1. STATEMENT

Council recognises that assets exist to provide services and this recognition underpins the Council's asset management policy and practices.

Council will only acquire assets after due consideration of the service needs of the community and the operating needs of the Council. Service levels will be determined in consultation with the community and in line with the Council's 'duty of care' to the community.

2. DEFINITIONS

Asset - refers to a resource controlled by the Council as a result of past events from which future economic benefits are expected to flow in. As such, structures fixed to land controlled by the Council are also considered an asset of Council. This also includes, for example, improvements to land provided by a Lessee, where Council is the Lessor, unless there is any clearly expressed agreement to the contrary in place. The Lessor has a responsibility to record these assets and the depreciation of the asset in their financial statements.

Asset Class - refers to the categories of assets used by the Council for asset management and accounting purposes, such as land, land improvements, buildings, structures, CWMS, stormwater, library, plant and equipment, and furniture and fittings etc.

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

Cost Model – After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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

Disposal Value - (in this Policy) is the net present value of the future cash flow where it is expected that there will be no regular future economic benefit occurring to Council, for those assets that Council deems not to be replaced. The disposal value is reduced to nil when there is no expected future economic benefit flowing to Council.

Fair Value - refers to the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. For infrastructure assets, replacement cost represents fair value.

The *Fair Value* of land and buildings are usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. The Fair *Value of* items of plant and equipment is usually their market value determined by appraisal.

If there is no market-based evidence of Fair Value because of the specialised nature of the item of property, plant and equipment, and the item is rarely sold, except as part of a continuing business, an entity may need to estimate Fair Value using an income or a depreciated replacement cost approach.

Where the future economic benefits embodied in the asset would not be replaced if the entity was deprived of the asset, then the asset should be measured at the net present value of future cash flows from its highest and best use, if this information is able to be derived. Where there is no regular cash flow generated from the asset, the net present value of future cash flows for that asset is estimated at disposal value. (AIFMG Section 12.12.3).

Impairment Loss - is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Materiality - Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or elected representatives of the Council.

Recoverable Amount - is the higher of an asset's fair value less costs to sell and its value in use.

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

Residual Value - 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.

Revaluation Model - After initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

3. PRINCIPLES

3.1 Scope & Purpose

3.1.1 Scope

This Policy will apply to all assets owned by or under the asset register of the Wattle Range Council and it application refers to Council's non-current assets that are considered in AASB 116 Property, Plant and Equipment, in particular, material assets as referred to in the Local Government (Financial Management) Regulations 1999.

3.1.2 Purpose

Council has an obligation to ensure that all assets are managed efficiently in accordance with the Council's Asset Management Plan's. This policy sets out the framework of asset accounting requirements as per the Local Government Act and Australian Accounting Standards and provides guidance as to application of these requirements.

3.2 Recognition of an Asset

3.2.1 Land under roads

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.

3.2.2 Initial Recognition

All assets are initially recognised at cost. 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. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance are recognised as other non-current assets "Work in Progress" and transferred to infrastructure, property, plant & equipment when completed ready for use.

3.2.3 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset.

In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are as follows. No capitalisation threshold is applied to the acquisition of land or interests in land.

3.2.4 Subsequent Recognition

Certain asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is 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 benefits of the asset. Further detail of existing valuations, methods and valuers are to be provided in notes to the accounts.

The Depreciated Replacement Cost method will be used as a default method unless Council determines otherwise, such as determining not to replace certain assets at the end of their economic useful life, which will require a disposal valuation method.

All non-current assets other than receivables and investments are revalued in accordance with the Local Government (Financial Management) Regulations 2011. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-Current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to depreciated replacement cost.

Revaluation increments arising upon revaluing the above mentioned non-current asset classes to their depreciated replacement cost are credited directly to the asset revaluation reserve

3.2.5 Borrowing Costs Capitalisation

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) will be capitalised in accordance with the allowed alternative treatment in AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are to be disclosed in Note's to the accounts, likewise a similar disclosure is required for amounts (if any) of interest revenue offset against borrowing costs.

3.2.6 Changes to the Recognition of Assets

An asset of property, plant or equipment is to be de-recognised or valuation-basis modified:

- On disposal; or
- When no future economic benefits are expected from its use, replacement or disposal.

Assets can be disposed by Council in a few ways:

- By sale or trade-in;
- By donation; or
- De-recognition due to such circumstances as being scrapped, stolen, considered obsolete, or through an initial recording error, etc.

