



Greater Dandenong Policy

Fixed Asset Accounting Policy

Policy Endorsement:	Endorsement required by Council		
Policy Superseded by this Policy	Not Applicable		
Directorate:	Corporate Services		
Responsible Officer:	Manager Finance and IT		
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1 st Adopted by Council	24 June 2013 Minute No. 225	Last Adopted by Council:	22 June 2020 Minute No. 1480
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1. Purpose

This policy is designed to provide guidance regarding expenditure that is to be capitalised and the associated accounting treatment for non-current assets in Council's fixed asset register.

This revision of the Fixed Asset Accounting Policy is effective from 1 July 2020.

2. Background

Accounting standards, including AASB 116 Property, Plant and Equipment, require a distinction to be made between expenditure that is consumed immediately in operations (or within one financial year) and expenditure on fixed assets that will provide service over more than one financial year.

Accounting and Guideline issues

Local Government (Planning and Reporting) Regulations 2014

The Local Government (Planning and Reporting) Regulations 2014 require the financial statements of Council to be prepared in accordance with the Local Government Model Financial Report (LGMFR). The LGMFR specifies certain fixed asset categories and classes in the Statement of Capital Works and fixed asset disclosure notes. Refer to **Appendix A** for a list of the asset categories and classes and the measurement basis of each asset class.

Land Under Roads (LUR)

Council does not propose to make changes to its accounting policy regarding the treatment of LUR and will continue to recognise all land under roads post 1 July 2008 using the cost method of valuation. Council monitored the sector position on land under roads both during and post the 2017-18 financial year, received audit clearance and did not experience any issues pertaining to the policy position.



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3. Scope

This policy includes the accounting treatment of all Council's non-current assets.

4. References

- Annual Financial Statements
- Annual Budget
- Local Government Act 1989
- Local Government (Planning and Reporting) Regulations 2014
- Local Government Model Financial Report (LGMFR)
- Fixed Asset Guidelines
- Australian Accounting Standards

5. Definitions

<i>Assets</i>	Resources controlled by Council as a result of past events and from which future economic benefits or service potential are expected to flow to Council.
<i>Capitalisation threshold</i>	The new, upgrade or renewal value of an asset, below which the project cost is normally expensed and above which it is normally capitalised.
<i>Capital expenditure</i>	Expenditure on a non-current asset which meets the adopted recognition criteria for the Asset Class or Asset Component.
<i>Useful life</i>	The time period over which an asset is expected to be available for use by Council.

6. Legislative Provisions

Council is required to prepare an annual report pursuant to:

- Section 131 of the Local Government Act 1989
- Section 19 of the Local Government (Planning and Reporting) Regulations 2014

7. Council Policy

7.1 Capitalisation

Capitalisation of fixed assets is determined by a materiality threshold at which items of expenditure will be recognised as assets in Council's Balance Sheet.

The useful life of each asset class forms the basis of the calculation of annual depreciation charges and assessment of an assets written down replacement value (refer **Appendix A**).

Appendix A details the asset categories and classes required in the Local Government Model Financial Report (LGMFR).

Expenditure is to be capitalised when:

- It is probable that the future economic benefits embodied in an asset will eventuate.
- The item of expenditure is in excess of the asset capitalisation threshold (refer **Appendix A**).
- In limited circumstances, where the value of individual assets fall below the asset threshold for capitalisation, but the assets form part of a bulk purchase (such as office furniture), the aggregate value of the bulk purchase will be recognised where it exceeds the capitalisation threshold (refer to section 7.2.5 of the Fixed Asset Accounting Guidelines).
- Acquisition costs of assets with less than these capitalisation threshold values will be treated as operating expenses.
- All capitalised expenditure is to be recorded in Council's fixed asset register. For each asset, a determination shall be made of its total life, remaining useful life, cost for accounting purposes and method of depreciation.

Note - certain costs are not capitalised when incurred and are charged as an expense in the period in which they are incurred (eg – Christmas decorations, IT software upgrades and building audits).

7.2 Acquisition of assets

Assets acquired by Council are to be recorded based on acquisition or construction cost (fair value) plus costs incidental to acquisition including architect's fees, engineering fees and all other costs incurred in preparing the asset ready for use.

