

Asset Accounting Policy

1 Purpose

This policy provides a framework to regulate and guide the identification, recognition and measurement of non-current assets that provide future economic benefit to Coffs Harbour City Council and the community. This policy is necessary to ensure compliance with International and Australian Accounting Standards and relevant legislation, as well as capture meaningful data for strategic planning purposes.

2 Policy

2.1 Application of policy

This policy applies to all non-current infrastructure, property, plant and equipment (IPPE) recognised in Council, as well as intangible assets.

2.2 General requirements

These general requirements apply to all IPPE and intangible assets to be recognised in Council.

2.2.1 Asset Recognition

Council will recognise a non-current asset if the following is satisfied:

1. It is probable that future economic benefits associated with the item will flow to the entity; and
2. The cost of the item can be measured reliably;
3. The item has physical substance;
4. The item is not held for sale and is expected to be used by the entity for more than 12 months;
5. Council has control over the asset

Rural Fire Service assets are recognised as non-current assets even though they do not satisfy the above requirements. Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*:

“All firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed”.

Where the asset does not have physical substance but meets other criteria it will be recorded as an intangible asset.

A non-current asset that qualifies for recognition as an asset shall be measured initially at its cost. Notwithstanding, where an asset is acquired at no cost, or for a nominal cost, such as developer and other contributed assets, the cost is its fair value as at date of acquisition.

Council’s community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer-General.

The cost of a non-current asset comprises:

- (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- (b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These include:
- i. Costs of employee benefits (as defined in AASB119 *Employee Benefits*) arising directly from the construction or acquisition of the asset
 - ii. Costs of site preparation
 - iii. Initial delivery and handling costs
 - iv. Installation and assembly costs
 - v. Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
 - vi. Professional fees
- (c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Purchase costs that are to be excluded from the cost of the non-current asset are:

- (d) Costs of opening a new facility;
- (e) Costs of introducing a new product or service (including costs of advertising and promotional activities);
- (f) Costs of conducting business in a new location or with a new class of customer (including costs of staff training; and
- (g) Administration and other general overhead costs.

2.2.2 Asset recognition threshold

The asset recognition thresholds that apply to each asset class are detailed in Appendix 1.

2.3 Network Assets

A network is a grouping of multiple assets that individually fall below the capitalisation threshold but as a whole is material in value. These assets perform a whole service and require recognition in the financial statements.

2.4 Capital Expenditure subsequent to Initial recognition

Capital expenditure on existing assets can be capitalised when the following criteria is met:

1. The amount exceeds the asset recognition threshold; and **ONE** of the following
 - a) The resulting asset provides a higher level of service (increase of service capacity or service quality), an upgrade; or
 - b) The expenditure results in an overall cost saving; or
 - c) The expenditure extends the life of the resulting asset beyond the original expectation, a renewal.

Expenditure that does not meet the above classification is treated as an expense in the financial statements.

2.5 Asset Revaluation

For reporting purposes all non-current assets are to be recorded at their 'Replacement Cost' (Fair Value). Non-current assets are required by the Office of Local Government (OLG) to be revalued on a regular basis, not being more than 5 years, to assess the asset's carrying value against the asset's fair value at reporting date. Should there be a material change in the asset's carrying value against its fair value; Council is required to undertake a revaluation of that asset class.

If the carrying amount of a class of assets decreased as a result of revaluation, the net revaluation decrease shall be recognised in profit or loss.

2.6 Depreciation

The straight –line method is adopted by Council to reflect patterns of consumption for all non-current assets.

Remaining life, asset condition and residual value are to be reviewed at least annually via Council's impairment assessment process to ensure currency for end of financial year reporting.

2.7 Impairment

Where the carrying amount of an asset is found to exceed the recoverable amount the asset is to be written down to the recoverable amount and an impairment loss recorded. The impairment loss will be recognised immediately as an expense, unless the asset class is carried at a revalued amount. In this circumstance, any impairment losses shall be treated as a revaluation decrease in accordance with AASB 136 *Impairment of Assets* to the extent it reverses any previous revaluation increment.

All assets are to be reviewed annually for impairment.

2.8 Work in progress

Work in progress balances are to be reviewed monthly to ensure completed projects are brought to account as assets within a timely manner and any operational costs are expensed accordingly.

