



# Accounting for Assets Policy

<b>Policy Owner</b>	Manager Finance and Assets Assets and Property
<b>Creation Date</b>	June 2020
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<b>Replaces</b>	Accounting for Property Infrastructure Plant and Equipment Policy

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## 1. PURPOSE

Council acquires non-current assets through the capital investment it makes in its communities and from new developments and the subsequent gifting of assets to Council.

Council's asset values are reflected in the annual financial statements and amount to many hundreds of millions of dollars in land, infrastructure, plant and equipment. Each asset has a life cycle (except for land) reflecting the period from its commissioning into service to the point of its eventual disposal (where it has no future economic benefit).

The purpose of this policy is to provide consistent treatment in accounting for Council's assets, and to maintain the financial information concerning Council's investment in assets and any subsequent changes in its investment in assets through their life cycle.

This Policy is consistent with and follows the requirements of Australian Accounting Standard *AASB 116 PROPERTY, PLANT AND EQUIPMENT*.

## 2. OBJECTIVE

This Policy will assist Council achieve its commitment to asset management and sustainable financial planning by prescribing;

- asset capitalisation thresholds for each asset class
- the accounting treatment for the valuation of assets
- the accounting treatment for the depreciation of assets
- the accounting treatment for impairment of assets, and;
- the accounting treatment for the disposal of assets.

This Policy is supported by the Accounting for Assets Procedure which provides Council officers, performing the functions of asset accounting, with direction regarding the;

- criteria for recognising operational costs and capital costs in the acquisition and construction of an asset, and the ongoing maintenance and rehabilitation costs once the asset is in service.
- detailed breakdown of expenditure thresholds as they apply to maintenance and operational costs and capital costs; which are further classified as renewal, expansion, upgrade and new capital costs.
- valuation methods, treatments, techniques, and the personnel who will undertake revaluations.
- depreciation method that applies to assets, the depreciation period, the application of useful lives, residual values of assets, and asset consumption as it impacts on depreciation expenses.
- process to assess an asset for impairment, measuring its recoverable amount, and recognising and measuring the impairment loss.
- Measurement of gain or loss arising from de-recognition of assets, the principles and processes to be applied when disposing of an asset, and reporting asset disposal.

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### 3. SCOPE

The Policy applies to all Council officers that have delegation to expend Council funds from either the operational or capital budget.

The Policy is applied to Council's non-current assets as referred to in Australian Accounting Standard *AASB 116 Property, Plant and Equipment*,

These assets are;

- Land
- Buildings
- Infrastructure (including but not limited to roads, kerbs, footpaths, bridges, and drainage)
- Plant and Equipment
- Furniture and Equipment

### 4. POLICY

#### 4.1 Asset Recognition

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

Council will also apply consistent practices for the recognition of non-current assets for capitalisation in Council's asset register and for the measurement of those assets at recognition through the establishment of rules relating to capital thresholds against each asset category.

Council will recognise new assets once those assets are under the ownership of Council and available for use by the service which they are intended to support.

The table below sets the limits at which point expenditure on assets will be capitalised as measured by cost as applied to different assets, asset components and asset treatments. Amounts below those specified in the table will be applied to maintenance and operating expenditure for the financial year in which costs are incurred.

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**Table 1: Asset Capitalisation Thresholds**