7.3 Gifted assets (acquired for nil consideration)

Assets which are gifted or contributed to Council by developers or other bodies (i.e. - acquired for nil consideration) are to be recorded at fair value at the date of acquisition, based on currently assessed replacement rates or developer costs (whichever is the best information source at the time).

7.4 Revaluation of non-current assets

All infrastructure assets (except recreational, leisure and community facilities and parks, open space and streetscapes) and property assets (land and buildings excluding land under roads and leasehold improvements) shall be revalued on a regular basis such that the carrying values are not materially different from fair value where fair value is determined to be the current replacement cost of the asset less accumulated depreciation. **Appendix A** identifies the basis for measurement for each asset class.

7.5 Internally constructed assets

The cost of assets constructed by Council shall include the cost of all materials used in construction, direct labour employed and an appropriate proportion of variable and fixed overheads.

7.6 Fixed assets register

The fixed assets register is to record individual assets in sufficient detail as to permit their identification and control. The fixed assets register is to be updated at least annually. The fixed assets register is to be used for the purpose of revaluing and depreciating assets.

7.7 Impairment of assets

Fixed assets will be 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 outflows or value in use).

For assets whose 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, the value in use (infrastructure assets) is the depreciated replacement cost.

7.8 Investment property

Investment property, comprising retail complexes, are held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Cost incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Comprehensive Income Statement in the period that they arise. Investment property are not subject to depreciation. Rental income from the leasing of investment properties is recognised in the Comprehensive Income Statement on a straight line basis over the lease term.



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8. Related documents

- City of Greater Dandenong Fixed Asset Accounting Guidelines
- Australian Accounting Standards
- Asset Management Policy
- Annual Financial Statements (Local Government Model Financial Report)
- Annual Budget
- Audit Reports and Audit Advisory Committee
- Council Plans, including Annual Plan



Greater Dandenong Policy – Appendix A (Basis of measurement, capitalisation thresholds & useful lives)

Asset class	Description	Measurement basis	CAP THRESHOLD		USEFUL LIFE	
			2019-20	2020-21	2019-20	2020-21
			\$	\$	Years	Years
PROPERTY						
Land	Land owned or controlled by Council. Land either has a fair value classification of level 3 - 'specialised land' or level 2 - 'non-specialised land'.	Fair value (indep val'n)	0	0	N/A	N/A
	Land under roads (LUR) (excluding lanes, private roads and Council roads in parks and reserves) acquired after 1 July 2008. All LUR have a fair value level 3 classification - 'specialised land'.	Cost	0	0	N/A	N/A
Land improvements	Not applicable - allocated to other asset classes such as 'Recreational, leisure and community facilities' and 'Parks, open space and streetscapes'.	N/A	N/A	N/A	N/A	N/A
Buildings	<p>Buildings, building improvements and multi-story car park buildings. All buildings have a fair value level 3 classification - 'specialised buildings'.</p> <p>Buildings include Class 1 to Class 9 buildings as defined in the Building Code of Australia including all corporate, community and commercial buildings managed / controlled / owned by Council and multi-story car park buildings. This includes both habitable and non-habitable buildings. Non-habitable buildings as defined in class 10A of the Building Code of Australia. Examples include garages, workshops, kiosks, stand-alone administration buildings/offices, public conveniences, sheds, stores, undercroft car parking, sporting pavilions and sporting clubrooms.</p> <p>Includes structures that link or are attached to the building or structures which form part of the building. Such examples are paths, access ramps or steps, verandas, pergolas, carports, toilets and shade/shelter structures (only totally freestanding structures will be considered separate assets).</p> <p>Includes other general building services, site engineering services and central plant that form part of the building structure, that are attached to or hidden behind the building fabric and which may feed from or to fixtures and fittings. Some examples are general electrical, gas and water supply, attached stormwater drainage / guttering and sewerage.</p> <p>Includes trunk reticulated building systems such as lifts, escalators, heating and cooling systems, cranes, hoists, sanitary plumbing, air-conditioning and ventilation (refrigerated plant, terminal units, heating oils, fans, pumps), fire protection and security alarm systems, access control systems, building management systems (BMS), electrical distributions (mains cables, switch gear and distribution equipment), CCTV, solar panels and lighting installations, communications (telephone and call systems), boilers and specialist services in kitchens or laundries (ovens, dishwashers, etc). It also includes fixed equipment that can be recognised as part of the building fit-out (such as indoor swimming pools, pool pumps, fixed sporting equipment, etc).</p> <p>Buildings or structures less than two square metres in size and less than \$5,000 in value will be recognised as a minor structure in the 'Recreational, leisure and community facilities asset class'.</p>	Fair value (indep val'n)	5,000	5,000	50-100	50-100



