

ASSET ACCOUNTING POLICY

POLICY NUMBER & TITLE:	AF018	ASSET ACCOUNTING POLICY
DOCUMENT ID:	DOC/24/25995	
VERSION:	2.1	
ADOPTED MEETING DATE:	20 November 2024	
REVIEW DUE:	Four yearly or following change of legislation or incident	
VERSION AMENDMENTS:	V2 Adopted by Council 20 April 2022	
	V1 Adopted by Council	
RESPONSIBLE DEPARTMENT:	Corporate Services	

POLICY OBJECTIVE

Wentworth Shire Council (Council) is committed to ensuring that the value of its non-current assets is reported in a true and proper manner.

1. POLICY STATEMENT

The intent of this policy is to ensure that non-current assets controlled by Council reflect the value that they have in providing future economic benefits to the Wentworth Shire Community.

2. POLICY COVERAGE

Unless otherwise stated, this policy is applicable to all non-current assets held by Council.

3. STRATEGIC PLAN LINK

Objective: 4.0 Wentworth is supported by strong and ethical civic leadership with all activities conducted in an open, transparent and inclusive manner.

Strategy: 4.5 Adopt practices of prudent asset, financial and human resource management across Council to ensure long term sustainability and efficiency.

4. DEFINITIONS AND ABBREVIATIONS

Term/Word	Definition
Accounting Standards	A set of rules that govern the way in which financial statements are prepared to ensure that these statements are comparable through time for an entity and across similar entities.
Asset	An asset is a future economic benefit controlled by the entity as a result of a past transaction or other past events.
Australian Accounting Standards Board (AASB)	The AASB is an independent agency of the Australian Government with responsibility to make accounting standards under section 34 of the Corporations Act, to formulate accounting standards for other purposes and to participate in and contribute to the development of a single set of international accounting standards for worldwide use. The Chairman of the AASB reports to the responsible Minister regarding the organisation's operations.
Carry amount	Carrying amount includes to mean: (a) In relation to an asset, the amount at which the asset is recorded in the accounting records as at a particular date.

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	<p>(b) In application to a depreciating asset, carrying amount means the net amount after deducting accumulated depreciation; and</p> <p>In relation to a class of assets, the sum of the carrying amounts of the assets in the class.</p>
Componentisation	Componentisation is the segment of complex assets into identifiable components that have varying useful lives.
Depreciation	Depreciation is an expense representing the using up of an asset overtime in providing services. It is recognised systematically for the purpose of allocating the depreciable amount of a depreciable asset over its useful life.
Future Economic Benefit	Future Economic Benefit represents the service potential of non-current assets to provide goods and services to the community in accordance with Council's objectives.
Impairment loss	Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.
Land under roads	Land under roads includes land under roadways and road reserves, including land under footpaths, nature strips and median strips.
Maintenance expenditure	Maintenance expenditure is a component of operating expenditure, specifically on an asset, which is periodically required as part of the anticipated schedule of works needed to ensure that the asset achieves its estimated useful life, and is normally relatively low cost compared to the asset value. Maintenance expenditure includes reactive maintenance and repair, or planned maintenance.
Materiality	Information is material if its omission, misstatement or nondisclosure has the potential, individually or collectively, to influence the economic decisions made by the users on the basis of the financial statements.
Minor assets	Minor assets are those items acquired for a cost less than the capital threshold for that applicable category.
Non-current Assets	All assets other than current assets, including assets held but not traded by Council in order to carry out its activities. Such assets are intended for use, not exchange, and normally include physical resources such as land, buildings, drains, parks, water supply and sewerage systems.
Operating expenditure	Operating expenditure is a recurrent expenditure such as power, fuel, telephone, employee's costs, materials, cleaning, minor equipment, overheads, maintenance and depreciation. These costs are the day to day expenses associated with providing the service during the year of operations.
Recognition	Recognition is the decision to include an asset as capital expenditure.

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Useful life	Useful life is the time period in which an asset is expected to be available for use.
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5. POLICY CONTENT

It is the policy of Council that:

Classification of Councils Non-Current Assets

Councils Non-Current Assets are classified in accordance with Schedule 1.

Acquisition of Council's Non-Current Assets

Councils Non-Current Assets may be acquired by purchase, construction, donation or received free of charge (as in the case of infrastructure assets received from developers in new land divisions).

In all cases of acquisition by purchase or construction, the requirements of Council's procurement policy must be followed.

Assets constructed by Council will include, where relevant, an appropriate internal allocation amount to represent indirect labour overheads and the use of Council's internal plant & machinery on the job. Labour overheads to be based on labour hours worked and plant & machinery allocation to be based on usage (either kilometers or hours).

