and Compliance

Local Government Act 1999

Section 48 - that Councils report in certain circumstances on the prudential aspects of a project where major asset acquisition or construction is contemplated.

Section 99 (1)(g) states that the Chief Executive Officer must ensure that the assets and resources of the Council are properly managed and maintained.

Section 122, (1a) of the Act, as amended, requires Council to develop and adopt;

- (a) a long-term financial plan for a period of at least 10 years and;*
- (b) an infrastructure and asset management plan, relating to the management and development of infrastructure and major assets by the Council for a period of at least 10 years.*

(and these plans will also be taken to form part of the Council's Strategic Management Plans).

Section 124 and 125 & 139(3)(k) - Council must:

- keep accounting records that adequately record and explain the assets of the Council and which enable the preparation and provision of financial statements to be conveniently and properly audited.*
- ensure that policies, practices and procedures of internal control are implemented and maintained to safeguard the council's assets.*
- when exercising its power of investment, have regard to the aggregate value of the assets of the Council.*

Local Government (Financial Management) Regulations 2011

Section 12 – A council, council subsidiary or regional subsidiary must undertake a revaluation of all material non-current assets in accordance with the requirements of Australian Accounting Standard AASB 116.

Accounting Standard

AASB116 – Property, Plant and Equipment

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4. Definitions

Asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. The three elements defining an asset are:

- future economic benefits (goods and services provided by the asset);
- control by the entity (ability of entity to benefit from future economic benefits); and
- occurrence of a past event (asset must be in existence).

Asset Management Plan, a tactical plan developed for the management of a class of assets that combines multi-disciplinary management techniques (including technical and financial) over the lifecycle of an asset in the most cost-effective manner, to provide a specific level of services. A significant component of the plan is the development of long term expenditure forecasts for the activities required to manage the assets.

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.

Attractive Items are non-consumable items that have a value below the materiality thresholds and are susceptible to theft due to their portability and attractiveness for personal use.

Cost in relation to fixed assets is the total of purchase price or construction cost and all associated cost directly attributed to its acquisition to bring it to operational readiness.

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

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).

Carrying Amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

Levels of Service, a combination of functional criteria related to quality, reliability, responsiveness, environmental acceptability and cost, derived in consultation with clients and used to measure an asset's performance.

Long Term Financial Plan, enables Council to better plan and understand the long term financial requirements, which includes consideration of sustainability, service provision levels and the creation, upgrading and renewal of assets.

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.

Materiality Threshold is omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omissions or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both could be the determining factor.

Read for Use means fully supplied or constructed, implemented, accepted and operational in accordance with its intended purpose.

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

Residual Value of an asset is the estimated amount that an entity 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.

Useful Life is the period for which an asset is expected to be available for use by an entity.

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

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5. Principals of Asset Management

- Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management practices across all areas of Council.
- All relevant legislative requirements together with social, economic and environmental considerations will be taken into account in asset management.
- Asset management principles will be integrated within existing long-term Council planning and operational processes.
- Asset Management Plans are developed for major service / asset categories. The plans will be informed by community consultation and financial planning and reporting.
- An inspection regime will form part of asset management to ensure agreed levels of service are maintained and to identify asset renewal priorities.
- Asset renewals required to meet agreed service levels and identified in adopted asset management plans and long term financial plans will form the basis of annual budget estimates with the service and risk consequences of variations in defined asset renewals and budget resources documented in budget documentation.
- Asset management plans will prioritise actions based on agreed service levels and the effectiveness of the current assets to provide that level of service
- Systematic and cyclic reviews will be applied to all asset classes to ensure that the assets are managed, valued and depreciated in accordance with appropriate practices and applicable Australian Standards.
- Future life cycle costs will be reported and considered in all decisions relating to significant new services and assets and significant upgrading of existing services and assets.
- Service levels will be determined in consultation with the community and through the peak body associations.
- Training in asset and financial management will be provided for Council Members and employees

6. Asset Management and Long Term Financial Plans

Council has a Long Term Financial Plan, which provides key financial information and direction for Council to achieve and maintain financial sustainability. The Asset Management Plan contains critical data and information that enables an affordable and achievable approach to Asset Management.

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Strategic asset management evolves with a continuous cycle of review and improvement so the quality of outputs matches the changing business needs for Council. This is provided through linkages to Council's Strategic documents.

7. Service Delivery Needs and Levels of Service

Service Delivery Needs and Levels of Service

Service delivery needs form the basis of all asset management decisions. Assets are acquired for their service delivery potential, and service delivery needs should form the basis of all asset management practices and decisions.

