Policy Name	FIN23
Policy Type	Finance
Responsible Officer	Chief Executive Officer
Version	1
Approval Date	April 2019
Renewal Date	January 2022

WEST DALY
Regional Council

Policy Number	**FIN23**
Policy Name	**Assets Policy**

Summary

The building blocks of asset accounting and asset management are the assets themselves. The non-current asset accounting and management approaches pull together a number of Council's strategies and objectives in providing a sustainable asset platform upon which to deliver services into the future.

Asset activities must be carried out in compliance with the Local Government Act, the Local Government Accounting Regulation and Australian Accounting Standards.

Definitions

To assist in interpretation, the following definitions shall apply:

- Capital Expenditure is expenditure used to procure, upgrade the capability, extend the life, or restore the (Non – Current) asset.
- Capitalisation threshold is the amount below which the value of a Non – Current asset must be treated as an expense.
- Fixed Asset Register is a register of Non – Current assets and corresponding financial information. The register holds depreciation and valuation information on Non – Current assets. Asset information from the register is transferred to the General Ledger and then used in Council's financial statements.
- Maintenance Expenditure is the expenditure to maintain the condition of a Non – Current asset to ensure that it continues to operate at the current level of service until the end of its useful life to council.
- Materiality is if the omission, non-disclosure or mis-statement would mislead users of financial statements.
- Other Assets are assets that cannot be defined by another category and is only to be used in extreme circumstances.
- Network Assets are a chain of interconnected but dissimilar assets connected for the provision of the one simultaneous service.

- Special Library Collection are rare books and/or collections of books or similar.

- Building is any permanently fixed and enclosed structure.

Policy Statement

1. Definition of an Asset

The Framework for the Preparation and Presentation of Financial Statements (notes to Financial Statement) defines an asset as:-

> '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 key features of an asset are that:

- the entity must have control over the future economic benefits of the asset
- there was a past transaction or event which gave rise to the control of the future economic benefits
- there must be future economic benefits expected to flow to the entity

2. Recognition of an Asset

The criteria for recognising an asset as outlined in Paragraph 7 of AASB 116 – Property, Plant and Equipment is stated below:-

'The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and
(b) the cost of the item can be measured reliably.'

The key elements of recognition are detailed below:

- Probable future economic benefits – if the entity considers that it is more likely than not that future benefits will be realised
- Reliably measured – generally the value of goods and services can be measured reliably by the price charged by the supplier, while constructed assets can be measured from labour and other costing systems, if the cost cannot be measured reliably an asset should not be recognised.

3. Measurement at Recognition

The measurement of the value of an asset is its cost. AASB 116 – Property, Plant and Equipment, outlines this in Paragraph 15:-

'An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.'

‘Aus 15.1- Notwithstanding paragraph 15, in respect of not-for-profit entities, where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.’

Note: AASB 116 defines Fair Value as “the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction”.

REQUIREMENTS

A. Classification of Assets

Assets are to be recorded according to the categories and subcategories provided within the Asset Type and Classification Hierarchy list.

B. Capitalisation Thresholds

Council to set an amount below which the value of a Non – Current asset must be treated as an expense. Therefore West Daly Regional Council adopts the following thresholds:-

Asset Class	**Amount**
Capitalisation Threshold	
Buildings	$ 5,000
Plant and Equipment	$ 5,000
Infrastructure Roads, Bridges and Drainage	$ 5,000
Infrastructure	$ 5,000
Site Improvements	$ 5,000
Other Assets	$ 5,000

It would be onerous from an administrative point of view to record all information considered to be capital and to overcome this issue and to provide financial information relevant to decision makers the above thresholds shall be strictly applied on the basis of materiality.

C. Capital Expenditure

Where the expenditure is above the capitalisation threshold and is used to procure a new asset, upgrade the capability of the asset, extend the life of the asset, or restore the asset, the expenditure shall be capital expenditure. The corresponding budget is held in the Capital Works Budget.

Examples of general capital expenditure include, but not limited to:

- Purchase / Construction of infrastructure
- Purchase / Replacement of plant and equipment
- Purchase of land (resumptions in limited cases)
- Addition of building extensions or partitions
- Replacement of roof or bathroom facilities in a building
- Upgrade of air conditioning system to increase its capacity or extend its life

Multiple Non – Current Assets, which when taken to perform a whole service are classified as Networked Assets. All expenditure on Networked Assets for the purposes of procuring a new asset, upgrade the capability of the asset, extending the life or restoring the asset (i.e expenditure that is capital in nature) are to be capitalised, whether or not the individual asset items exceed the capitalisation threshold.

D. Maintenance Expenditure

Where the expenditure is to ensure that an asset continues to operate at normal capacity until the end of its life, it is regarded as maintenance / operational expenditure and the corresponding budget is held in the Operating Budget.

E. Asset Recognition Dates

Assets shall be recognized and depreciated from the following times:

Asset Class	**Recognition Date**
Individual Assets	Invoice or delivery date
Donated Infrastructure	Month end after transferred from maintenance period
Buildings/Infrastructure/Site Improvements	Last day of month the last charge made

F. Asset Disposal

Where physical Non – Current assets are disposed of during the financial period, the profit or loss on disposal of the asset will be taken into account in the Financial Statements.

G. Write Off of Physical Non – Current Assets

Where an asset ceases to retain a future economic benefit to Council, due to loss, theft, damage, obsolescence or other factors, the value of the asset will be written down to a nil value and if appropriate disposed of in the period that the loss occurs.
To facilitate effective control of the disposal of these assets, each item will be individually removed from the Fixed Asset Register.
If the asset being written-off has been the subject of a theft or is unaccounted for, there shall be a requirement to also report this to the council for write off.

H. Useful Lives & Depreciation

Determining the useful life of conventional assets such as plant and equipment is not generally difficult as life cycle information is available. Many infrastructure assets on the other hand are so long lived that the information and experience needed to accurately predict asset lives is not readily available. In the absence of such information, Council's assets are to be given the longest sustainable life possible and conventional assets are to be given useful lives consistent with industry standards. Asset managers will review the remaining useful lives of assets on an annual basis.

Asset Managers will also identify, on an annual basis, those assets that will not be replaced upon the expiration of their life and/or assets that would only be replaced if Council received a subsidy or grant for the replacement of the particular asset. In those cases, Council may elect not to fund all or part of the depreciation on those assets.

I. Portable and Attractive or Sensitive Operating Assets

Value is not recorded and depreciation is not charged for operating assets below the recognition thresholds mention in 3.2 above. Although, certain items are considered more sensitive and whose existence should be tracked and monitored, these being:-

<u>Asset Class</u> **<u>Asset</u>**

<u>Plant & Equipment</u>
Machinery, Office Equipment, Information Technology All motorised power tools (eg drills, saws, grinders, generators), Cameras, Modems, Printers, Scanners, phone etc

REFERENCES

Local Government Act
Local Government Accounting Regulation
Australian Accounting Standards

FURTHER INFORMATION:

Chief Executive Officer