AUDIT COMMITTEE

MINUTES

for the Special meeting

Friday 17 April 2020

Audit Committee

Special Meeting Minutes, Friday, 17 April 2020, at 8.35 am

Present -

Presiding Member	Mr David Powell
Deputy Presiding Member	Mr Ross Haslam
Members	The Right Honourable the Lord Mayor [Sandy Verschoor]
	Ms Paula Davies
	Councillor Hyde (Deputy Lord Mayor)
Proxy Member	*Councillor Couros [proxy for Councillor Hyde]*

Apologies -

Proxy Members	*Councillor Knoll [proxy for the Lord Mayor]*

In Attendance	Mr Mark Goldstone, Chief Executive Officer, City of Adelaide
	Ms Clare Mockler, Deputy CEO and Director Culture, City of Adelaide
	Mr Klinton Devenish, Director Place, City of Adelaide
	Ms Liz Packer, Manager Financial Accounting, City of Adelaide
	Ms Danielle Pedler, Financial Accountant, City of Adelaide
	Ms Nicole Van Berkel, Senior Business Partner Financial Planning and Analysis, City of Adelaide

Acknowledgement of Country

The Presiding Member stated:

'Council acknowledges that we are meeting on traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kaurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.'

Presentation

1. Item 2.1 – Update on Fixed Asset Guidelines – Section 2 [2020/00273] [AC]

Discussion facilitators:

Ms Liz Packer, Manager Financial Accounting, City of Adelaide

Ms Danielle Pedler, Corporate Accountant, City of Adelaide

Precis of topic:

Utilising the updated Fixed Asset Guidelines document, the Audit Committee was provided with an overview of the amendments made to the document in response to the feedback provided by the Audit Committee at its 27 March 2020 meeting.

Discussion ensued during which Ms Liz Packer and Ms Danielle Pedler responded to questions from Committee members.

The following documents are attached for reference at the conclusion of the Minutes of this meeting:

- Tabled information: Updated Fixed Asset Guidelines
- Additional information requested by the Audit Committee: Changes to the Fixed Asset Guidelines summary document
- Additional information requested by the Audit Committee: WIP Write off Analysis 2019/20 Financial Year

Exclusion of the Public

2. Item 3.1 - Exclusion of the Public to Consider [2018/04291] [AC]:

For the following item seeking consideration in confidence:

4.1 COVID-19 Update [s 90(3) (b) & (e)]

ORDER TO EXCLUDE FOR ITEM 4.1:

Moved by Mr Haslam,
Seconded by Ms Davies –

THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in s 90(3) (b) & (e) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 17/4/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 4.1 [COVID-d19 Update] listed on the Agenda.

   Grounds and Basis

   This item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to confer a commercial advantage on persons with whom the council is conducting business and prejudice the commercial position of the council. The item addresses matters affecting the security and safety of the council, members and employees of the council, and the safety of persons in our community.

   The disclosure of information in this presentation could reasonably prejudice the commercial position of the Council as it identifies Council's risk exposure and forecasts the financial impact of the COVID-19 pandemic. It outlines safety and financial measures which have workforce and contractual implications, disclosure of which at this point in time may confer a commercial advantage on a third party, prejudice the ability for Council to undertake/participate in future discussions or negotiation and prejudice the Council's commercial position and opportunity to discuss or negotiate options yet to be determined by Council at this point in time.

   Public Interest

   The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information will result in release of information prior to a determination of the Council in the matter of its medium and long-term response to the COVID-19 pandemic. The disclosure of scenarios related to Council's commercial position may severely prejudice Council's ability to discuss/participate or influence proposals for the benefit of the Council and the community. Disclosure of the safety and financial measures which have workforce and contractual implications may further cause unnecessary concern to members of the community and employees of the council.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of the Audit Committee dated 1742/2020 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 4.1 [COVID-19 Update] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (b) & (e) of the Act.