Service delivery needs will be reviewed on an ongoing basis against budget realities and adjusted as required to take into account changing priorities and constraints.

Council's asset management practices include:

- Consultation with the community and other stakeholders, to define the desired outcomes and the service levels required to achieve those outcomes.
- Where necessary, minimum service standards based on the Council's duty of care.
- Incorporate the desired and associated service levels into Council's strategic management plans (including the financial implications into the long-term).
- Assess alternative methods of providing the service levels (including lower cost assets and non-asset methods e.g. leasing where possible) and decide on the best solution. This includes an assessment of the lifecycle costs and benefits for each of the alternatives.
- If appropriate, acquire the assets to meet the required service levels.
- Operate and maintain the assets to achieve required service levels and minimise life-cycle costs.
- To apply the criteria of quality, quantity, location etc (refer definition above) for identified levels of service.

Requests from the community that are higher than the defined Service Delivery Needs and Levels of Service shall be assessed and prioritised in accordance with the Infrastructure / Asset Management Plan

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8. Asset Recognition

An asset is recognised in the Statement of Financial Position when it is probable that future economic benefits will flow to the entity and the asset has a cost of value that can be measured reliably. All assets will be initially recognised at costs. Where an asset is acquired at no or nominal cost it will be recognised at its fair value as at the date of acquisition.

All non-current assets purchased or constructed will be capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

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. The cost of non-current assets constructed by the Council includes the costs of all materials used in construction, direct labour in the project and an appropriate proportion of variable and fixed overhead.

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land Under Roads. Land under roads acquired after 30 June 2008 has not been recognised as, in the opinion of Council, it is not possible to reliably attribute a fair value and further that such value if determined would be immaterial.

Assets with an economic life in excess of one year will be capitalised where the cost of acquisition exceeds the materiality thresholds. Materiality thresholds will be reviewed by the Audit Committee.

The following table and chart provide guidance when determining whether expenditure is either capital or operating in nature:

	Materiality Threshold	Operating	Capital
Land	No Limit	<ul style="list-style-type: none"> Landscaping to improve land that is intended to keep the asset in service but does not extend the life of the asset. 	<ul style="list-style-type: none"> Purchases of new land.

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	Materiality Threshold	Operating	Capital
		<ul style="list-style-type: none"> Landscaping to otherwise arable land that is intended to keep the asset in service but does not extend the life of the asset. 	
Buildings Structures and Site Improvements	\$10,000	<ul style="list-style-type: none"> All maintenance of buildings and other structures. 	<ul style="list-style-type: none"> Any structural addition or renewal to the building that extends the life of the asset.
Park, Playground Furniture & Equipment	\$2,000	<ul style="list-style-type: none"> All maintenance to park furniture. All maintenance to existing playground equipment. Repairs of playground equipment that are intended to keep the asset in service but does not extend the life of the asset. 	<ul style="list-style-type: none"> All new park furniture. Replacement of playground equipment that extends the life of the asset.
Office Furniture, Equipment and IT Equipment	\$1,000	<ul style="list-style-type: none"> Expenditure for individual hardware/furniture assets or assets that cannot be easily grouped. Annual software licence fees and minor upgrades to core operating systems. 	<ul style="list-style-type: none"> Expenditure for individual hardware/furniture assets or assets that can be easily grouped. Expenditure associated with the replacement or upgrade of core operating systems.
Minor Plant and Equipment	\$1,000	<ul style="list-style-type: none"> All maintenance. 	<ul style="list-style-type: none"> Expenditure for individual assets or assets which can be easily grouped.

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	Materiality Threshold	Operating	Capital
		<ul style="list-style-type: none"> Expenditure for individual assets or assets that cannot be easily grouped. 	
Plant, Machinery Fleet	\$10,000	<ul style="list-style-type: none"> All maintenance. Expenditure for individual assets or assets that cannot be easily grouped. 	<ul style="list-style-type: none"> Expenditure for individual assets or assets which can be easily grouped.
Road Construction including Bridges	\$10,000	<ul style="list-style-type: none"> Patching and maintenance that is intended to keep the asset in service but does not extend the life of the asset. Line marking. 	<ul style="list-style-type: none"> New construction. Treatments that will extend the life of the asset.
Footpaths & Kerbing	\$2,000	<ul style="list-style-type: none"> Maintenance that is intended to keep the asset in service but does not extend the life of the asset. Gravel footpaths 	<ul style="list-style-type: none"> New construction.
Stormwater Drainage & CWMS	\$5,000	<ul style="list-style-type: none"> Maintenance that is intended to keep the asset in service but does not extend the life of the asset. 	<ul style="list-style-type: none"> New construction.
Art Work	\$5,000	<ul style="list-style-type: none"> Maintenance that is intended to keep the asset in service but does not extend the life of the asset. 	<ul style="list-style-type: none"> New art works.

