



Policy Title	Asset Capitalisation Policy
Related Documentation	Asset Management Plan Asset Management Policy Asset Management Strategy Long Term Financial Plan Asset Capitalisation Thresholds Information Sheet Portable and Attractive Items Information Sheet Disposal Policy
Relevant Legislation	<i>Local Government Act 1993</i> <i>Local Government (General) Regulation 2005</i> AASB 116 – Property, Plant & Equipment AASB 13 – Fair Value Measurement
Responsible Officer	Executive Manager Corporate Services & Governance Executive Manager Infrastructure Executive Manager City Projects

**Policy details may change prior to review date due to legislative changes, therefore this document is uncontrolled when printed.**

### Objectives

This policy oversees the accounting and capitalisation (recognition) of assets for Campbelltown City Council.

This policy defines expenditure on Council assets and provides recognition thresholds for each asset class of non-current assets.

### Policy Statement

This policy provides a framework to guide the identification, recognition and measurement of non-current assets at Campbelltown City Council. This policy is necessary to ensure compliance with Australian Accounting Standards and relevant legislation.

### Scope

This policy applies to all physical assets of Council including but not limited to infrastructure, property, plant and equipment. This Policy does not apply to cash or inventory.

### Definitions

DATA AND DOCUMENT CONTROL		
<b>Division:</b> City Governance <b>Section:</b> Financial Services <b>Record No:</b> CDO-23/499	<b>Adopted Date:</b> 12/02/2019 <b>Revised Date:</b> 11/07/2023 <b>Minute Number:</b> 163 <b>Review Date:</b> 30/06/2027	<b>Page:</b> 1 of 4

**Asset:** is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. Assets include physical assets which provide future economic benefits for more than 12 months.

**Recurrent Expenditure:** is expenditure which has benefits expected to last less than 12 months and does not meet the recognition criteria for an asset. Recurrent expenditure includes operational and maintenance expenditure.

**Operational Expenditure:** is recurrent expenditure which is continuously required. Examples include electricity, fuel, staff costs, on-costs and overheads, etc.

**Maintenance Expenditure:** is recurrent expenditure which is periodically or regularly required as part of the anticipated schedule of works to ensure that an asset achieves its useful life. Maintenance expenditure includes reactive maintenance and repair, planned maintenance and minor part replacement.

**Capital Expenditure:** is material expenditure which provides benefits that are expected to last for more than 12 months. Capital expenditure includes capital renewal/replacement, capital upgrade and capital expansion.

**Capital Renewal/Replacement:** is expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure and is relatively material in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it may reduce future operating and maintenance expenditure if completed at the optimum time e.g. resurfacing or re-sheeting part of a road network, replacing a section of a drainage network with pipes of the same capacity, resurfacing an oval, etc.

**Capital Upgrade:** is expenditure which enhances an existing asset to provide a higher level of service, or expenditure that will increase the life of the asset beyond that which it had originally. Capital Upgrades increase operational and maintenance expenditure in the future because of the increase in the Council's asset base e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility, etc.

**Capital Expansion:** is expenditure that extends an existing asset at the same standard as is currently enjoyed by resident to a new group of users. It is discretionary expenditure which increases future operational and maintenance costs as it increases Council's asset base e.g. extending drainage or road network, the provision of an oval or park in a new suburb for new residents, etc.

## Recognition Principles

In accordance with Section 7 of AASB 116 – Property Plant and Equipment:

*The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:*  
*(a) it is probable that future economic benefits associated with the item will flow to the entity; and*  
*(b) the cost of the item can be measured reliably.*

Council measures the cost of an asset at recognition in accordance with Section 15 of AASB 116 – Property Plant and Equipment:

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

Notwithstanding paragraph 15, *Not-for-Profit Entities*, shall initially measure the cost of an item of property, plant and equipment at fair value in accordance with AASB 13 *Fair Value Measurement* where the consideration for the asset is significantly less than fair value principally to enable the entity to further its objectives. AASB 1058 *Income of Not-for-Profit Entities* addresses the recognition of related amounts.

