

FIXED ASSET ACCOUNTING POLICY

May 2025

Council

Deleted: 8 September

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PURPOSE

The purpose of this policy is to outline the approach to be used by the City of Adelaide (CoA) when accounting for non-current assets including the treatment of capital expenditure, depreciation, revaluations, disposals and acquisition and to ensure that the accounting treatment used complies with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.

STATEMENT

The City of Adelaide is committed to:

- Ensuring compliance with all Australian Accounting Standards, the *Local Government Act 1999* [\(SA\)](#) and the *Local Government (Financial Management) Regulations 2011* [\(SA\)](#)
- Ensuring that all assets are managed efficiently in accordance with relevant Asset Management Plans (AMP's)
- Ensuring all processes undertaken in relation to this policy are documented and defensible to external audit
- Providing guidance, clarity, and consistency with regards to the treatment of non-current assets which will provide greater understanding and accuracy of Councils capital requirements.

The City of Adelaide will adopt these principles in developing and maintaining consistent asset accounting policies and practices.

REFERENCES

- *Local Government Act 1999* [\(SA\)](#)
- *Local Government (Financial Management) Regulations 2011* [\(SA\)](#)
- Fixed Asset [Accounting](#) Guidelines [\(City of Adelaide\)](#)
- [Portable and Attractive Assets Register \(City of Adelaide\)](#)
- [South Australia Model Financial Statements](#)

Australian Accounting Standards

- AASB 13 Fair Value [Measurement](#)
- AASB 101 *Presentation of Financial Statements*
- AASB 116 *Property, Plant & Equipment*
- [AASB 136 Impairment of Assets](#)
- [Acquisition & Disposal of Land & Assets Policy \(City of Adelaide\)](#)
- [Asset Management Policy \(City of Adelaide\)](#)
- [Asset Management Plans](#)

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SCOPE

This policy applies to all CoA non-current assets in relation to their treatment for financial purposes.

Council's non-current assets include:

- Land

- Buildings
- Park Land and Open Space
- Infrastructure
- Plant and Equipment
- Library Books
- Civic Collection
- Equipment, Furniture and Fittings.

This policy does not apply to intangible assets, receivables, leases, inventory, or investments.

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ASSET RECOGNITION

Australian Accounting Standard AASB 116 states that the cost of an item of property, plant and equipment shall be recognised as an asset (and capitalised) if and only if:

- It is probable that the future economic benefits associated with the item will flow to the entity (CoA) and
- The cost of the item can be reliably measured.

All assets are to be initially recognised at cost where the cost exceeds the recognition threshold as set by Council.

Cost is determined as the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of acquisition or construction.

For assets acquired by Council at no cost or for nominal consideration, cost will be determined as the fair value as at the date of acquisition.

CAPITAL EXPENDITURE

Expenditure directly attributable to the cost of an asset will be capitalised and may comprise:

- The purchase price, including import duties and any non-refundable taxes, less any trade discounts or rebates
- 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
- The cost of dismantling, removing, and relocating the item and restoring the site on which it was located
- Initial delivery, insurance, and other handling costs
- Employee costs arising directly from the construction or purchase of an asset
- Costs of site preparation
- Installation and assembly costs
- Costs of commissioning
- Professional fees
- Project overhead allocation
- Detailed design costs.

Any additional expenditure incurred after an asset has been recognised will be capitalised only when the expense results in a renewal or upgrade of the asset's underlying service potential.

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All materials used during the construction phase¶
Direct labour¶
Fixed overhead allocation.¶

NON-CAPITAL EXPENDITURE

Expenditure not directly attributable to the cost of an asset will be expensed and may comprise:

- Costs of opening a new facility
- Advertising and promotion
- Software maintenance and licence agreement charges
- General administration and overhead costs
- Feasibility and research studies
- Master plans, concept plans and other investigations to determine if a capital project will be undertaken
- Inspection costs.

Additionally, any expenditure incurred that is below the recognition threshold or that is not incidental to the acquisition of an asset will be expensed.