Greater Dandenong Policy – Appendix A (Basis of measurement, capitalisation thresholds & useful lives)

Asset class	Description	Measurement basis	CAP THRESHOLD		USEFUL LIFE	
			2019-20	2020-21	2019-20	2020-21
			\$	\$	Years	Years
PROPERTY						
Building improvements	Not applicable - included in buildings above.	N/A	N/A	N/A	N/A	N/A
Leasehold improvements	Land improvements, buildings and other improvements to property assets leased by Council or on land leased by Council. Leasehold improvements to buildings include fit-outs, security enhancements and/or renovations of leased office accommodation or leased property. Examples are recarpeting, immovable fixtures such as the installation of air-conditioning or CCTV, and structural improvements to a leased property upon commencement of a lease (initial office/residential fit-out), and any subsequent refurbishment of office/residential leased accommodation.	Cost	0	0	Lease term	Lease term
Heritage buildings	Not applicable - defined as heritage buildings as listed on the Victorian Heritage Register.	Fair value (indep val'n)	N/A	N/A	N/A	N/A



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Asset class	Description	Measurement basis	CAP THRESHOLD		USEFUL LIFE	
			2019-20	2020-21	2019-20	2020-21
			\$	\$	Years	Years
PLANT AND EQUIPMENT						
Heritage plant and equipment	Not applicable.	N/A	N/A	N/A	N/A	N/A
Plant, machinery and equipment	Heavy plant and equipment (such as graders, trucks, tractors, tippers, scissor lifts and loaders).	Cost	3,000	3,000	7	7
	Buses, quads and trailers.	Cost	3,000	3,000	10	10
	Light plant and equipment (such as rollers, mowers, tools and blowers), passenger vehicles, light commercial vehicles (<= 3 tonne). Also includes lifters, generators, powersaws, floor polishers, steam cleaners, sweepers, winches, compressors, surveying equipment, people counting systems, rotators, outdoor cleaning equipment and submersible pumps.	Cost	3,000	3,000	5	5
Fixtures, fittings and furniture	Office furniture and equipment (workstations, mobile shelving, chairs, office bins, lockers, tables, desks, filing cabinets), kitchen appliances and equipment (fridges), hand dryers, display units/stands, dividers/privacy screens, safes, podiums, trolleys and other miscellaneous fixtures, fittings (eg - window furnishings) and furniture. Excludes Christmas decorations (not capital).	Cost	3,000	3,000	6	6
	Musical instruments.	Cost	3,000	3,000	20	20
	Art works (paintings, pictures, murals, heritage).	Cost	3,000	3,000	N/A	N/A
Computers and telecomm's	Hardware, servers, hubs, cabling, faxes, printers, telephones, mobile phones/devices, photocopiers, computers, laptops, microwave links, wireless links, firewall, scanners, GPS, Book-a-Court system and audio visual equipment (such as stereos, speakers, amplifiers, antenna, cameras, video recorders, microphones, televisions, DVD players, electronic whiteboards, two way radios, hearing loop, projectors, etc).	Cost	3,000	3,000	5	5
	Software (implementation only not subsequent upgrades). Items that can be capitalised as computer software include software licenses, interworking, configuration support, implementation planning, database planning, quality planning and acceptance testing. Software items to be expensed include software maintenance, data conversion/migration, training, helpdesk support and website costs.	Cost	3,000	3,000	3	3
Library books	Includes library books, CDs, DVDs and tapes (excludes digital content such as e-books and e-audio books, annual online licences or subscriptions, annual platform access to e-formats, periodicals and newspapers - these items are expensed as they generally have a life of one year or less).	Cost	0	0	5	5



Greater Dandenong Policy – Appendix A (Basis of measurement, capitalisation thresholds & useful lives)

