



Light
Regional
Council

Asset Management and Accounting Policy

Reference Number:	Section 1 No. 2
Responsible Department:	Infrastructure and Environment
Related Policy/Procedure:	Asset Management Strategy, Infrastructure & Asset Management Plan
Date of Adoption:	28 January 2020
Current Review Date:	27 June 2023
Minute Reference:	OCM-2023/022
Version Number:	2
Applicable Legislation:	Local Government Act 1999
Next Review Date:	June 2028
Review Frequency:	Four (4) years

1. Purpose

The purpose of the Asset Management and Accounting Policy (Policy) is to ensure that Light Regional Council (Council) has information knowledge and understanding about the long-term and the cumulative consequences of being the custodian of public infrastructure.

This is achieved by ensuring that systems and processes are in place to enable the organisation to determine the most effective and efficient options for delivering infrastructure related services while controlling exposure to risk and loss.

This Policy also provides the framework that together with the Light Regional Council Strategic Plan 2021-2025 enables the asset management strategy and specific asset management plans to be produced.

Council is committed to implementing a systematic asset management methodology in order to apply appropriate asset management best practices across all areas of the organisation. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery. Council owns and uses approximately \$246m of non-current assets to support its core business of delivery of service to the community.

This Policy also explains the accounting treatment of non-current assets (Infrastructure, Property, Plant and Equipment).

2. Context

The *Local Government Act 1999* (the Act) places a number of obligations on Councils in relation to asset management.

The Council must:

- Prepare an Asset Management Strategy and Asset Management Plan(s) to support the Community Strategic Plan and Delivery Program;
- Ensure that the Asset Management Strategy and Plan(s) cover a minimum timeframe of ten (10) years;
- Ensure that the Asset Management Strategy includes an overarching Council endorsed Asset Management Policy;

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- Ensure that the Asset Management Strategy identifies assets that are critical to the Council's operations and outline risk management strategies for these assets; and
- Ensure that the Asset Management Strategy includes specific actions required to improve the Council's asset management capability and projected resource requirements and timeframes.

3. Scope

This Policy provides an overarching framework for the procedures, processes, systems and asset information required to manage all of Council's existing and future physical assets efficiently and effectively. The Policy applies to the life cycle of assets from purchase or construction, renewal and ultimately disposal.

Asset Management is a combination of management, financial, economic and technical practices applied to physical assets, with the objective of meeting the required levels of service in the most cost-effective and fit for purpose manner. This Policy applies to all infrastructure related service provision such as

- Road and Transport;
- Stormwater Drainage;
- Community Wastewater Management System (CWMS);
- Community Services delivered by the Council's Buildings and Facilities;
- Parks and Open Spaces;
- Sport and Recreation; and
- Environmental Protection.

The principles also apply to Plant, Vehicle fleet, Equipment and furniture, although the application will vary for assets with short lives.

Asset Management practices impact directly on the core business of the organisation and appropriate asset management is required to achieve our strategic service delivery objectives.

Adopting asset management principles will assist Council in achieving its Strategic Plan and Long-Term Financial Plan objectives.

A strategic approach to asset management will ensure that the Council delivers the highest appropriate level of service through its assets. This will provide positive impact on;

- Members of the public and staff;
- Council's financial position;
- Financial sustainability;
- The ability of Council to deliver the expected level of service and infrastructure;
- The political environment in which Council operates; and
- The legal liabilities of Council.

4. Definitions

Term	Definition
Policy	A statement of an organisation's attitude and preference of direction.
Asset	A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment that are non-current assets with a life greater than 12 months and which enable services to be provided.
Asset Category	Sub-group of assets within a class hierarchy for financial reporting and management purposes.
Asset Management	The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner.
Asset Management Plan	The Asset Management Plan/s must encompass all the assets under the Council's control, identify asset service standards, and contain long-term projections of asset maintenance, rehabilitation and replacement costs.
Long Term Financial Plan	The Long-Term Financial Plan will be used to inform decision making during the finalisation of the Community Strategic Plan and the development of the Delivery Program. The Long Term Financial Plan will be for a minimum of 10 years and be updated at least annually as part of the development of the Operational Plan.

Asset Management Strategy	The Asset Management Strategy (AMS) will include an overarching Council endorsed Asset Management Policy (AMP). The AMS will identify assets that are critical to the Council's operations and outline risk management strategies for these assets. The AMS will include specific actions required to improve the region's asset management capability and projected resource requirements and timeframes. The AMAMS will balance the resources required in the Asset Management Plan and resources available in the Long Term Financial Plan, and report on the available choices and service and risk consequences.
Capital Expenditure	Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. (e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval).
Depreciation	Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Straight line depreciation is the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Level of Service (LOS)	The defined service quality for a particular service/activity against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.
Life Cycle Cost	The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.

5. Policy Aim

The Council is committed to sustainable asset management which involves managing the levels of service, risk and investment on infrastructure assets in an optimal manner throughout their lifecycle.

5.1. Asset Management Planning: Council will implement smart investment decisions that are planned and programmed to enable the best value outcomes for our customers and the community. This commitment will be achieved by adhering to the following asset management principles:

Community Benefit: Develop levels of service in consultation with the community to ensure the appropriate balance of their expectations and Council's objectives and requirements are achieved.