Distinction between the recognition of recurrent expenditure and capital expenditure associated with the acquisition/creation of new assets is detailed as follows:

Recurrent Expenditure	Capital Expenditure
All activities prior to a decision made to proceed with investment including: <ul style="list-style-type: none"> <li>• Strategic planning reports</li> <li>• Project scoping and investigation, valuation reports, planning approvals</li> </ul>	All activities following a decision made to proceed with investment including: <ul style="list-style-type: none"> <li>• Survey and design</li> <li>• Professional fees</li> <li>• Site preparation</li> <li>• Construction</li> <li>• Contract payments</li> <li>• Council direct costs, wages, salaries, plant hire, materials, on-costs</li> <li>• Overheads</li> <li>• Supervision</li> <li>• Transport, installation, assembly and testing</li> <li>• Project Management</li> <li>• Future dismantling and removing item and site restoration (where applicable)</li> </ul>

Recognition of capital expenditure associated with the renewal of existing assets is as follows:

- Complete renewal is recognised as a new asset with the old asset being retired from the Fixed Asset Register
- Partial renewal is recognised by adding the renewal cost to the existing asset value and reviewing the remaining/useful life of the renewed asset to recognise the restored benefits to the entity

A detailed listing of the recognition thresholds for each asset class can be found at Appendix A.

### **Provisions**

Minor Assets are items acquired for a cost less than \$1,000. The materiality of a minor asset can be examined against capitalisation thresholds in isolation or the asset can be treated as being part of a homogenous group. The manner in which the materiality of minor assets of a particular kind as assessed is dependent on:

- a) If a significant proportion of these assets are replaced each year;
- b) If these assets become obsolete or are superseded in a relatively short space of time; and
- c) If the aggregate value of these minor assets is insignificant when compared to the total value of the category to which they belong.

The presence of one or more of these conditions would usually indicate that the cost of minor assets of a particular kind should be fully expensed in the year in which they are incurred. In this case minor

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assets will be examined against capitalisation thresholds individually.

Minor assets that are not capitalised are recorded in Council's Portable and Attractive Items Register. Attractive Items Registers are subject to periodic internal audit.

### Responsibility

- The Executive Manager Corporate Services and Governance and the Executive Manager Infrastructure are responsible to ensure that the acquisition and capitalisation of assets are in accordance with relevant legislation and Council Policies.
- All Directors and Managers are responsible for implementing this Policy.
- Council Officers with financial delegation and delegation to authorise work activity are responsible for ensuring that purchase, acquisition, creation, renewal of non-current assets complies with this Policy.
- The Strategic Assets Coordinator and Assets Accountant are responsible for maintaining the fixed assets register, including uploading of capitalisation information.

### Policy Review

This policy will be reviewed annually by the Responsible Officer.

### APPENDIX A: Asset Recognition Thresholds

Asset Class	Capitalisation Threshold	
	Capital New	Capital Renewal
Plant & Equipment	\$1,000	\$1,000
Office Equipment	\$1,000	\$1,000
Furniture & Fittings	\$1,000	\$1,000
Operational Land	All	N/A
Community Land	All	N/A
Land Under Roads	All	N/A
Land Improvements - Non Depreciable	\$10,000	\$10,000 and/or > 10% Asset Value
Buildings	All	\$10,000 and/or > 10% Asset Value
Roads	All	Refer to Information Sheet
Road Furniture	\$1,000	\$1,000
Kerb & Gutter	All	> 15m
Bridges	All	\$10,000 and/or > 10% Asset Value
Footpaths	All	> 15m <sup>2</sup>
Stormwater	All	\$10,000 and/or > 10% Asset Value
Other Structures	All	> \$5,000
Open Space/Recreational Assets	All	> \$5,000
Swimming Pools	All	\$10,000 and/or > 10% Asset Value

The above table should be read in conjunction with the Asset Capitalisation Thresholds Information Sheet.

## END OF POLICY STATEMENT

### DATA AND DOCUMENT CONTROL

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