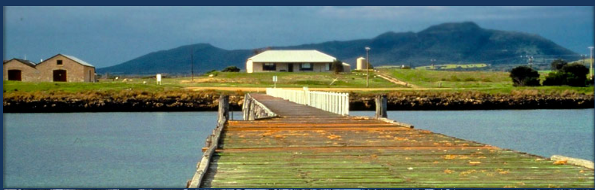
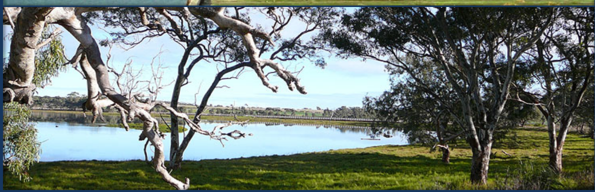
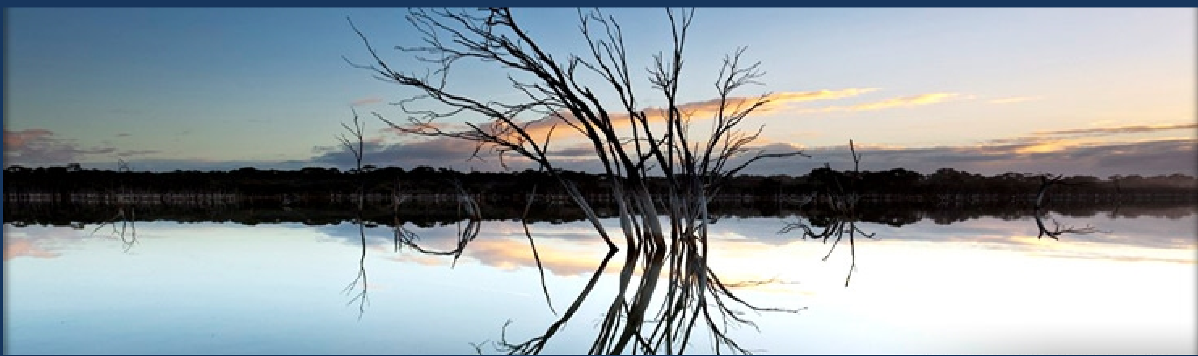
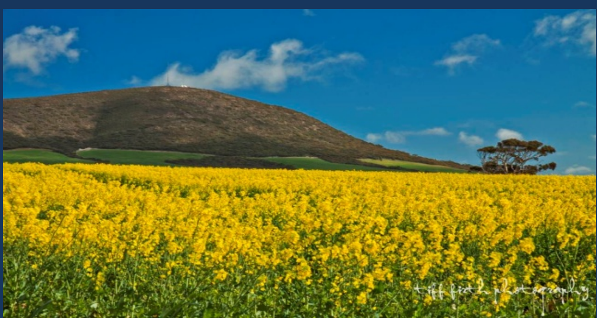
LOWER EYRE
COUNCIL

Asset Accounting Policy








“Working with our Rural & Coastal Communities”

Responsible Department:	Finance
Policy Adopted:	21/06/2023
Minutes Reference:	OCM/23/060
Applicable Legislation:	Local Government Act 1999 Australian Accounting Standards
Related Policies/Procedures/Codes:	FIN-POL-07 – Disposal of Land & Assets
Review Frequency	Following Council Election or Legislative Change

1. OVERVIEW

The Lower Eyre Council owns and manages a large and diverse asset portfolio valued in excess of $150 million. These assets make up the social and economic infrastructure that enables the provision of services to the community, businesses and district visitors for current and future generations and plays a vital role in the local economy and on quality of life.

Councils have an obligation to ensure that current assets are managed and maintained efficiently and that decisions regarding the acquisition of new assets and the sale of existing assets are undertaken in an open, accountable and transparent fashion.

Sound asset management is key to financial sustainability of every Council with the Lower Eyre Council having adopted at 10 year Asset Management Plan to assist Council in meeting its asset management objectives.

2. SCOPE

This policy provides direction on the treatment of Council owned assets in accordance with the Australian Accounting Standards and Local Government Act.

3. POLICY

This policy will provide direction on the following areas of asset management:-

- Asset Management Plans
- Capitalisation Thresholds
- Asset Recognition
- Residual Values
- Asset Registers
- Asset Revaluations
- Asset Depreciation
- Asset Impairment
- Asset Disposal of Sale
- Asset Renewal Funding Ratio

3.1 Asset Management Plans

In accordance with Section 122 of the Local Government Act 1999; Council will adopt and maintain an Asset Management Plan, relating to the management and development of its assets for a period of at least 10 years.

The Asset Management Plan will be reviewed annually following the adoption of the Annual Business Plan with a comprehensive review to be undertaken within 2 years after each general election of Council.

3.2 Asset Recognition

An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost that can be measured reliably.

Council may capitalise costs once the research and planning phases of a capital project are complete and it is highly probable that the project will be completed. If a decision is made to terminate or materially rescope a capital project, any expenditure that was previously capitalised shall be expensed.

Assets should have a useful life of greater than one year to enable capitalisation of the expenditure and should also meet Council's capitalisation thresholds as detailed within this policy. Capitalisation thresholds are set so as not to misstate the Annual Financial Statements and to provide a guide as to whether it is practical from an administrative perspective that expenditure is capitalised.

Non-council and community buildings, structures and associated assets (on crown land that is under the control of Council) will not be valued in Council's asset registers 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.

