



**INFRASTRUCTURE ASSET
CAPITALISATION,
REVALUATION AND DISPOSAL
POLICY**

Amendments

Date	Amendment	Reference
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INTRODUCTION

The policy governs the Capitalisation, Revaluation and Disposal of Council infrastructure assets.

PRINCIPLES

This policy follows the principles of AASB 116 where:

1. An asset whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses;
2. The recognition of cost of an item of property, plant and equipment if the purchase results in the creation of future economic benefits which are controlled by Council and the cost of the item can be measured reliably. This policy further defines the materiality threshold for the capitalisation of these assets. (A capitalisation/disposal policy for non infrastructure assets is currently being developed)

DEFINITIONS

Asset - An asset is a resource controlled by Council as a result of past events and from which future economic benefits are expected to flow to the entity for more than 12 months. Assets within this policy only relate to infrastructure assets as defined in the suite of Asset Management Plans being: Marine Structures; Parks and Open Space; Buildings; Roads and Stormwater.

Useful life - The useful life of an asset is the period over which an asset is expected to be available for use by Council.

Depreciable amount - The depreciable amount is the cost of an asset, or fair value less its residual value

Cost - Elements of cost for the recognition of assets are the purchase price, 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. Costs within this policy and that of the suite of asset management plans are brown field costs. That is they include site preparation and/or restoration; demolition and removal of the old asset; assembly costs; and professional fees.

ASSET REGISTER

Asset inventories are detailed in the respective Asset Management Plans. Asset inventories are kept on spreadsheets relating to each asset category on Councils Database System.

ASSET USEFUL LIVES AND UNIT REPLACEMENT COSTS

The useful lives of depreciable assets are detailed in the respective Asset Management Plan of that infrastructure asset. In regards to the class of Buildings and Parks and Open Space Assets, some individual assets are componentized into separate categories each with a different useful life. These useful lives are based on up to date research and comparison with similar local government areas. Useful lives

can be changed with the authorization of the Manager Assets and Services and the Chief Financial Officer.

Unit replacement costs are detailed in the respective Asset Management Plan of that infrastructure asset. These are based on the most available contracted price or from publications such as Cordells. Costs are Brownfield costs unless otherwise noted.

DEPRECIATION OF INFRASTRUCTURE ASSETS

The Straight Line method is utilized for depreciation of all infrastructure assets whereby consumption of benefits in a uniform manner over the life of the asset is calculated on asset cost less residual value.

CONDITION RATING OF ASSETS

Condition ratings for the various assets are detailed in the respective Asset Management Plans.

A general description is given below.

Condition	Condition Description
1	Brand New to Excellent Condition No Maintenance required
2	Very good condition. Only planned maintenance required
3	Good to Satisfactory Minor maintenance required plus planned maintenance
4	Poor Significant renewal/upgrade required.
5	Asset Failed, end of useful life.

ACCOUNTING FOR REVALUATIONS OF ASSETS

Council will either engage qualified valuers or undertake revaluations internally on all asset classes every five years with the road classification being reviewed annually.

Where an asset is revalued to its current cost less accumulated depreciation, revaluation increments are credited directly to the asset revaluation reserve.

To the extent revaluation increments previously credited to, and still included in the balance of, the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the operating statement.

Revaluations do not result in the carrying value of land and buildings exceeding their recoverable amount.

DISPOSALS

On disposal, control of the asset ceases to exist as does the right to any future economic benefits that may otherwise be available. Further, when the recognition criteria for an asset ceases, the item must be removed from the asset register.

On disposal, if compensation is received and differs from the carrying amount (i.e., cost less residual less accumulated depreciation) at the date of disposal, the variance is recorded in the Profit and Loss as a Gain or Loss on Disposal of Asset.

When a disposed asset has been re-valued in a prior period and an Asset Revaluation Reserve exists for that asset class, the balance pertaining to the disposed asset in the revaluation reserve will be transferred to the Accumulated Surplus / Deficit account brought forward.

If an asset is disposed before it has been fully depreciated, the carrying amount represents a loss on disposal and will be expensed.

Where a disposed asset has been subject to revaluation, the net increment in the asset revaluation reserve relating to the disposed asset will be transferred to Accumulated Surplus. The amount transferred must not exceed the balance of the asset revaluation.

Partial disposal of an asset is recognized if a partial renewal/replacement has taken place and the carrying value of the asset disposed in regards to AASB 116 can be identified.

Council will rely on the revaluation process to adjust for any material variances which have been identified as a result of the annual capitalization process but not previously written off through the Operating Statement.

The decision to dispose of assets shall be made by the Chief Financial Officer or Manager Assets and Services taking into account Council's interests.

IMPAIRMENT

When impairment is found, the asset is deemed to have been consumed at a faster rate than original estimates, resulting in the expected useful life being shorter. This change in expected useful life may be the result of an event (for example; flood, fire, and other acts of God) or a higher than expected natural rate of deterioration. As a result of a natural increase in the rate of deterioration, and deemed to be beyond the initial consumption rate expectations detailed in the respective Asset Management Plan and independent valuers, adjustment to the rate of consumption is required to be made in the period the change becomes known.

CAPITALISATION THRESHOLD

Assets are to be capitalised when cost of acquisition or renewal exceeds the materiality threshold of the following threshold limits for recognition of assets listed in classes of assets used for financial reporting in Note 9 of Council's General Purpose Financial Statements.

Asset Class	Threshold
Stormwater Drainage	\$5,000
Footpaths and Roads Assets	\$5,000
Marine Structures and Seawalls	\$5,000
Building & Other Structures	\$5,000
Parks and Open Space	\$5,000

Partial renewal/replacement of an asset is recognised by adding the renewal/replacement cost to the existing asset value. The useful life of the asset will be adjusted, if necessary, at the time of reviewing the useful lives.

MAINTENANCE

Maintenance refers to the costs incurred to retain or restore the utility of the asset to its new condition, or maintain the utility of an asset as a result of the natural wear and tear over the course of the asset's useful life. Whilst the condition rating based on physical assessment of the asset is used to determine what degree of intervention is required to maintain service value, the values detailed in the capitalisation table indicate whether the work will be defined as maintenance or capital.

When restoring an asset is deemed to be maintenance under the detailed value thresholds, costs are expensed in full when incurred.

The capital/expenditure principles identified above should be treated as a guide only. Any queries should be addressed to Chief Financial Officer and Manager Assets and Services who as custodians have ultimate responsibility.