Asset	Component	Renewal	Expansion	Upgrade	New
<b>Land</b>	Free Hold Land	NA	NA	NA	>\$0
<b>Land Under Roads</b>	Land Under Roads	NA	NA	>\$0	>\$0
<b>Land Improvements</b>	Land Improvements	\$5,000	\$5,000	\$5,000	\$5,000
<b>Buildings</b>					
	Structure	\$10,000	\$10,000	\$10,000	\$10,000
	Roof	\$10,000	\$10,000	\$10,000	\$10,000
	Mechanical	\$5,000	\$5,000	\$5,000	>\$0
	Fit Out	\$5,000	\$5,000	\$5,000	>\$0
<b>Shelters</b>					
	Structure	\$5,000	\$5,000	\$5,000	>\$0
	Roof	Full replacement	\$5,000	\$5,000	>\$0
<b>Plant, Machinery, Equipment</b>					
	Vehicles	\$5,000	\$5,000	\$5,000	\$5,000
	Plant	\$5,000	\$5,000	\$5,000	\$5,000
	Equipment	\$1,000	\$1,000	\$1,000	\$1,000
<b>Furniture, Equipment &amp; ICT</b>					
	Furniture Equipment	\$1,000	\$1,000	\$1,000	\$1,000
	ICT	\$1,000	\$1,000	\$1,000	\$1,000
<b>Art Collection</b>	Art and cultural items	\$3,000	NA	NA	>\$0
<b>Roads</b>					
<b>Sealed Roads</b>	Spray Seals	\$3,000	\$3,000	\$3,000	\$3,000
	Asphalt	\$5,000	\$5,000	\$5,000	\$5,000
	Concrete	\$5,000	\$5,000	\$5,000	\$5,000
	Pavement	\$10,000	\$10,000	\$10,000	\$10,000
	Formation	NA	\$10,000	\$10,000	>\$0
	Kerb	\$5,000	\$5,000	\$5,000	>\$0
	Guard Rail	\$5,000	\$5,000	\$5,000	>\$0
<b>Unsealed Rds</b>	Pavement	\$5,000	\$5,000	\$5,000	>\$0
	Formation	NA	\$10,000	\$10,000	>\$0
	Minor Culverts	>\$0	>\$0	>\$0	>\$0
<b>Bridges</b>					
	Vehicle	\$10,000	\$10,000	\$10,000	>\$0
	Pedestrian	\$5,000	\$5,000	\$5,000	>\$0
	Major Culverts	\$5,000	\$5,000	\$5,000	>\$0
<b>Footpaths</b>					
	Concrete	\$4,000	\$4,000	\$4,000	\$4,000
	Spray Seal	\$4,000	\$4,000	\$4,000	\$4,000
	Asphalt	\$4,000	\$4,000	\$4,000	\$4,000
	Gravel	\$4,000	\$4,000	\$4,000	\$4,000
	Brick	\$4,000	\$4,000	\$4,000	\$4,000
<b>Drainage</b>					
	Open Drains	\$5,000	\$5,000	>\$0	>\$0
	Drainage Basins	\$5,000	\$5,000	\$5,000	>\$0
	Pipes < 225 mm	\$5,000	>\$0	>\$0	>\$0
	Pipes >225 to 450mm	\$7,000	>\$0	>\$0	>\$0
	Pipes > 450mm	\$10,000	>\$0	>\$0	>\$0
	Pits 750 dia pipe	>\$0	>\$0	>\$0	>\$0
	Pumps	\$5,000	NA	>\$0	>\$0
	Litter Traps	\$5,000	NA	>\$0	>\$0
	Table Drains	\$5,000	\$5,000	>\$0	>\$0
<b>Signs-Valued</b>					
	Signs	\$3,000	\$3,000	\$3,000	\$3,000

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Asset	Component	Renewal	Expansion	Upgrade	New
<b>Public Furniture</b>					
	Bike Racks	Full replacement	>\$0	>\$0	>\$0
	BBQ's	Full replacement	>\$0	>\$0	>\$0
	Litter Bins	Full replacement	>\$0	>\$0	>\$0
	Drinking Fountain	Full replacement	NA	>\$0	>\$0
	Seats Tables	Full replacement	>\$0	>\$0	>\$0
	Lighting	\$3,000	\$3,000	>\$0	>\$0
	Tree Guards	Full replacement	NA	>\$0	>\$0
	Play Equipment	Full replacement	\$5,000	\$5,000	\$5,000
<b>Fencing</b>					
	Fencing all types	\$5,000	\$5,000	\$5,000	>\$1,000
<b>Shared Path</b>					
	Spray Seal	\$5,000	\$5,000	\$5,000	\$5,000
	Asphalt	\$5,000	\$5,000	\$5,000	\$5,000
	Concrete	\$5,000	\$5,000	\$5,000	\$5,000
	Gravel	\$5,000	\$5,000	\$5,000	\$5,000
<b>Rail Trails</b>					
	Spray Seal	\$5,000	\$5,000	\$5,000	\$5,000
	Gravel	\$5,000	\$5,000	\$5,000	\$5,000
<b>Library Books</b>					
		>\$0	NA	NA	>\$0

## 4.2 Valuation

Property, plant and equipment assets will be recognised initially at the cost of acquisition.