GROUPED ASSETS

Where Council purchases numerous units of the same item, consideration should be given to recognising and aggregating the individual units into a grouped asset. The material value of the grouped assets can then be depreciated over the estimated useful lives which better reflects the benefits being realised.

NETWORK ASSETS

Where Council purchases numerous units of differing but interconnected items, such as for a drainage or IT hardware system, consideration should be given to recognising and aggregating the individual units into a networked asset, noting that in the absence of aggregation, the removal of a network asset may mean the entire system does not function to full capacity. The material value of the network assets can then be depreciated over the estimated useful lives which better reflects the benefits being realised.

PORTABLE and ATTRACTIVE ASSETS (MINOR ASSETS)

Portable and attractive assets are tangible items with a value below the CoA's recognition threshold but are susceptible to theft or loss due to their portable nature, size and attractiveness for personal use or resale.

Examples of items that meet these criteria include:

- Laptop computers
- Tablets
- Mobile phones
- Cameras
- TV's
- DVDs
- Printers
- Power tools.

Portable and attractive assets may be expensed in the financial year in which they are acquired. However, in order to identify and maintain physical control all items should be recorded on the "Portable and Attractive Assets Register" as they are acquired.

A stocktake of the register should be performed on a rolling category approach and any anomalies followed up promptly.

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SPARE PARTS

Minor items of spare parts are typically carried as inventory and expensed when utilised for repairs and maintenance of an asset.

However, major spare parts will be recognised as an asset when the following criteria are met:

- Item exceeds the recognition threshold
- Benefits will be obtained for more than one year
- The spare part can only be used in connection with an asset that is already recorded in the asset register.

WORK IN PROGRESS

All the project costs incurred in realising an asset are to be accumulated and disclosed in a separate asset balance sheet account known as Work in Progress (WIP).

Each project should be separately identified in the WIP account to enable costs to be easily allocated.

Once the project is completed the total costs should be transferred from WIP to the applicable asset class.

At CoA, a "Project Handover Workflow" is required as formal evidence that the project has been completed and the capitalisation of WIP can occur. Handover should be completed, no later than six months after practical completion. Additionally, CoA aims to achieve a KPI of finalising at least 70% of handovers within 10 weeks of practical completion.

An annual review of WIP will be conducted at end of year to ensure that all expenditure is of a capital nature and for ongoing projects.

MAINTENANCE, RENEWALS, and UPGRADES

After initial recognition, the condition of assets will start to deteriorate, and the level of service supported by those assets will begin to decline.

Council assets are maintained through annual capital programs and asset management plans.

This will include expenditure on:

- Maintenance: to ensure asset continues to operate at normal capacity until the end of its useful life
- Renewal: restoring an assets service potential and extending the useful life of the asset beyond that which had originally been intended
- Upgrade: existing assets are enhanced to enable a higher level of service to be achieved.

RECOGNITION (CAPITALISATION) THRESHOLD

For the CoA, assets with an economic life in excess of one year will only be capitalised where the cost of acquisition exceeds the current recognition threshold of \$5,000.

Items of property, plant, and equipment with a total value of less than \$5,000 will be treated as an expense in the year of acquisition unless they have been identified as belonging to a grouped or networked asset category.

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REVALUATIONS

All material asset classes are to be revalued regularly, at intervals not exceeding five years, to ensure the carrying values are not materially different from their fair values.

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If any item of an asset class is revalued, the entire class to which that item belongs must also be revalued.

A desktop revaluation will be performed annually between revaluations for the following asset classes:

- Lighting & Electrical
- Transportation
- Water Infrastructure
- Park Lands and Open Space

Land and Buildings are valued at Market Value; and Urban Elements are short life assts. as such it is not deemed appropriate to perform an annual indexation. Plant, Fleet & Equipment assets are valued at cost.

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DEPRECIATION

Each asset in Council's asset register, excluding those deemed to have an unlimited useful life, will be depreciated separately to reflect the different useful lives of each asset.