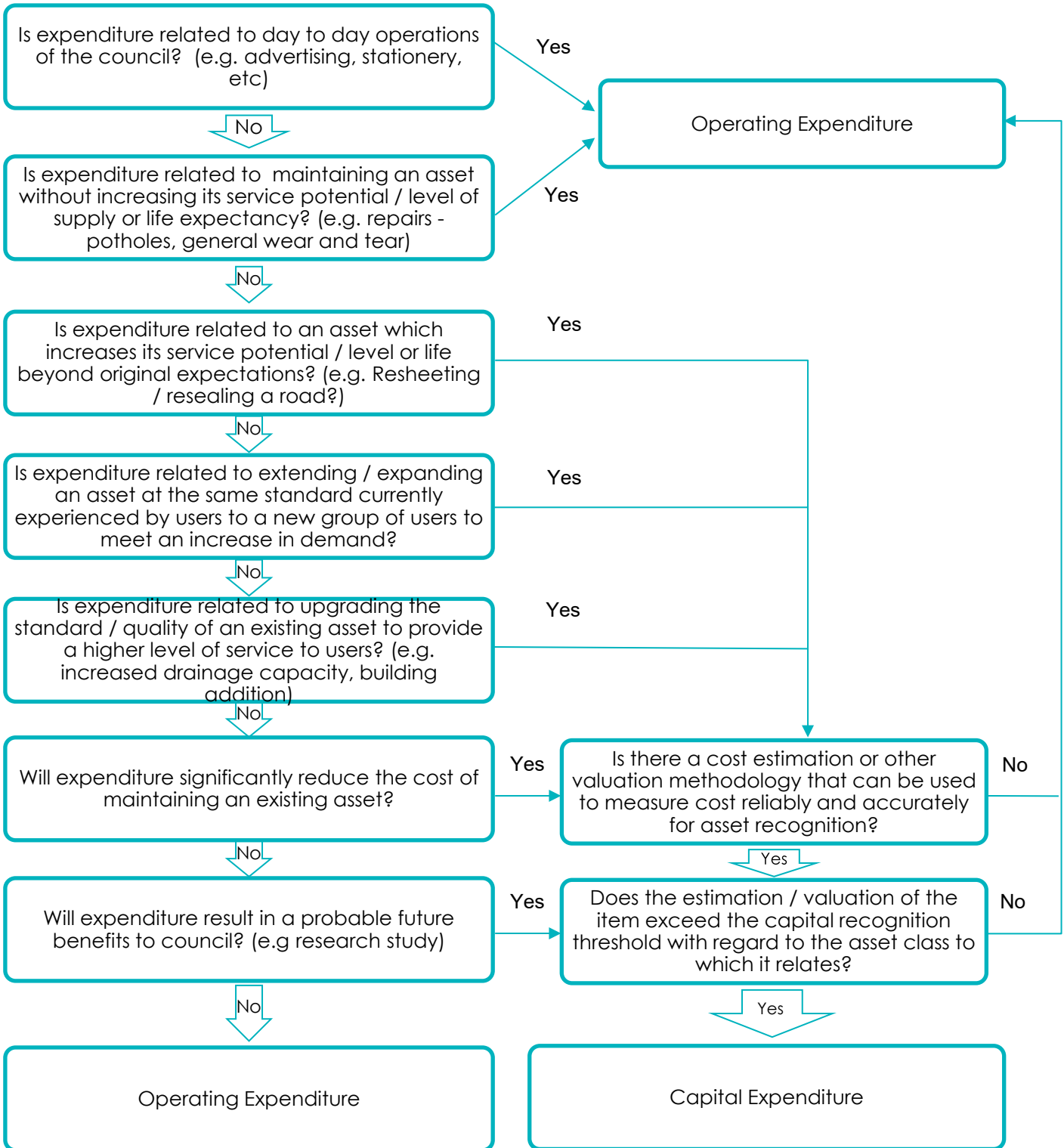
Where reasonably practicable expenditure that is below the materiality threshold for individual assets or assets that cannot be easily grouped, will be deemed an attractive item.

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Classifying Operating / Capital Expenditure



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9. Asset Classes

AASB 116 requires Council's assets to be classified into classes. Council has nominated the following classes for its non-current assets.