After the initial recognition of an asset, the Australian Accounting Standards allow Council to choose either the Cost Model or the Revaluation Model as its model for revaluation of assets to ensure that an assets carrying amount does not differ materially from an assets fair value over time.

Council will undertake revaluations of its assets every three to five years. The selected model for revaluation of assets will be applied consistently for all assets across asset classes.

The table below identifies the model Council will apply to its asset classes.

**Table 2: Valuation Model applied to Assets Classes**

Asset Class	Valuation Model
<b>Property</b>	
Land	Revaluation
Land Under Roads	Revaluation
Buildings	Revaluation
<b>Infrastructure</b>	
Roads	Revaluation
Drainage	Revaluation
Bridges	Revaluation
Pathways	Revaluation
Playground Equipment	Revaluation
Open Space Furniture and Equipment	Revaluation
Other Structures	Revaluation or Cost (but consistent to asset class)
<b>Plant and Equipment</b>	
Plant and Machinery	Cost
Equipment, Furniture and Fittings	Cost
Art Collections	Revaluation

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### 4.3 Depreciation

Council will use the straight-line method of depreciation applying a consistent annual depreciation charge over the useful life of the asset unless the assets residual value changes through a revaluation.

Depreciation charges will commence at the point in time where an asset is ready for use by Council.

Depreciation will be applied to assets to represent, in terms of cost, how much of an assets value has been consumed in relation to its useful life. Assets will be depreciated at the component level of the asset where the cost of the component is significant in relation to the total cost of the asset. For example, a sealed road wearing course will be depreciated separate to the road pavement under the seal layer. Where an asset cannot be componentised, or the value of components are not significant in relation to the asset (components of a car being, wheels, chassis, engine) then the whole asset will be depreciated based on its cost and useful life. The term of depreciation is identified below.

**Table 3: Asset Depreciation**

Asset	Component	Useful Life
Property		
	Land	Not Depreciated
	Land Under Roads	Not Depreciated
	Land Improvements	40 to 60 years
Buildings		
	Structure	50 to 100 years
	Roof	50 years
	Mechanical	15 to 50 years
	Fit Out	20 years
Shelters		
	Structure	20 years
	Roof	20 years
Plant, Machinery, Equipment		
	Vehicles	3 to 5 years
	Plant	10 to 15 years
	Equipment	3 to 5 years
Furniture, Equipment & ICT		
	Furniture Equipment	3 to 10 years
	ICT	3 years
Art Collection		
	Art and Culture Items	Not Depreciated
Roads		
Sealed Roads	Spray Seals	18 years
	Asphalt	30 years
	Concrete	50 years
	Pavement	80 years
	Formation	200 years
	Kerb	90 years
	Guard Rail	45 years
Unsealed Roads	Pavement	80 years
	Formation	200 years
	Minor Culverts	80 years

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<b>Bridges</b>		
	Vehicle	80 to 120 years
	Pedestrian	60 to 120 years
	Major Culverts	80 to 100 years
<b>Footpaths</b>		
	Concrete	60 years
	Spray Seal	30 years
	Asphalt	30 years
	Gravel	20 years
	Brick	40 years
<b>Drainage</b>		
	Open Drains	25 to 150 years
	Drainage Basins	150 years
	Pipes < 225 mm	80 years
	Pipes >225 to 450mm	80 years
	Pipes > 450mm	80 years
	Pits 750 dia pipe	80 years
	Pumps	20 years
	Litter Traps	80 years
	Table Drains	25 to 150 years
<b>Signs-Valued</b>		
	Signs	50 years
<b>Public Furniture</b>		
	Bike Racks	20 years
	BBQ's	20 years
	Litter Bins	10 years
	Drinking Fountain	50 years
	Seats Tables	15 to 20 years
	Lighting	25 to 60 years
	Tree Guards	50 years
	Play Equipment	5 to 30 years
<b>Fencing</b>		
	Fencing All types	10 to 50 years
<b>Shared Path</b>		
	Spray Seal	30 years
	Asphalt	30 years
	Concrete	60 years
	Gravel	20 years
<b>Rail Trails</b>		
	Spray Seal	30 years
	Gravel	20 years
<b>Library Books</b>		
	Books	6 years

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#### 4.4 Impairment

Once an asset's carrying amount exceeds its recoverable amount, it will be considered impaired and the carrying amount for the asset will be reduced to its recoverable amount with the difference identified as the impairment loss.