Asset class	Description	Measurement basis	CAP THRESHOLD		USEFUL LIFE	
			2019-20	2020-21	2019-20	2020-21
			\$	\$	Years	Years
INFRASTRUCTURE						
Roads	Road seal (surface) comprises the wearing surface of a road pavement or laneway. Reconstruction, resurfacing (asphalt overlays and spray seals) and rehabilitation of road seal are capital. Surface patching treatments (major or minor) such as pothole repairs, crack sealing or repairs, slurry seals are considered maintenance treatments aimed at ensuring the road seal asset reaches its intended useful life (expensed). Linemarking is also not capital. Sub-categories include:					
	Seal/surface (spray seal).	Fair value	20,000	20,000	12	12
	Seal/surface (asphalt, concrete, brick, granite setts and gravel).	Fair value	20,000	20,000	20	20
	Road substructure (pavement). Road substructure is the constructed material layer(s) beneath the wearing surface of a road pavement or laneway. Usually unaffected by periodic replacements of the wearing surface and would normally only be created where a new pavement was built or an existing pavement was totally reconstructed/rehabilitated.	Fair value	20,000	20,000	100	100
	Kerb and channel. Includes concrete, bluestone and asphalt kerb and channel on local roads. Also includes kerb laybacks/aprons (which are part of ‘crossings/driveways’), usually provided for vehicle, bicycle or pedestrian access across the kerb and channel.	Fair value	5,000	5,000	80	80
	On street car parks (seal) - asphalt, brick paves, concrete and gravel). On-street car parks include car parks located within the road reserve (ie – indented parking bays, parallel parking bays, etc).	Fair value	5,000	5,000	20-25	20-25
	On street car parks (substructure).	Fair value	5,000	5,000	100	100
	Local Area Traffic Management (LATM) - splitter islands, roundabouts, speed humps.	Fair value	5,000	2,000	20	20
	LATM - slow points.	Fair value	5,000	2,000	5	5
	LATM - traffic signal controller.	Fair value	5,000	2,000	15	15
	LATM - traffic signal hardware.	Fair value	5,000	2,000	30	30



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Asset class	Description	Measurement basis	CAP THRESHOLD		USEFUL LIFE	
			2019-20	2020-21	2019-20	2020-21
			\$	\$	Years	Years
INFRASTRUCTURE						
Bridges	Includes major culverts, deck and substructure. Bridges include all structures which convey a road, footpath or cycleway across another physical feature (including waterways and other roads) and includes major culverts. Bridge components include the foundation, column, girder, decking, wearing course, railing, paths and guardrails. Items such as lighting, signage and paths are not included. Boardwalks are also included in this asset class (constructed pathways above ground either in steel/concrete or timber).	Fair value	5,000	5,000	20 - 100	20 - 100
Footpaths and cycleways	Footpaths (concrete, brick/pavers and granite). Footpaths and cycleways includes footpaths leading to bridges, and pedestrian access features, ramps, pram crossings and path widenings. Paths in playgrounds that provide a direct access between playground items are not considered part of the path asset class (included in playgrounds).	Fair value	0	0	50	50
	Footpaths (asphalt).	Fair value	0	0	25	25
	Footpaths (gravel, granitic).	Fair value	0	0	10	10
Drainage	Underground drainage/stormwater pipes.	Fair value	5,000	5,000	100	100
	Drainage pits	Fair value	5,000	2,000	100	100
	Gross pollutant traps (GPTs).	Fair value	5,000	5,000	50	50