Class	Assets Included
Land and Land Improvements	Land
Buildings and Other Structures	Floor, Walls, Roof, Services etc Irrigation, Furniture, Playgrounds, Walkways
Roads	Sealed, Unsealed, Seals and Pavement
Kerbing	Kerbing and Water-table
Footpaths	Footpaths, Bikeways and Pram Ramps
Bridges	Bridges
Stormwater Drainage	Pipes, Pits, Basins, Culverts, Pollutant Traps
CWMS	Pipes, Pits, Pump Stations, Treatment Plants
Other Road Infrastructure	Signs, Roundabouts, Medians, Spoon-drains
Plant and Equipment	Major Plant Fleet, IT, General Equipment
Furniture and Fittings	Office Furniture, Fittings
Library Collection	Books and DVDs

Council will maintain an Asset Register using the Asset Classes as described in this Policy.

10. Asset Depreciation

Other than land, all recognised infrastructure, property, plant and equipment assets will be systematically depreciated over their useful lives to reflect the consumption of the service potential embodied in those assets.

Useful lives are estimated for each individual asset. In estimating useful lives, regard is given to technical and commercial obsolescence, as well as legal and other limitations on continual use.

Depreciation is recognised on a straight line basis. The period of depreciation for building and infrastructure assets is estimated based on industry standards and consultancy advice. Depreciation rates may be varied for specific assets where asset quality, environmental and / or operational conditions require other than standardised treatment.

Depreciation methods, useful life and residual values for each asset class will be reviewed by the Audit Committee.

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11. 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. Council has elected to recognise impairment when the value can be reasonably determined, the most practical method is at the time of renewal. Councils' treatment is to write back the impaired value in proportion to the value held in the asset revaluation reserve to the net fair value carrying amount of each class of revalued assets. Any excess impairment value will be taken as an expense in profit or loss. This treatment is consistent with both AASB 116 Aus40.1 and Aus40.2 not for profit entities and AASB 136 – 59 and 60.

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment

12. Community Organisations – Assets on Council Land

Many community and sport and recreation groups occupy land, under a lease arrangement, which is owned freehold by the Council.

Where these organisations have constructed buildings and structures on council land and where the infrastructure is not owned or maintained by Council, the lease documents acknowledged that ownership of infrastructure is retained by the relevant community organisation. It is a requirement of the lease that the community organisation remove all built infrastructure from the land at cessation of occupation

The Council; does not account for this infrastructure in its Asset Register and subsequently does not account for depreciation in relation to it.

In the event that an organisation ceases to exist and does not remove its infrastructure as required under the lease or permit or subject to this Clause the Council may remove the infrastructure or choose to recognise the infrastructure in its Asset Register effective as at the date of cessation of occupation by the community organisation.

13. Valuation of Assets

AASB116 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.

Each asset class will be revalued at a minimum of every five years. A rolling program may be established to allow the revaluation process to be completed as a continual process, alternatively all classes may be revalued at a particular date.

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Revaluations will include a review and application of current condition assessment, unit rates, useful lives and residual lives to determine the total current replacement cost and the accumulated depreciation to the date of the revaluation.

General Valuation Principles

Accounting Procedure: Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be replacement cost.

Highest and Best Use: For land which Council has an unfettered right to sell, the "highest and best use" recognise the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is crown land or has been declared community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure "highest and best use" is determined in accordance with the land on and in which they are situated.

Fair value hierarchy level 2 Valuations: Certain land, and the buildings and structures thereon, are based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustment for specific advantages or disadvantages attaching to the particular asset.

Fair value and hierarchy level 3 valuations of land. Valuations of Crown Land, community land and land subject to other restrictions on use or disposal, are based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in the active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not being directly or indirectly observable in that market, or the number and / or amount of observable adjustments which may be so great that the valuation is more fairly described as being based on level 3 valuations inputs.

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Fair value level 3 valuations of buildings, infrastructures and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

- the determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Council, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimate of useful life under the prime cost depreciation method adopted by Council.

14. Asset Register

Asset Registers will be maintained for all classes of assets and where applicable will contain details of fair / replacement / historical value, accumulated depreciation and carrying amount, along with historical information relating to revaluation and impairment.

15. Review & Availability

This policy will be reviewed every four years, or as required.

The public may inspect a copy of this policy without charge at the Council offices during office hours and may obtain a copy for a fee fixed by Council

The policy is also available on Council's website www.claregilbertvalleys.sa.gov.au

16. Document History

Approved by	Issue Date	Minute Reference – Details of Review
CGVC	15/06/2020	Merged with Asset Accounting Policy to become Asset Management & Accounting Policy
CGVC	13/12/2021	Reviewed by Council to include treatment on disposal of assets
CGVC	15/02/2023	Reviewed by Council changes to Asset Revaluation Reserve

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