

ATTACHMENT TO AGENDA ITEM

Ordinary Meeting

16 April 2019

Agenda Item 9.2 Review of Asset Capitalisation Policy 3.POL3

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GREATER SHEPPARTON CITY COUNCIL

Policy Number 03.POL3

ASSET CAPITALISATION POLICY

Version 2.0

Adopted 15 March 2016

Last Reviewed 16 April 2019

Business Unit:	Assets
Responsible Officer:	Manager of Strategic Assets
Approved By:	Chief Executive Officer
Next Review:	May 2022

PURPOSE

As part of Council's commitment to manage and care for its assets, as an integral part of its delivery of services to the community, this policy sets out to provide guidance, clarity and consistency regarding the treatment of capital expenditure, which will provide for greater understanding and accuracy of Council's capital requirements and depreciation expenses.

The existence of this policy will assist to ensure there is a distinction made between expenditure on long-lived assets and expenditure on goods and services for immediate consumption. This is critically important in determining the cost of providing services.

The Policy will assist in ensuring that Council complies with its obligations under the Local Government Act 1989 (the Act).

SCOPE

This Policy is applied to Council's Non-Current assets that are referred to in AASB 116 Property, Plant and Equipment.

Broadly speaking, these assets are:

- Land
- Buildings and Improvements
- Infrastructure
- Plant and Equipment
- Furniture and Equipment.

DEFINITIONS

For list of definitions refer to the Asset Capitalisation and Measurement at Recognition Procedure.

POLICY

Council will account for all Non-Current physical assets owned or managed by Council in accordance with relevant Australian Accounting Standards and State Government Guidelines.

Council will apply the principles detailed in its Asset Capitalisation and Measurement at Recognition Procedure for the recognition of Non-Current assets for capitalisation in Council's Asset Register and for the measurement of those assets at recognition.

The table below sets the limits at which point expenditure on assets will be capitalised as measured by cost, or area in square metres or linear metres.

Asset Group	Asset Components	Renewal	Upgrade	Expansion	New
Land	Land-Freehold	NA	NA	NA	All
Land Under Roads	Land Under Roads	NA	NA	All	All
Land	Land	>\$5000	>\$5000	>\$5000	>\$10000

Improvements	Improvements				
Asset Group	Asset Components	Renewal	Upgrade	Expansion	New
Buildings	Structure	>\$10000	>\$10000	>\$10000	All
	Roof	>\$10000	>\$10000	>\$10000	All
	Mechanical	>\$5000	>\$5000	>\$5000	All
	Fit Out	>\$5000	>\$5000	>\$5000	All
Plant Machinery and Equipment					
	Vehicles	>\$10000	>\$5000	NA	All
	Plant	>\$10000	>\$5000	NA	All
	Equipment	>\$500	NA	NA	>\$500
Furniture Equipment and computers					
	Furniture and Office Equipment	>\$1500	>\$1500	>\$1500	>\$1500
	Computers including software	>\$1500	>\$1500	>\$1500	>\$1500
Art Collection and Regalia					
	Art Collection	>\$3000	NA	NA	>\$3000
	Regalia	>\$3000	NA	NA	>\$3000
Sealed Roads					
Surface	Spray Seal	>500m2	>500m2	>500m2	>500m2
	Asphalt	>150m2	>150m2	>150m2	>150m2
	Concrete	>55m2	>55m2	>55m2	>55m2
	Line marking	>\$5000	>\$5000	>\$5000	>\$5000
Base (pavement)		>290m2	>290m2	>290m2	>290m2
Shoulder		>320Lin.m	>320Lin.m	>320Lin.m	All

Formation		NA	>\$10000	>\$10000	All
Asset Group	Asset Components	Renewal	Upgrade	Expansion	New
Unsealed Roads					
	Surface	>1200m2	>1200m2	>1200m2	All
	Base (pavement)	>570m2	>570m2	>570m2	All
	Formation	NA	>\$10000	>\$10000	All
Bridges					
	Road Bridge	>\$10000	>\$10000	>\$10000	All
	Pedestrian Bridge	>\$5000	>\$5000	>\$5000	All
	Major Culverts	>\$5000	>\$5000	>\$5000	All
Footpaths					
	Concrete	>30m2	>30m2	>30m2	All
	Spray Seal	>135m2	>135m2	>30m2	All
	Asphalt	>75m2	>75m2	>30m2	All
	Gravel	>150m2	>150m2	>30m2	All
	Brick	>40m2	>40m2	>30m2	All
Drainage					
	Open Drains	>\$5000	>\$5000	All	All
	Basin	>\$5000	>\$5000	>\$5000	All
	Penstocks	All	NA	All	All
Pipes	600mm	>10m	>10m	>10m	All
	1050mm	>15m	>15m	>15m	All
	1500mm	>17m	>17m	>17m	All
	Pits	All	All	All	All
	Pump Well	All	All	All	All