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			2019-20	2020-21	2019-20	2020-21
			\$	\$	Years	Years
INFRASTRUCTURE						
Recreational, leisure & community facilities	Recreational equipment and facilities. Recreation equipment includes sports and leisure equipment at recreation centres such as bench seats, TV cardio and aerobic stereos, pool cover rollers, gym equipment, pool vacuums, dividing curtains, internal scoreboards, cleaning equipment, aquatic equipment, various items of smaller transportable pool equipment, thermal blankets and gym mats.	Cost	3,000	3,000	10 - 20	10 - 20
	Major outdoor LED screens (ie - 'the big screen').	Cost	3,000	3,000	5	5
	Minor outdoor electronic screens and scoreboards, electronic variable message signs/sensors.	Cost	3,000	3,000	10 - 20	10 - 20
	Sportsgrounds, sports fields, sporting grass (turf), courts (eg - netball, basketball, tennis), athletic tracks, wickets, hardstand, general sporting surfaces. Note - Turf installed on a sportsground is capital, turf in general areas is not considered capital (expensed).	Cost	3,000	3,000	10 - 20	10 - 20
	Minor structures, sporting structures and equipment (such as goal posts, cricket nets, outdoor exercise equipment, skate ramps/park, basketball towers/backboards, rebound walls, canopies/shade structures, structures without walls (such as bike sheds and racks, display and information shelters, picnic shelters, rotundas and stages without a roof) and buildings which are less than two square metres and less than \$5,000 in value).	Cost	3,000	3,000	10 - 20	10 - 20
	Playgrounds (outdoor and indoor). Playgrounds such as swing sets or climbing apparatus. Also includes interconnecting paths between equipment and path edging. Fixed play items associated with a playing surface (such as goal posts) are considered part of the playing surface they relate to and are not recorded as a playground item. Other assets in or near playgrounds (whether enclosed by a fence or not) such as drink fountains, bins, signs, picnic tables, seats or shade structures are considered part of their respective asset class and not a playground item asset unless their primary function is as a piece of play equipment. Mulch and softfall are capitalised when part of a new playground. Ongoing mulch/softfall works - rubber softfall (capitalised), bark or plastic mulch (expensed).	Cost	3,000	3,000	15	15
	Irrigation, sports field drainage, controllers, sensors, water tanks/pumps and water systems.	Cost	3,000	3,000	10 - 20	10 - 20
	Outdoor pools	Cost	3,000	3,000	50	50
Waste management	Not applicable.	N/A	N/A	N/A	N/A	N/A



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			2019-20	2020-21	2019-20	2020-21
			\$	\$	Years	Years
INFRASTRUCTURE						
Parks, open space and streetscapes	Open space furniture (street furniture such as bicycle racks, tree guards, planter boxes, seats and park furniture such as seats, drinking fountains, tables, root barriers/guards and BBQ's).	Cost	3,000	3,000	10	10
	Open space furniture (bus shelters).	Cost	3,000	3,000	20	20
	Open space furniture (litter bins).	Cost	3,000	3,000	12	12
	Signs (unless attached to another asset such as a building or playground, includes heritage markers).	Cost	3,000	3,000	20	20
	Landscaping, passive grass/surface and gardens.	Cost	3,000	3,000	10 - 20	10 - 20
	Water quality devices - wetlands, rain gardens and bioretention swales.	Cost	3,000	3,000	10	10
	Surface drainage - formed open drains (generally made of concrete, eg - spoon drains).	Cost	3,000	3,000	50	50
	Surface drainage - unformed open drains.	Cost	3,000	3,000	10	10
	Flood prevention - retarding/detention basins.	Cost	3,000	3,000	20	20
	Lighting (public, flood lights, solar, car parks, sportsground, security and street) including light poles and any attached CCTV.	Cost	3,000	3,000	10 - 20	10 - 20
	Fencing, bollards, gates, retaining walls and poles.	Cost	3,000	3,000	10 - 50	10 - 50
	Parking meters, ticket machines and equipment.	Cost	3,000	3,000	10	10
	Public art (memorials, monuments, murals, plaques, sculptures and statues).	Cost	3,000	3,000	50	50
Guard rails.	Cost	3,000	3,000	20	20	
Aerodromes	Not applicable.	N/A	N/A	N/A	N/A	N/A
Off street car parks	Off street car park and access road (asphalt, brick paved, concrete, gravel).	Fair value	5,000	5,000	20 - 25	20 - 25
	Off street car park and access road (substructure/pavement).	Fair value	5,000	5,000	100	100
	Off street car park and access road (kerb and channel).	Fair value	5,000	5,000	80	80
Other infrastructure	Not applicable. Marine assets - piers, jetties, groins, sea walls, caravan parks, markets and saleyards.	N/A	N/A	N/A	N/A	N/A



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			2019-20	2020-21	2019-20	2020-21
			\$	\$	Years	Years
WORK IN PROGRESS						
Work in progress	Capital expenditure on projects not yet completed.	Cost	N/A	N/A	N/A	N/A
INVESTMENT PROPERTY						
Investment property	Land and buildings	Fair value	0	0	N/A	N/A