Any gain or loss from the disposal of an asset must be recognised in the Statement of Comprehensive Income. An asset can be re-valued at 'disposal value' if it is determined that the asset would not be replaced, and that there are no regular cash flows to Council being generated by the asset, and that there is no market-based evidence of fair-value for that asset. Any adjustment due to this change must be recognised through an adjustment to Council's Asset Revaluation Reserve.

4. MEASUREMENT

4.1 Measurement Method

After recognition as an asset, Council can choose either the Cost Model or Revaluation Model for processing the measurement. Under the Local Government Act 1999, Council is required to use the Revaluation Model to access all the material non-current assets.

Major asset classes are determined by the Council and are required to be revalued on a regular basis to ensure such that the carrying values are not materially different from the fair values.

Appendix 1 identities the revaluation frequency for each class of assets to process regular revaluations.

Fair value is the methodology for assets that Council has decided to utilise the Revaluation Model for measurement purposes.

For assets for which there is no market-based evidence existing to determine fair value, a replacement cost approach is used to estimate fair value. Where the future economic benefits embodied in the asset would not be replaced if the entity was deprived of the asset, then the asset should be measured at the net present value of future cash flows from its highest and best use, if this information is able to be derived. Where there is no regular cash flow generated from the asset, the net present value of future cash flows for that asset is the disposal value. Where assets are not rationally replaced, and Council has decided that no expected future economic benefit continuing to flow to Council, the disposal value will be reduced to nil.

A separate asset sub-class for these assets exists under building structures main class. Assets which are not replaced and have no regular expected future economic benefits from their use are derecognized from the main asset classes and re- categorized in these special sub-asset classes. There is no revaluation or depreciation processes assigned to these assets.

All other assets should be revalued at least in a four year period. For assets that experience significant change in fair value, more regular revaluation is required.

As a result of revaluation, the increment or decrement in the asset's carrying amount is to be recognised in other comprehensive income and accumulated in the Asset Revaluation Reserve account.

Revaluations generally are conducted by the qualified revaluation entity. All revaluations undertaken by Council's staff will be reviewed by an appropriately qualified external party.

To minimise the impact of revaluations on the depreciation expense and therefore on Council's operating surplus / deficit position, it is recommended that Council attempt to achieve a progressive revaluing of asset classes so that increases in depreciation expense are recognised in small increments each year rather than as large increases every 3 to 5 years. This can be achieved by undertaking a comprehensive asset revaluation within an established 4 year cycle, and a desktop revaluation whenever required.

4.2 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets is recognised systematically and is depreciated over the useful lives of the asset in a manner which reflects the consumption of the service potential embodied in those assets.

Generally, Council's depreciation is recognised on a straight-line basis, but other methods such as diminishing value depreciation can be utilised. Major depreciation periods for each class of asset are shown in Appendix 1. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council.

4.3 Componentisation

Major Assets are componentised if they are made up of separate material components that due to their very nature would be considered an asset in their own right. Componentisation will be considered if major components in the overarching asset have different useful lives and are easily identifiable and due to their value are deemed material to account for them as a component.

Infrastructure assets such as roads have major components that depreciate at different levels such as the seal on a sealed road has a shorter life than the pavement it sits upon. Each component has a material value in comparative to the overall cost of the asset and therefore should be treated differently and componentised.

4.4 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use). For assets assessed under Revaluation Model, the loss is treated as revaluation decrease in the first instance, and recognised in other comprehensive income and Asset Revaluation Reserve account. (AASB136 – Impairment of Assets)

4.5 Evaluation Asset Ratios

A key ratio related to the asset management is the Asset Sustainability Ratio. This ratio is an effective tool used in the evaluation of Council's current asset financial performance and an indicator on how the future asset management plans could impact on Council's sustainability and financial position. This ratio is required to be included as part of the Council's Annual Financial Statements and regularly reviewed throughout the year.

4.6 Impact of Revaluations and Intergenerational Equity

The concept of intergenerational equity refers to each generation of ratepayers contributing their fair share towards the cost of the services and assets they consume. From an accounting perspective, it can be assumed that intergenerational equity is achieved when operating incomes are sufficient to cover operating expenses i.e. when a balanced operating position is achieved.