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Green assets (such as trees) will not be revalued. They will be depreciated until fully expensed, however remain recorded in the asset management system for maintenance purposes only.¶

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REVALUATION PROGRAM¶

The CoA has a 10 year rolling revaluation program for all major asset classes.¶

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Refer to Attachment A: 10 Year Revaluation Program¶

The CoA uses the straight-line depreciation method as it best reflects the uniform consumption of the service potential embodied in those assets. Under the straight-line method, the allocation of depreciation expense will be consistent over the useful life of the asset, unless the fair value, residual value or useful life of the asset is amended.

Depreciation methods, useful lives and residual values of all asset classes should be reviewed annually.

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COMPONENTISATION

Assets that are made up of significant parts (components) which in turn have different useful lives must be separately depreciated.

IMPAIRMENT

Assets that are subject to depreciation are to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

As per Australian Accounting Standard AASB 136 Council is required at reporting date to assess whether any assets are impaired. The indicators of impairment can include:

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- Economic performance
- Obsolescence
- Significant change to the asset's original use.

An impairment loss is recognised as an expense immediately in profit or loss unless that asset is carried at a revalued amount. For revalued assets, the impairment loss shall be treated as a revaluation decrease to the extent that it offsets any revaluation surplus previously recognised for that class of asset, and movement recognised in the Statement of Other Comprehensive Income.

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DERECOGNITION

An asset is to be derecognised from CoA's asset register and recorded as a disposal when the asset no longer provides civic, strategic, commercial or community value in line with the Acquisition and Disposal of Land and Assets Policy.

A gain or loss on disposal will be recognised in the Financial Statements as the difference between the consideration received by Council (if any) and the carrying amount of the asset disposed.

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The asset is scrapped¶
The asset is destroyed, lost, or stolen¶
The asset is retired or decommissioned¶
Control over the asset is transferred to another entity.¶

DEFINITIONS

Item	Definition
Assets	<u>Present economic resource</u> controlled by Council as a result of past transaction or other past events.
Assets – Current	Assets that are expected to be consumed, realised, sold, or disposed of within 12 months.
Assets – Non-Current	Assets that are not expected to be consumed, realised, sold, or disposed of within 12 months.
Carrying Amount	The cost of an asset less the depreciation and any impairment losses accumulated since the asset was acquired.
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life.
Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Grouped Asset	A grouped asset combines homogenous assets that provide the same type of service but where individually, fall below the recognition threshold. When considered in aggregate, the grouped assets are of a material value and should be recognised as an asset.
Impairment	A decline in the service potential of an asset such that the carrying amount of an asset exceeds its recoverable amount.
Network Asset	Network assets are a chain of interconnected, but different assets that rely on each other to provide the one service, but where individually, fall below the recognition threshold. When considered in aggregate, the network assets are of a material value and should be recognised as an asset.
<u>Practical Completion</u>	<u>The point at which the assets constructed within a capital project are available for use.</u>
Recognition Threshold	The recognition threshold is the amount of expenditure below which an item is recorded as an expense rather than an asset.
Recoverable Amount	The higher of an asset's fair value less the cost to sell and its value in use.
Useful life	The period over which the asset is expected to be available for use by Council.

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ADMINISTRATIVE**Roles and Responsibilities**

Council is responsible for implementing this policy. However, various corporate programs will be responsible for providing data and assistance throughout the process of determining whether funds expended should be capitalised and an asset created or expensed.

All Finance and Infrastructure staff and Program Managers are responsible for familiarising themselves with the content of this policy and its application.

REVIEW

The standard review period for this policy will be every four years from the effective date, however, may occur sooner if there is a change in legislation, accounting standards or other relevant information.

The Team Leader Financial Planning & Reporting is responsible for the review of this policy.

Next Review

This Policy document will be reviewed every **4** years in line with the term of council, unless legislative or operational change occurs beforehand. The next review is required in 2029.

REVIEW HISTORY

Review	Authorising Body	TRIM Ref	Date/ Decision ID	Description of Edits
<u>2</u>	<u>Council</u>	<u>ACC2025/TBC</u>	<u>TBC</u>	<u>The review recommended no substantive amendments but has clarified and simplified wording of the current policy and proposes changing the policy name to Fixed Asset Accounting Policy to better reflect its scope.</u>
1	Council	ACC2020/19263	8-9-20 20476	New Policy

CONTACT

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