Asset Accounting Policy

Adelaide Hills COUNCIL

Procedure Number:	**FIN-08**
Responsible Department(s):	**Corporate Services - Finance**
Other Relevant Policies:	**Asset Management Policy** **Asset Disposal Policy**
Other Relevant Procedure(s):	**Nil**
Policies superseded by this policy	**Nil**
Adopted/Approved by:	**Council**
Date of Adoption/Approval	**14 October 2025**
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Version Control

Version:	Effect Date:	Description of Changes:	Approver:
1.0	16/10/2025	New Policy	Council - Res 325/25

Adelaide Hills COUNCIL

1. INTRODUCTION

This Asset Accounting Policy (the Policy) establishes the criteria for recognising and capitalising Infrastructure Property Plant and Equipment (IPPE) assets to ensure compliance with the *Australian Infrastructure Financial Management Manual* and *Australian Accounting Standards*. It provides a framework for managing asset acquisition, depreciation, revaluation and the associated financial reporting thereof.

2. OBJECTIVES

The organisation adopts a systematic and consultative approach to asset management by:

- Ensuring compliance with relevant financial management standards and legislative requirements.
- Distinguishing between capital and operational expenditure through a defined threshold.
- Maintaining accurate asset records and applying consistent depreciation and amortisation practices.
- Actively engaging stakeholders in the identification, evaluation, and maintenance of assets.
- Periodically reviewing asset useful lives, residual values, and capitalisation criteria to align with changing operational needs and market conditions.

3. DEFINITIONS

1. **Asset** – a present economic resource controlled by the entity as a result of past events.
2. **Depreciation –** Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life
3. **Economic resource -** is a right that has the potential to produce economic benefits
4. **Fair Value –** The fair value of an asset is 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
5. **IPPE –** Infrastructure, Property Plant and Equipment
6. **Recoverable amount –** The recoverable amount of an asset is the greater of it's value in use or Fair Value less costs of disposal.
7. **Useful life –** The useful life of an asset is the period over which an asset is expected to be available for use by the organisation.

4. SCOPE

This policy applies to all capital expenditure incurred by the organisation, covering infrastructure, property, plant, equipment, and other tangible and intangible assets. It applies to all departments, employees, and contractors involved in asset procurement, management and disposal.

5. POLICY STATEMENT

The organisation is committed to:

- Ensuring assets are recorded in compliance with financial management and reporting requirements.
- Defining a capitalisation threshold to differentiate between capital and operational expenditure.
- Applying consistent financial and accounting practices for assets and asset management practises.

5.1 Capitalisation Threshold and asset definition.

All costs will be treated as operating expenses in the first instance, unless the costs meet the definition of an asset.

- The initial cost exceeds **$20,000**.
- It is intended for long-term use in operations.

Expenditure below this threshold will be treated as an operational expense unless that cost forms part of a larger capital project.

In respect of Council, economic benefits are used to provide goods and services in accordance with Council objectives. For example, community infrastructure assets provide economic benefit to Council by enabling it to meet its objectives for the provision of services to the community.

Control is the determining factor that links an asset to an entity. Council controls an asset if it has the present ability to direct its use and obtain the economic benefits that may flow from it. It includes the present ability to prevent other parties from directing the use of the economic resource and from obtaining the economic benefits that may flow from it. If one party controls an economic resource, no other party controls that resource.

5.2 Initial recognition

- IPPE shall initially be measured at cost.

5.3 Costs not capitalised

The following costs are **not** capitalised:

- Repairs and maintenance expenses even if they are greater than the capitalisation threshold. If the expenditure is required to ensure that asset meets its intended useful life, then any expenditure which maintains that useful life would be considered operating expense.
- Administrative and general overheads.
- Costs incurred after the asset is in use, unless they extend its useful life.

- Assets the organisation does not have ongoing control over. An example would be rubbish bin that are provided by Council, but Council does not have direct control over them after they have been delivered to the residents.

5.4 Costs capitalised

The cost of an asset includes:

- Purchase price, including import duties and non-refundable taxes, net of trade discounts and rebates.
- Direct costs related to bringing the asset into operational condition (e.g., site preparation, installation, testing).
- 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 the organisation incurs either when the item is acquired or as a consequence of having used the item during a particular period for a particular purpose.
- Costs incurred for major upgrades that enhance the asset's value, functionality, or lifespan.
- Costs associated with renewing an asset and bringing it back to 'as-new condition'. For example, replacing a roof on a building. These costs meet the definition of an asset as they increase the assets useful life, albeit back to the asset's original useful life.