This indicator of intergenerational equity is a reliable indicator when depreciation is based on up to date asset valuations. If asset values are not current and the depreciation expense related to them is undercharged, then that year's ratepayers are not contributing their fair share of the cost of the assets that they are consuming in that year. They will be subsidised by subsequent generations of ratepayers, who will have to pay more than their fair share. If future ratepayers are unwilling or unable to pay for the shortfall of previous generations, they will have to contend with assets that are of a poorer standard than they were in earlier years and hence receive a lower level of service.

To minimise the impact of revaluations on the depreciation expense and therefore on Council's operating surplus / deficit position, it is recommended that Council attempt to achieve a progressive revaluing of asset classes so that increases in depreciation expense are recognised in small increments each year rather than as large increases every 3 to 5 years. This can be achieved by undertaking a comprehensive asset revaluation every 4 years and a desktop revaluation whenever required by the "appropriate" indicator.

5. REVIEW

This Policy will be reviewed biennially.

6. AVAILABILITY

This Policy is available for inspection without charge at the following location during ordinary business hours:

- Principal Office, "Civic Centre", George Street, Millicent
- Council Website: www.wattlerange.sa.gov.au.

A copy of the Policy may be purchased from the Principal Council Office upon payment of a prescribed fee in accordance with Council's Schedule of Fees and Charges.

7. REFERENCES & FURTHER READING

References	• Australian Accounting Standards

Relevant Legislation:	• Local Government Act 1999 • Local Government (Financial Management) Regulations 1999
Relevant Policies / Procedures / Guidelines	• Internal Control Policy • Asset Management Policy • Australian Infrastructure Financial Management Guidelines (AIFMG)

8. ADOPTION & AMENDMENT HISTORY

The table below sets out the adoption, review and amendment history of the policy.

Version No:	Issue Date:	Authorised by:	Description of Change:	Minutes Reference:
1	15/09/2015	Audit Committee	Endorsed for adoption by Council	Folio 6138; Item 6.7
1	13/10/2015	Council	Adopted	Folio 6139; Item 11.2.9
2	13/06/2017	Council	Reviewed	Folio 7171; Item 13.2.7

Asset Category	Asset Class	Capitalisation Threshold	Useful Life (Years)	Revaluation Threshold	Measurement Model	Measurement Fair Value or Cost	Materiality	Revaluation Periods	Revaluation Year
Land	Community - Land	N/A	N/A	N/A	Revaluation	Fair Value Level 3	Major	Min 4 yearly	2016
	Other - Land	N/A	N/A	N/A	Revaluation	Fair Value Level 2	Major	Min 4 yearly	2016
Buildings	Buildings	$5,000	Short Life 20 to 100 Long Life 40 to 200	5,000	Revaluation	Fair Value Level 2 or Fair Value Level 3 Replacement Cost	Major	Min 4 yearly	2021
	Structures - Major	$5,000	Short Life 20 to 100 Long Life 40 to 200	$85,000	Revaluation	Fair Value Level 2 or Fair Value Level 3 Replacement Cost	Major	Min 4 yearly	2021
	Other Community Assets - Minor	$5,000 – $85,000	5 to 40	N/A	At Cost	Historical Cost	Minor Useful life less than 20 years. or Lower than $85,000 cost. or less than 5% of carrying value	N/A	N/A
Infrastructure	Roads Sealed	$5,000	Short Life 25 to 80 Long Life 150 to 900	$5,000	Revaluation	Fair Value Level 3 Replacement Cost	Major	Min 4 yearly	2020
	Roads Unsealed	$5,000	Short Life 35 Long Life 175	$5,000	Revaluation	Fair Value Level 3 Replacement Cost	Major	Min 4 yearly	2020
	Footpaths	$1,000	15 to 80	$1,000	Revaluation	Fair Value Level 3 Replacement Cost	Major	Min 4 yearly	2020
	Kerb & Gutter	$1,000	15 to 80	$1,000	Revaluation	Fair Value Level 3 Replacement Cost	Major	Min 4 yearly	2016
	Stormwater	$1,000	15 to 100	$1,000	Revaluation	Fair Value Level 3 Replacement Cost	Minor	Min 4 yearly	2018
	CWMS	$5,000	15 to 100	$5,000	Revaluation	Fair Value Level 3 Replacement Cost	Major	Min 4 yearly	2016
Furniture & Fittings	Furniture & Fittings	$1,000	5 to 20	N/A	At Cost	Historical Cost	Minor	N/A	N/A
Plant & Equipment	Plant & Equipment	$2,000	5 to 15	N/A	At Cost	Historical Cost	Minor	N/A	N/A