2.9 Assets Held for Sale

When Council resolves to sell a non-current asset and the disposal is likely to occur within 12 months, the asset is to be classified as 'Held for Sale' in the Current Assets. The valuation of such as assets will be the lower of carrying value in the asset register as at the date of resolution or fair value less costs to sell if the carrying amount will be recovered principally through sale transactions. Assets held for sale are to be reviewed each end of financial year. If the sale is no longer occurring within 12 months then the asset is to be reclassified back to non-current assets. Disposal is to occur according to Council's ***Disposal of Assets Policy***.

2.10 Asset De-recognition

Assets are to be removed from Council asset registers on disposal, trade-in, retirement, decommissioning, abandonment, confirmation of any theft or loss or when it is withdrawn from use and no further economic benefits are expected from the asset.

3 Definitions

Asset: A resource which is controlled as a result of past events and from which future economic benefits are expected to

Capitalisation threshold: Minimum amount whereby the value of a non-current asset must be capitalised, below this cost and the value is expensed.

Carrying amount: The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses i.e. its written down value (WDV)

Contributed asset: An asset that is transferred at below or no cost, usually by way of contracts with developers, through government transfer arrangements or as a result of a bequest.

Control: The potential to contribute, directly or indirectly, to the delivery of relevant goods or services in accordance with the entity's objectives of a particular volume, quantity and quality to its beneficiaries including the ability to restrict access of others to those benefits.

Cost: The amount of cash or cash equivalent paid or the fair value of any other consideration given to acquire an asset at the time of its acquisition or construction.

Decommissioning: The removal, demolition or elimination of an asset's service potential, resulting from a specific management decision.

Depreciable amount: The cost of an asset, or other amount substituted for cost, less its residual value.

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

Fair Value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Future economic benefit: The potential to contribute, directly or indirectly, the delivery of goods and services in accordance with Council's objectives of a particular volume, quantity or quality to its beneficiaries. It includes social, environmental, financial and governance benefits.

Impairment loss: The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Intangible asset: An identifiable non-monetary asset without physical substance.

Non-current asset: An asset held for use rather than exchange and which provides an economic benefit for a period greater than 12 months.

Pattern of consumption: The pattern in which the asset's future economic benefits are expected to be consumed by Council. This may be constant, increasing, decreasing or variable.

Renewal: Expenditure that exceeds the useful life or increases the service potential of the asset beyond its current condition but not exceeding its current maximum design level (for example, re-sealing of a road).

Replacement cost: The cost of replacing the total potential future economic benefit of the existing asset using either reproduction or modern equivalents after taking into account any differences in the utility of the existing asset and the modern equivalent.

Residual value: 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.

Upgrade: Expenditure that exceeds the useful life or increases the service potential of the asset beyond its current maximum design level – for example, widening a road to add an extra traffic lane or improve safety.

Useful life: The period over which an asset is expected to be available for use by Council; or the number of production or similar units expected to be obtained from the asset by Council.

Written down value: Refer: Carrying amount.

4 Key Responsibilities

Position	Directorate	Responsibility
Mayor	Council	To lead councillors in their understanding of and compliance with this policy, its notes and guidelines.
General Manager	Executive	To lead staff (directly and through delegated authority) in their understanding of, and compliance with, this policy and guidelines.
Executive Leadership	All Directorates	To communicate, implement and comply with this policy and related guidelines.
Group Leaders	All Directorates	The Group Leaders must ensure that the asset managers comply with this policy.
Asset Owners	All Directorates	Relevant Asset Owners are custodians of the assets and may be users of the asset as well. They are primarily in charge of the asset and responsible for its physical presence and maintenance. Any change to the asset through construction, addition, disposal, decommissioning, transfer and renewal, upgrade or an action which changes its value as held in Council's books is to be communicated to the Senior Financial Accountant. The policy outlines the personnel responsible for Annual Financial Statements under Note 9 Asset Category. It also details the responsibilities of asset managers.
Asset Officers	Strategic Asset Management	Asset Officers are personnel who are delegated the responsibility by the asset managers to maintain the inventory of the assets in their area. The asset managers still hold the primary responsibility but the asset officers are accountable to the asset managers for the asset.
Senior Financial Accountant	Finance	Responsible for ensuring that all Council's assets are accounted for in accordance with applicable Australian Accounting Standards and other relevant legislation.
All Council officials	Council	To inform the asset managers and registrars of costs incurred on any asset whether it is through construction, addition, disposal, decommissioning, transfer, renewal, upgrade or an action which changes its value as held in the Council's books.