Council will record impairments to assets in instances where they are impacted by;

- a) events such as floods, fire, drought or catastrophic weather.
- b) accidents caused by arson or inappropriate use.
- c) organisational change that restricts/limits the use of an asset.
- d) technological, market, economic or legal changes that impact use of an asset.

#### 4.5 Disposal

All of Council's non-current assets have a finite useful life (with the exception of land) requiring, at some point, the derecognition of the asset. The carrying amount of an asset shall be derecognised in the financial statements on its disposal, or when no future economic benefits are expected from the assets use. The derecognition of assets will be done in accordance with *Australian Accounting Standard 116 and Australian Accounting Standard 118*.

### 5. RESPONSIBILITIES

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

Directors and Managers are responsible for implementing the Accounting for Assets Policy and Accounting for Assets Procedure.

Employees with financial delegation are responsible for ensuring that purchase or expenditure on non-current assets complies with this policy and associated procedure.

The Finance and Assets Department are responsible for asset accounting and reporting in the financial statements and will ensure adherence to this Policy.

### 6. DEFINITIONS

**Assets** means an item that has potential value to an organisation such as infrastructure, plant or buildings, etc.

**Asset Capital Expenditure** means costs incurred in the creation of a new asset, or, costs incurred for replacement and repair of an existing asset which results in an extension of the useful life of an asset.

**Asset Renewal Expenditure** means expenditure on an existing asset, or replacement of an asset "like for like" that returns the same service capability of the original asset. For example, replacing an existing section of footpath to the same standard as existing.

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**Asset New Expenditure** means expenditure that creates a new asset to provide a service that does not currently exist.

**Asset Expansion Expenditure** means expenditure that extends the capacity of an existing asset to provide benefits to new users to the same standard as existing, for example, extending a storm water pipe of the same capacity to a new subdivision.

**Asset Upgrade Expenditure** means expenditure that enhances an existing asset to provide a higher level of service, for example, installing a concrete footpath where previously the path asset was granitic sand.

**Carrying Amount** means the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

**Cost Model** means an asset is carried at its acquisition or construction cost less any accumulated depreciation and impairment losses.

**Depreciation** means the systematic allocation of the depreciable amount of an asset over its useful life.

**Fair Value** means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

**Impairment Loss** means the amount by which the carrying amount of an asset exceeds its recoverable amount.

**Maintenance Expenditure** means expenditure, which is expensed as it is incurred, to ensure an asset lasts as long as it is expected to.

**Operational Expenditure** refers to running costs incurred in operating an asset such as security, utility cost, fuel, and insurance (as examples).

**Property, Plant and Equipment** are assets held for use in production or supply of goods or services and which are expected to be used over more than one year.

**Recoverable Amount** means the higher of an asset's fair value less costs of disposal and its value in use.

**Revaluation Model** means an asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any accumulated depreciation and impairment losses.

**Useful Life** is:

- a) The period over which an asset is expected to be available for use by an entity; or
- b) The number of production or similar units expected to be obtained from the asset by an entity.

## 7. REVIEW

This policy is to be reviewed every four years unless required earlier.

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## 8. Related Documents

- Council Plan 2017 – 21
- Asset Management Policy
- Roads Asset Management Plan 2018
- Bridges Asset Management Plan 2018
- Drainage Asset Management Plan 2018
- Buildings Asset Management Plan 2019
- Parks and Open Spaces Asset Management Plan 2019
- Integrated Community and Services Infrastructure Plan 2019
- Service Plans

## 9. References and Legislation

- *Local Government Act 1989*
- *Local Government Act 2020*
  
- Australian Accounting Standards
  - 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.
  
- Treasury and Finance – Asset management Accountability Framework 2016
  
- State Government Guidelines  
Department of Treasury and Finance - Financial Reporting Directions and Guidance Notes
  - FRD 100A Financial Reporting Directions – Framework – 2016
  - FRD 103H Non-Financial Physical Assets - 2019
  - FRD 106B Impairment of Assets - 2018
  - FRD 109A Intangible Assets - 2016
  - FRD 118C Land Under Declared Roads – 2016

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