5.5 Asset Categories

The following table provides an overview of asset types, their useful lives, and their treatment:

Asset Category	Sub-Category	Useful Life (Years)	Maintenance and Repair	Capital Renewal	Capital New
Infrastructure	Roads and Pavements	15 - 200	Pothole repair, resurfacing, patching	Full resurfacing with same standard	Road widening, new road construction
	Bridges	50 - 100	Minor structural repairs	Deck replacement, structural reinforcement	New bridge construction
Property and Buildings	Office Buildings	50 - 80	Routine maintenance	Major renovation with same purpose	New office construction

	Community Facilities	30 - 100	HVAC repair, roof patching	Roof replacement, structural refurbishment	New facility construction
Plant and Equipment	Vehicles	5 - 15	Servicing, part replacement	Engine rebuild, chassis reinforcement	New vehicle acquisition
	Heavy Machinery	10 - 25	Oil changes, minor part replacements	Engine overhaul, structural repair	New equipment purchase
	ICT Equipment	2 - 10	Replacement of damaged components	N/a	New equipment purchase
Intangible Assets *	Software	3 - 10	Bug fixes, minor updates	Major version upgrade with similar function	New software acquisition

* Most cloud software is **not** capitalised as the software is usually acquired via a service agreement (Software as a Service) (SaaS). This type of an arrangement does not meet the asset definition as the entity has limited to no control over the service received and the service provider because the service is often hosted on service provider's server. This remains true even in instances where significant customisation occurs.

5.6 <u>Subsequent Measurement</u>

- After initial recognition, IPPE shall be carried at its revalued amount. The revalued amount is the Fair Value at the date of revaluation, less subsequent accumulated depreciation and subsequent accumulated impairment losses.

5.6 <u>Revaluation</u>

- 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 end of the reporting period.

- Assets are revalued as follows:

  - Annually – A desktop valuation is undertaken, wherein the organisation will consider the preceding June Quarter Producer Price Indices from the Australian Bureau of

Statistics and adjust the annual increase based on these percentages aligned to the indices for South Australia Road and Bridge Construction and Building Non-Residential from Table 17.

   - On a 4 year basis – An external valuation is undertaken of each asset class on rolling four year basis. This valuation takes into account the latest condition audit for that asset class.

5.7 Depreciation and Amortisation

- Each part of an item of IPPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately
- Depreciation is calculated using the straight-line method over the asset's useful life.
- Intangible assets are amortised based on expected benefits derived.
- Residual value and useful life are reviewed periodically including annually via desktop assessment and four yearly with condition audit and revaluation process.

5.8 Impairment

- At the end of each reporting period, the organisation shall assess whether there are any indicators that an asset may be impaired. This applies to both tangible and intangible assets.
- Indicators of impairment include but are not limited to
   - Observable indicators that an asset's value has declined significantly more than would usually be associated with the passage of time
   - There is evidence of obsolescence or significant physical damage to the asset
   - Significant changes within the organisation which affect how an asset is used. For example, if a service is discontinued, the assets which were previously utilised to provide that service may be impaired.
   - Condition assessment reports may provide indications that an asset is impaired
   - Internal reporting indicates that the economic performance of an asset differs significantly from previous estimates.
   - Technical obsolescence of an asset has occurred due to changes in technology.
- If there are indicators of impairment, the organisation shall establish the asset's Recoverable Amount.

5.9 Disposal of Assets

When an asset is no longer required or reaches the end of its useful life, it must be:

- Assessed for potential reuse or resale.
- Disposed of in compliance with the organisation's policies and any applicable regulations.
- In certain cases, particularly where an asset is being renewed, the disposal of the remaining value of the asset occurs without an actual sale of the asset occurring.

This section is a declaration of the Council's position and should contain information organised into logical and manageable groupings to facilitate understanding.

Therefore, from this point onwards the Policy can be flexible and will vary according to the nature, size and complexity of the Policy. Minor headings or additional major headings can be added.

6. DELEGATION

6.1 The Chief Executive Officer has the delegation to:

- Approve, amend and review any procedures that shall be consistent with this Policy; and
- Make any legislative, formatting, nomenclature or other minor changes to the Policy during the duration of its currency.

7. AVAILABILITY OF THE POLICY

7.1 This Policy is available via the Council's website www.ahc.sa.gov.au.