5 References (laws, standards and other Council documents)

- Australian Accounting Standards including:
 - AASB 5 Non-current Assets Held for Sale and Discontinued Operations
 - AASB 13 Fair Value Measurement
 - AASB 101 Presentation of Financial Statements
 - AASB 108 Accounting Policies, Change in Accounting Estimates and Errors
 - AASB 116 Property, Plant and Equipment
 - AASB 16 Leases
 - AASB 123 Borrowing Costs
 - AASB 136 Impairment of Assets
 - AASB 138 Intangible Assets
 - AASB 140 Investment Property
 - AASB 1031 Materiality
 - AASB 1051 Land Under Roads
- Local Government Act 1993 (NSW);
- Local Government (General) Regulation 2005 (NSW);
- OLG circular 13-52;

- OLG Code of Accounting Practice and Financial Reporting circulars;
- IPWEA’s Australian Infrastructure Financial Management Guidelines;
- Disposal of Assets Policy (POL-021);
- Asset Accounting Procedure (PRO-047); and
- Coffs Harbour City Council Asset Management Plans

6 Details of Approval and revision

- **Approval date:** 9/06/2022
- **Responsible group:** Financial Services and Logistics Group
- **Responsible Section:** Financial Support
- **Superseded policies/procedures:**
- **Next review date:** 28/08/2025

Table of amendments

Amendment	Authoriser	Approval ref	Date
<p>The following amendments were made to this Policy:</p> <ul style="list-style-type: none"> • 2.2.1 - Added reference to Council’s Community Land • 2.2.1 – Added reference to Rural Fire Services Assets • 2. - Adjust wording around depreciation review • 4. - Changed working “Assets Section Leaders” to “Asset Owners” • 4. - Added Directors to Key Responsibilities • 5. - References changed “AASB 117” Leases to “AASB 16” • 5. - Delete “draft” from PRO-047 • Other minor formatting changes 	Council	2022/125	09/06/2022

7 Appendices

Appendix One

Asset Class	Asset Category	Examples	Threshold
Land	Operational	All land in CHCC ownership	All
	Community	All land in CHCC ownership	All
Land Under Roads	Land Under Roads	All LUR in CHCC road reserves	All
Intangible	Software	Includes both internally generated and externally supplied.	>\$5,000
Buildings	Non Specialised / Specialised	Replacement of whole components such as roof, wall, door, floor coverings, bathrooms, kitchens, security systems, electrical systems, air conditioners and elevators	>\$10,000
Bulk Earthworks	Bulk Earthworks	Formations	>\$10,000
Land Improvements	Activity Area	Softfall, recreational surfaces	>\$5,000
	Landscaped area		>\$5,000
Open Space	Swimming Pools	Pool shell, tiling	>\$5,000
	Other open space/Recreational Assets	Playground equipment, boating facility, fences, gates, outdoor furniture, lighting, barbeques, bike racks, stairs, shelters, flagpoles	>\$5,000
Other Assets		Artwork, artefacts, heritage items	>\$2,000
Plant and Equipment	Plant & Equipment	Vehicles, major plant and equipment	>\$2,000
	Office Equipment	IT Hardware, printing devices, Telephone equipment, network devices, electronic equipment	>\$2,000
	Furniture & Fittings	Indoor furniture	>\$2,000
Transport	Roads & Car Parks	Surface, pavement, kerb & gutter, crash barrier, road island	>\$10,000
	Bridges	Deck, abutment, substructure	>\$10,000
	Footpaths	Pathway, cycleway, footbridge	>\$10,000
	Runways &	Surface, pavement	>\$10,000

	Taxiways		
Stormwater Drainage	Stormwater Drainage	Culverts, channels, detention basins, headwalls, pipes, pits, flood warning system	>\$10,000
Water Infrastructure	Pump stations	Mechanical and electrical components, civil structures	>\$10,000
	Water mains	Pipework	>\$10,000
	Water Ancillary	Telemetry, monitoring	>\$10,000
	Treatment plant	Mechanical and electrical components, civil structures	>\$10,000
	Water Reservoir	Mechanical and electrical components, pipework, roofs, structures	>\$10,000
Sewer Infrastructure	Sewer/ Effluent Pump stations	Mechanical and electrical components, civil structures	>\$10,000
	Sewer/Effluent mains	Pipework	>\$10,000
	Sewer Ancillary	Monitoring, telemetry	>\$10,000
	Sewer/Effluent Treatment Plant	Mechanical and electrical components, civil structures	>\$10,000