Capitalisation of Council's Non-Current Assets

A capitalisation policy sets the threshold or materiality value for recognising capital expenditure. Expenditure below the capital threshold is expensed in the period in which it is incurred. The policy is important towards ensuring that intergenerational equity is maintained whereby the expenses of capital acquisitions are spread over their useful life, through the mechanism of depreciation, so that those who have the benefit of the assets can be charged, through rates or fees and charged for their use.

Capital expenditure threshold limits are defined in Schedule 2.

Depreciation of Council's Non-Current Assets

Non-Current assets are depreciated annually on a straight-line basis over their expected useful life. The useful life of an asset will vary based on the nature of the asset.

Assets will be depreciated in accordance with the useful life ranges outlined in Schedule 3.

Revaluation of Council's Non-Current Assets

Pursuant to the accounting standard AASB 116 section 31 asset revaluations must be made with sufficient regularity to ensure that the carrying amount of each Asset in the class does not differ materially from its fair value at the reporting date.

All assets will be revalued at their fair value, which is defined in accounting standard AASB13.

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Consideration is also given to Circulars released by the Office of Local Government.

Comprehensive revaluations of Assets will be carried out at least every 5 years for selected asset classes and will be independently revalued where required, including the use of industry unit costs where relevant and available.

More frequent revaluations may be undertaken (via an indexation rate equivalent to the annual movement in the Local Government Cost Index, or in the case of land, annual movements in property valuations as provided by the Valuer General and/or qualified valuers) in instances where there is a material movement in the Fair Value of a class of Assets.

Impairment

A Non-Current Asset is impaired if its carrying amount exceeds the amount to be recovered through use or sale of the asset. In such instances, the asset is described as impaired and accounting standard AASB 136 requires the Council to recognise an impairment loss.

An assessment of asset impairment will be undertaken on an annual basis as at the reporting date (30 June) in accordance with accounting standards including where previously recognised asset impairments no longer exist.

An impairment loss on a non-revalued asset is recognised as an impairment loss in the Statement of Comprehensive Income. An impairment loss on a revalued asset is recognised directly against any revaluation reserve for the asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

Disposal of Assets and Write Offs

The sale of Land and Building assets must be authorised by Council.

The sale and/or trade-in of infrastructure/equipment/furniture and fittings is subject to budget approval from Council.

An asset disposal worksheet will be completed for each asset sold/auctioned/traded-in, reconciling the gain/loss on disposal, and authorised by the Director Corporate Services.

An asset is written off when:

- The asset is obsolete and/or beyond economic repair and cannot be sold;
- A physical stock take fails to locate the asset;
- The asset is known to be stolen; or
- The asset has been demolished.

Authority to process asset write-offs is restricted to the General Manager (or his delegate).

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An asset is of value to Council, only in so much as it continues to cost effectively support the delivery of the Council's services. Assets that are no longer needed should be disposed of promptly. The "disposal" must achieve best value for money such that Council obtains the best possible return for the assets it sells.

The disposal method that is chosen must promote fair and effective competition to the greatest extent possible, and disposals should be conducted in an ethical manner. The disposal process should be as follows:



Council staff should check and declare that there is no conflict of interest on their behalf prior to the commencement of each disposal activity. If there is a conflict of interest the staff member should seek advice from their Departmental Director or Manager.

Before any disposal action can be taken, it is necessary to seek approval that goods are appropriate for disposal from the Departmental Director. Council staff must consider the following common criteria for determining whether assets may be suitable for disposal:

- No longer required;
- Unserviceable or beyond economic repair;
- Technologically obsolete;
- Surplus to current or immediately foreseeable needs;
- Part of an asset replacement program; and/or
- Contains any environmentally sensitive or hazardous material.

The disposal method chosen must be appropriate to the value, nature, quantity and location of the goods, and to promote fair and effective competition to the greatest extent possible. Negotiated assets sales and internal expressions of interest for sales of asset to staff will not be allowed. To help achieve these objectives the following methods are to be utilised:

- Destruction / Land filling – where items are of no value.
- Verbal quotes – Goods valued up to \$5,000 GST Inc. may be disposed of by verbal quotes. A minimum of 3 quotes must be obtained.

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- Written quotes - Goods valued up to \$50,000 GST Inc. may be disposed of by written quotes. Trade-ins are considered as equivalent in process to written quotes. A minimum of 3 quotes must be obtained.
- Auction – Goods valued up to \$250,000 GST Inc. may be disposed of by public auction.
- Tender – Goods over \$250,000 GST Inc. The tendering process must be utilised pursuant to the Local Government Act and Regulation.