3.3 Capitalisation Thresholds

The capitalisation threshold for all Council assets is set at an amount of $10,000 with the exception of office furniture, plant and equipment which has a $5,000 capitalisation threshold. In some circumstances lesser amounts of capital expenditures will be capitalised where it is considered appropriate for that particular asset.

No capitalisation threshold is applied to the acquisition of land or interests in land.

Council have elected not to capitalise road signs and roadside furniture.

Capitalisation of assets will take place at 30 June each year in accordance with Council's "End of Year Procedures".

3.4 Residual Values

A residual value is the estimated value of an asset at the end of their useful life. Council only applies residual values to its machinery assets which are calculated using historical values previously observed by Council for assets of a similar type. The following residual values (being a percentage of the initial purchase price) are applied to its machinery assets:

- Cars 55%
- Graders 25%
- Loaders 40%
- Mowers 30%
- Rollers 10%
- Skidsteers 35%
- Tractors 35%
- Trucks 35%
- Utilities 50%

Market fluctuations, machinery usage, age and condition impact trade-in values achieved by Council for each individual item of machinery. Council annually reviews trade-in's obtained against residual values set to review past assumptions and determine future residual values.

3.5 Asset Registers

The following Asset Registers will be maintained for Council Assets:

- Land
- Buildings & Other Structures
- Infrastructure
    - Community Wastewater Management Scheme
    - Recreation & Culture
    - Sealed Roads
    - Formed & Surfaced Roads
    - Port Lincoln Airport
    - Aerodromes
    - Boat Ramps
    - Footpaths
    - Stormwater
    - Economic Affairs
    - Bridges
    - Foreshore
- Plant & Equipment
- Furniture & Fittings
- Machinery

Asset Registers will be reconciled with the General Ledger Trial Balance at 30 June each year in accordance with "End of Year Procedures".

3.6 Asset Revaluations

Non-current assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at reporting date in accordance with Australian Accounting Standards and Regulations under the Local Government Act.

The following asset classes will remain at cost and will not be revalued:

- Machinery
- Plant & Equipment
- Furniture & Fittings

Non-current assets that are subject to revaluation will be revalued every 5 years as a minimum.

3.7 Asset Depreciation

AASB 116 Property, Plant and Equipment, states that the depreciation method used by an organisation to depreciate an item of property, plant and equipment shall reflect the pattern in which the assets future economic benefits are expected to be consumed.

As such, Council has elected to use the straight line depreciation methodology for all its 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. This methodology results in a constant depreciation charge over the useful life of the asset, provided that the asset's useful life or residual values do not change.

Depreciation of an asset begins when it is available for use i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by Council and ends when it is classified as held for sale or when de-recognised.

The actual useful life (and therefore depreciation rates) may be varied for specific assets where asset quality and environmental and/or operational conditions so warrant with the following standard estimates of useful life's being applied to Council assets:

Plant, Furniture & Equipment	
Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	3 to 30 years
Other Plant & Equipment	5 to 15 years
Building & Other Structures	
Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years
Infrastructure	
Sealed Roads	
Upper Surface	17 to 25 years
Lower Surface	51 to 66 years
Pavement	50 to 80 years
Pavement Base	60 years
Pavement Sub-Base	180 years
Unsealed Roads	
Sheeted and Formed	15 to 50 years
Unformed	50 to 100 years

Bridges	80 to 100 years
Footpaths	80 to 100 years
Kerb & Gutter	80 to 100 years
Drains	75 to 100 years
Culverts	50 to 80 years
Flood Control Structures	80 to 100 years
Effluent	
Pipes - Drains	70 to 100 years
Pipes – Rising Mains	50 to 70 years
Pumps & Telemetry	30 to 80 years

3.8 Asset Impairment

Asset impairment occurs when the carrying amount of an asset exceeds its recoverable amount.

At each reporting date, the Australian Accounting Standards require Council to assess whether there is any indication that any asset under its control may be impaired, and if such indication exists, the Council shall estimate the recoverable amount of the asset.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount in accordance with AASB 136.

3.9 Asset Disposal or Sale

The disposal or sale of Council assets must be made in accordance with Council policy FIN-POL-07 – Disposal of Land and Assets.

3.10 Asset Renewal Funding Ratio

The Asset Renewal Funding Ratio indicates the extent to which non-financial assets are renewed and replaced, compared with what is needed to cost-effectively maintain service levels. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the optimal level of such expenditure proposed within Council's Asset Management Plan.

The Local Government Association of South Australia as part of the LGA Financial Sustainability Program developed a set of information papers with Information Paper 9 – Local Government Financial Indicators recommending Council's aim to achieve a ratio between 90% - 110%.

Achievement of this target would mean that a Council was reasonably optimising the timing of capital outlays on the renewal/replacement of assets (for its specified and preferred level of service from assets).

The Lower Eyre Council aims to achieve an average Asset Renewal Funding Ratio over a rolling five year period of 90% - 110%.

4. REVIEW

This policy will be reviewed every four years after each general election.

5. AVAILABILITY

The policy is available for public inspection on Council's website at www.lowereryepeninsula.sa.gov.au and from council's office at 32 Railway Terrace, Cummins, SA 5631.

DOCUMENT HISTORY		
Version:	**Issue Date:**	**Description of Change:**
1.0	March 2022	Adopted by Council
1.1	21/06/2023	Reviewed without amendment