Financial Sustainability: Investment decisions for new and upgraded infrastructure will consider asset lifecycle costs to ensure adequate funding is allocated in the long-term financial plan.

Environmental Sustainability: Efficient use of resources and protection of the natural environment will be embedded into asset lifecycle planning to support the environmental sustainability objectives of the Council.

Continuous Improvement: Council is committed to advancing the practice of asset management including the use of smart technology to optimise decisions, performance and reporting.

Evidence Based Decision Making: Council will develop and maintain an asset management information system that will underpin effective asset lifecycle analysis and financial management to provide better accountability and sustainable management of infrastructure assets and services.

5.2. Asset Management Processes, Data and Systems

For ongoing effective asset and service planning and decision making, Council:

- will continue to invest in regular asset condition audits and investigations to understand performance and to mitigate risk;
- will maintain a componentised asset register which contains attribute information relevant for each asset type to ensure that it is managed effectively, efficiently and to address key risks. The register will utilise a common data framework and methodology defined in documented Asset Management procedures; and

- will operate an asset management system to store all key data and implement tools to support modelling, reporting and decision making. The asset management system will be the source of truth and will have key integrations with the Geographical Information System (GIS).

6. Policy Details

- **Asset Planning and Budgeting:**

Council is committed to implementing asset management practices to ensure that all assets are planned, created, operated, maintained, renewed and disposed of in accordance with identified priorities and in line with the objectives of the adopted Long-Term Financial Plan and Asset Management Plan by:

- Ensuring the asset renewal and maintenance programs will be met prior to any new or additional assets being considered.
- Effective asset life cycle management whereby all capital investment expenditure is approved in conjunction with a clear understanding of the impact on recurrent operational expenditure budgets.
- Undertaking preventative maintenance programs to ensure that the lowest life-cycle cost is achieved, and asset values are maintained.

- **Asset Operations and Maintenance:**

- Undertake appropriate planned maintenance regimes to assist Council's assets in meeting their expected design lives in the most cost-effective manner.
- Ensure maintenance plans are designed to incorporate a cost benefit approach.
- Capture information about the activities undertaken to assist in the analysis of current and/or future expenditure requirements.

- **Asset Accounting and Costing:**

- Maintenance of detailed asset registers for all assets owned and under the control of Council.
- Effective economic lives will be given to each of Council's assets with written down value and depreciation value determined in accordance with current accounting standards and reporting requirements.
- Depreciation will be calculated on an appropriate basis with the objective being to use a method that best reflects the consumption of the asset or provides an indication of future cash flows necessary to sustain the asset condition to the required level of service.
- Assets to be revalued on a cyclical basis (four (4) years) in accordance with Australian Accounting Standards.
- Planned asset acquisitions, renewals or disposals will proceed in accordance with Council's Capitalisation and disposal procedures.
- Expenditure that can be reliably measured and that enables the creation of future economic benefits controlled by Council are 'capitalised when' it is probable that the future economic benefits will occur.
- All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

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- All non-current assets purchased or constructed are 'capitalised' as the expenditure is incurred and project completed, and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.
- Materiality - assets with an economic life in excess of one (1) year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.
- Capitalisation thresholds - capitalisation thresholds applied during the year are detailed in section 7. No capitalisation threshold is applied to the acquisition of land or interests in land.
- Depreciation rates are detailed in section 8.

7. Examples of capitalisation thresholds

Furniture/Fittings, Plant & Equipment

Office Furniture & Equipment	\$500
Other Plant & Equipment	\$500
Artworks	\$5,000

Building, Land & Other Structures

Buildings – new construction/extensions	\$2,000
Park & Playground Furniture & Equipment	\$2,000

8. Depreciation

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are unavailable.

Plant, Furniture & Equipment

Office Furniture & Equipment	5 years
Other Plant & Equipment	5 to 10 years

Building & Other Structures

Buildings - sub-structure	80 to 100 years
Buildings – other	20 to 60 years
Public Furniture & Fixtures	5 to 30 years

Infrastructure

Roads – Sealed	12 to 70 years
Roads – Unsealed	12 to 25 years

Footpaths	25 to 75 years
Bridges	25 to 100 years
Major Culverts	25 to 100 years
Floodways	30 to 50 years
Stormwater Drainage	40 to 100 years
Stormwater Drainage – Pumps	20 to 30 years

Other Assets

Cultural	10 to 50 years
Artworks	indefinite.

9. Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.

10. Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing. Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

11. Borrowing costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in the annual financial statements and the amount (if any) of interest revenue offset against borrowing costs.

12. Consultation

This updated Asset Management and Accounting Policy was adapted on the draft Asset Management Policy Version A, 2013, and was developed after review of those policies by Infrastructure Asset Management Plans (IAMP) Committee in May 2018.

13. References

- Local Government Act 1999
- Local Government (General) Regulation 2005
- National Asset Management Framework
- IPWEA NAMS.PLUS3 Templates for Asset Management Plans
- International Infrastructure Management Manual
- AASB 13 Fair Value Measurement

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- AASB 116 Property, Plant and Equipment
- Light Regional Council Strategic Plan 2021-2025
- Infrastructure & Asset Management Plans
- Long Term Financial Plan

History of Policy Amendment

Policy adopted the Council Meeting dated 28 January 2020, Minute Ref Page 2020/017.

Amendment No. 1 adopted by Council on 27 June 2023, Minute Ref OCM-2023/119