It is recognised that on occasion there may be individual circumstances where the standard asset disposal process would result in undue burden, cost or efficiency. In these rare circumstances and where the action is justified in the best interests of Council, the General Manager has delegated authority to otherwise approve the disposal of an asset. Any such disposal must be documented outlining the rationale for the deviation from policy and must be reported to the next available meeting of Council. This authority is approved with the understanding that all other Council policies will still be adhered to.

Having chosen the most appropriate method of disposal, the council officer must seek approval from the appropriate Director or manager for permission to proceed with the disposal. This must be in writing via an appropriate email or file note.

Regardless of the method of disposal, probity must be maintained and any changes to the disposal process, terms and conditions must be communicated to all potential participating parties.

Irrespective of the disposal method applied, all prospective buyers must be advised in writing that items are disposed of, at the buyer's risk ('buyer beware'). Buyers are to rely on their own investigations regarding the condition and workability of the items and Council will not be responsible for any repairs or maintenance of the asset.

For all disposals, irrespective of whether the goods are written off, the asset registers must reflect the relevant details and the accounting records must be adjusted.

Donations to Community Groups/Charities

Donations of assets with a value of less than \$5,000 may only be made with the authority of the relevant Director and only after exploring all avenues for recouping a fair value for Council. Council staff should only consider donations in response to a formal written request. In considering any request, staff should keep in mind the following:

- Community groups should receive equitable treatment to avoid possible claims of bias.
- A check should be made to ensure the group is not a disguised business operation providing funds or remuneration to the principals.
- A check should be made to ensure the group is non-profit and that the intended use of the asset is non-commercial (i.e. non-profit)
- Where the donation is seen as appropriate but there is a potential claim of bias the matter should be referred to the General Manager.
- The charity/community group must remove the asset themselves and at no cost to Council.

Donations of assets with a value exceeding \$5,000 can only be approved by Council.

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Physical Inspection / Safekeeping

All members of staff to whom assets are assigned are responsible for the safeguarding of assets provided for their use. The person responsible for the asset is required to notify the Director Finance & Policy of any movement of, damage to, or loss of assets.

A physical Stocktake of Plant & Equipment and Furniture & Fitting assets is undertaken periodically. Such stocktakes ensure that such assets continue to be appropriately accounted for.

Insurance

Council will ensure that its Non-current Assets are appropriately insured.

The Director Corporate Services will ensure that asset acquisitions and disposals are accurately accounted for in Council's asset insurance schedule.

The Director Corporate Services is responsible for negotiating appropriate insurance values with Council's insurers.

6. RELATED DOCUMENTS AND LEGISLATION

Legislation

- *Local Government Act 1993 (NSW)*
- *Local Government (General) Regulation 2021*

Council Policies

- AF005 – Plant Replacement Policy
- AF016 – Asset Management Policy
- GOV005 – Procurement Policy
- GOV009 – Delegations Policy
- GOV020 – Code of Conduct Policy
- GOV022 – Legislative Compliance Policy
- GOV023 – Conflicts of Interest Policy

Council Documents

- Legislative Compliance Framework
- Governance Framework
- Asset Management Plans
- Asset Management Strategy
- Delegations Manual
- Conflict of Interests Register

7. ATTACHMENTS

Schedule 1 – Classification of Non-Current Assets

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Schedule 2 – Capital Expenditure Threshold Limits
Schedule 3 – Depreciation Schedule

8. DOCUMENT APPROVAL

This Council Policy is the latest version of the official policy of the Wentworth Shire Council, as adopted by Council on 20/11/2024. All previous versions of this policy are null and void. This policy may be amended or revoked by Council at any time.

Signed:



General Manager Wentworth Shire Council

Date *4 Dec 2024*

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Schedule 1

CLASSIFICATION OF NON-CURRENT ASSETS

Asset Class

- Plant and equipment
- Office equipment
- Furniture and fittings
- Land
 - Operational Land
 - Community Land
 - Land under roads (post 30/06/2008)
- Land improvements
- Infrastructure
 - Buildings
 - Other structures
 - Roads
 - Bridges
 - Footpaths
 - Bulk earthworks
 - Stormwater drainage
 - Water supply network
 - Sewerage network
 - Swimming pools
 - Other open spaces/recreational assets
 - Other infrastructure
- Other assets
 - Library Books
- Reinstatement, rehabilitation and restoration assets
 - Tip assets