	Gross Pollutant Trap	All	NA	All	All
	Pumps	>\$5000	NA	All	All
Asset Group	Asset Components	Renewal	Upgrade	Expansion	New
	Minor Culvert	All	All	All	All
	Table Drain	>\$5000	>\$5000	All	All
Kerb and Channel	Kerb and Channel	>23Lin.m	>23Lin.m	>23.Lin.m	All
Regulatory Signs					
	Regulatory Signs	>\$3000	NA	>\$3000	All
	Traffic Signals	>\$5000	All	All	All
Nature Strip Trees	Nature Strip Tree	All	NA	NA	All
Street Furniture					
	Street Furniture	Full Replacement	All	All	All
	Bus Shelter	>\$1500	>\$1500	>\$1500	All
	Street Lighting	>\$1500	>\$1500	All	All
	Guard Rail	>\$5000	>\$5000	<\$5000	All
Fencing	Fencing	>\$5000	>\$1000	>\$5000	>\$1000
Shared Paths					
Shared Paths	Spray Seal	>135m2	>135m2	All	All
	Asphalt	>135m2	>135m2	All	All
	Concrete	>100m2	>100m2	All	All
	Gravel	>150m2	>150m2	All	All
Rail Trails	Sealed Surface	>135m2	>135m2	All	All
	Gravel	>150m2	>150m2	All	All

SUPPORTING DOCUMENTS

"Asset Capitalisation and Measurement at Recognition Procedure", details the specific application of this policy and includes:

- Definitions
- Recognition Measurement and Cost
- Capital Expenditure Thresholds
- Asset Hierarchy for Disclosure of Non-Current Assets

RELATED POLICIES AND DIRECTIVES

The implementation of the Asset Capitalisation Policy supports the following Greater Shepparton City Council strategic documents:

- Asset Management Policy
- Asset Management Strategy
- Asset Management Plans
- Service Plans

RELATED LEGISLATION/REFERENCES/GUIDELINES

- Local Government Act 1989 (the Act).
- Australian Accounting Standards
 - AASB 16 Leases (effective 1 July 2019)
 - AASB 116 Property, Plant and Equipment
 - AASB 1041 Revaluation of Non-Current Assets
 - AASB 136 Impairment of Assets
 - AASB 1051 Land Under Roads
 - AASB 138 Intangible Assets
 - AASB 5 Non-Current Assets Held for Sale and Discontinued Operations
 - AASB 1049 Whole of Government and General Government Sector Financial Reporting.
- State Government Guidelines
 - Department of Treasury and Finance - Financial Reporting Directions and Guidance Notes
 - FRD 19 Private Provision of Public Infrastructure - 2003
 - FRD 100 Financial Reporting Directions – Framework – 2005
 - FRD 103D Non-Current Physical Assets - 2009
 - FRD 106 Impairment of Assets - 2005
 - FRD 109 Intangible Assets - 2005
 - FRD 118B Land Under Declared Roads – 2010

- Department of Planning and Community Development Guidelines
 - 2004 Guidelines for Developing an Asset Management Policy, Strategy and Plan
 - 2005 Guidance Note – Fair Value Asset Valuation Methodologies for Victorian Local Governments
 - 2006 Guidelines for Reporting and Measuring the condition of Road Assets
 - 2006 Accounting for Non-Current physical assets under AASB 116
 - 2006 Accounting for Non-Current physical assets under AASB 116
 - 2010 Model Financial Report

- Victorian Auditor-General's Office Reports
 - 2004 Beyond the Triple Bottom Line – Measuring and Reporting on Sustainability
 - Local Government Audit Results

REFERENCES

Framework for the Preparation and Presentation of Financial Statements published by the Australian Accounting Standards Board (AASB)

RESPONSIBLE POSITION / DEPARTMENT

The Chief Executive Officer has overall responsibility for ensuring that procurement and capitalisation of all assets is in accordance with the Local Government Act, Australian Accounting Standards and Council Policies.

Directors and Managers are responsible for implementing the Asset Capitalisation Policy and Asset Capitalisation and Measurement at Recognition Procedure.

Employees with financial delegation are responsible for ensuring that purchase or procurement of non-current assets complies with the Asset Capitalisation Policy and the Asset Capitalisation and Measurement at Recognition Procedure.

REVIEW

This Policy will be reviewed every three years.

Peter Harriott
Chief Executive Officer

Date