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Schedule 2

TABLE OF CAPITAL EXPENDITURE THRESHOLD LIMITS

Asset Type	Capital
Sealed Roads	<ul style="list-style-type: none"> All resealing All other reconstruction and renewal work > \$10,000 Any new assets acquired (e.g. from land developments)
Unsealed Roads – Road shoulders	<ul style="list-style-type: none"> Estimated work > \$10,000
Unsealed Roads – Patch / Repairs	<ul style="list-style-type: none"> Projects requiring > 200 tonnes of materials
Unsealed Roads – Resheeting	<ul style="list-style-type: none"> All resheeting
Footpaths / Kerbs / Stormwater / Drainage	<ul style="list-style-type: none"> All (re)construction work > \$10,000 Any new assets acquired (e.g. from land developments)
Street Furniture	<ul style="list-style-type: none"> All Bus shelter > \$10,000 All Guard rails > \$10,000 All Cattle grids > \$10,000
Water Supply and Sewer	<ul style="list-style-type: none"> All reconstruction / replacement work on existing assets > \$10,000 Any new assets acquired (e.g. from land developments)
Bridges and Culverts	<ul style="list-style-type: none"> Construction work > \$20,000 All bridge barrier replacement is deemed to be maintenance
Parks, Gardens & Reserves	<ul style="list-style-type: none"> All development of existing reserves > \$10,000 Value of all new assets acquired (e.g. from land developments)
Buildings	<ul style="list-style-type: none"> New buildings Replacing whole of a building Replacing a component of a building (e.g. roof, ceiling replacement) > \$10,000 All repainting is deemed to be maintenance
Plant & Equipment	<ul style="list-style-type: none"> Individual assets > \$5,000
Streetscaping	<ul style="list-style-type: none"> Individual assets > \$5,000
Furniture & Fittings	<ul style="list-style-type: none"> Individual assets > \$5,000
Land	<ul style="list-style-type: none"> Landfill > \$10,000 Improvement > \$10,000 Value of all new assets acquired (e.g. from land developments)
All Other Assets	<ul style="list-style-type: none"> Swimming Pools > \$10,000 Fences > \$10,000 Other Open space / Recreational Assets > \$10,000

NB: All expenditure on assets not meeting the above criteria will be treated as maintenance and expensed to Council's Income Statement.

Schedule 3

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DEPRECIATION SCHEDULE

Sch No.	Asset Type	Useful Life Range	Determining Factor
1	Transport		
	Sealed Pavement	Up to 100 years	Road Hierarchy and Construction Type
	Unsealed Pavement	Up to 100 years	Road Hierarchy and Construction Type
	Sealed Surface	15 to 25 years	Road Hierarchy and Construction Type
	Formation (Sealed & Unsealed)	infinite	
	Footpaths / Sharedpaths	Up to 60 years	Construction Type
	Kerb and Gutters	Up to 100 years	Construction Type
	Bridges - Concrete	80 to 100 years	Construction Type
	Bridges - Others	Up to 50 years	Construction Type
	Culverts	60 to 80 years	Construction Type
	Cattle Grids	Up to 50 years	Construction Type
	Bus Shelters	25 to 40 years	Construction Type
	Guard Rails	Up to 30 years	Construction Type
2	Stormwater Drainage		
	Drainage Pits	Up to 100 years	Construction Type
	Drainage Pipes	Up to 100 years	Construction Type
3	Water Supply and Sewer		
	Dams and Reservoirs	80 to 100 years	Construction Type
	Bores	20 to 40 years	Construction Type
	Reticulation Pipes	25 to 80 years	Construction Type
	Trunk Mains	Up to 80 years	Construction Type
	Pumps and Telemetry	15 to 20 years	Construction Type
	Stand Pipes	Up to 20 years	Construction Type

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	Rising Mains	Up to 70 years	Construction Type
	Treatment Plants	Up to 50 years	Construction Type
4	Buildings		
	Council owned / controlled buildings	20 to 100 years	Construction Type
5	Other Infrastructure Assets		
	Landfill Sites	50 to 100 years	Construction Type
	Land Improvements	10 to 100 years	Construction Type
	Swimming Pools	30 to 40 years	Construction Type
	Playground Equipment	5 to 15 years	Construction Type
	Fences	Up to 40 years	Construction Type
	Other Structures	10 to 50 years	Construction Type
6	Plant and Equipment		
	Motor Vehicles (sedans, utes, vans trucks etc.)	Up to 10 years	Asset Type
	Minor plants	Up to 10 years	Asset Type
	Major Plants (Grader, backhoe, loaders etc.)	5 to 10 years	Asset Type
	Computer Equipment	3 to 5 years	Asset Type
	Office Furniture and Fittings	Up to 10 years	Asset Type
	Communication Equipment	2 to 10 years	Asset Type