Carried

There were no members of the public or Corporation staff present not directly involved with Item 4.1 to leave the meeting at 8.52 am.

Confidential Item 4.1

COVID-19 Update

Section 90 (3) (b) & (e) of the *Local Government Act 1999 (SA)*

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The meeting re-opened to the public at 10.25 am.

Confidentiality Order

Minute 3 - Item 4.1 – COVID-19 Update [AC]

Confidentiality Order

In accordance with Section 91(7) & (9) of the *Local Government Act 1999* and on the grounds that Item 5.1 listed on the Agenda for the Special meeting of the Audit Committee held on 17 April 2020 was received, discussed and considered in confidence pursuant to Section 90(3)(b) & (e) of the *Local Government Act 1999*, this meeting of the Audit Committee, do order that:

1. The resolution, the report, the discussion and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection until 31 December 2027.
2. The confidentiality of the matter be reviewed in December 2021.
3. The Chief Executive Officer be delegated authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been revoked.

Closure

The meeting closed at 10.25 am.

Mr David Powell

Presiding Member

City of Adelaide Audit Committee

Documents Attached Below for Reference

Minute 1 - Item 2.1 – Update on Fixed Asset Guidelines – Section 2:

- Tabled information: Updated Fixed Asset Guidelines
- Additional information requested by the Audit Committee: Changes to the Fixed Asset Guidelines summary document
- Additional information requested by the Audit Committee: WIP Write off Analysis 2019/20 Financial Year

FIXED ASSET ACCOUNTING GUIDELINE

Date this document was adopted *council / administration*

PARENT DOCUMENT: ACC2020/19263 Asset Accounting Policy

PURPOSE

This purpose of this guideline is to provide the approach to be used by the City of Adelaide (CoA, or Council) 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.

The City of Adelaide is committed to:

- ensuring compliance with all Australian Accounting Standards, the *Local Government Act 1999,* and the *Local Government (Financial Management) Regulations 2011*,
- 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.

OTHER USEFUL DOCUMENTS

Legislation:

Local Government Act 1999

Local Government Regulations 2011

Australian Accounting Standards

- AASB 5 Non-Current Assets Held For Sale
- AASB 13 Fair Value Measurement
- AASB 101 Presentation of Financial Statements
- AASB 116 Property, Plant & Equipment
- AASB 120 Accounting for Government Grants and Disclosure of Government Assistance
- AASB 136 Impairment of Assets
- AASB 138 Intangible Assets
- AASB 140 Investment Properties
- AASB Practice Statement 2 Making Materiality Judgements

External Publications

Australian Infrastructure Financial Management Manual (Institute of Public Works Engineering Australasia)

Model Financial Statements 2019 (South Australian Local Government Financial Management Group)

Accounting for Cloud Based Software: https://www.pwc.com.au/assurance/ifrs/assets/spotlight-accounting-for-cloud-based-software.pdf

SCOPE

This guideline applies to the treatment of the below listed non-current assets for financial purposes:

Land	Library Books
Buildings	Civic Collection
Park Land and Open Space Assets	Furniture & Fittings
Infrastructure	Intangible Assets
Plant & Equipment	Investment Properties

The guideline does not cover leases, receivables, inventory and other non-current assets.

CONTENTS

1. INITIAL RECOGNITION AT ACQUISITION

1.1. TYPES OF ASSET ACQUISITION

Circumstances resulting in a non-current asset being acquired by Council include:

- Acquisition involving consideration such as purchased, commissioned or constructed assets.
- Acquisition at no cost or for nominal consideration – such as gifted or contributed assets.
- Asset not previously recognised but subsequently identified through revaluation, stocktakes or other processes. These assets may have been originally purchased, constructed, commissioned, contributed or donated.

1.2. RECOGNITION CRITERIA

For an asset to be financially recognised in Council's fixed asset register it must meet all of the following criteria:

1. Council has the control over the asset;
2. It is probable that future economic benefits associated with the asset will flow to Council;
3. The cost or fair value can be measured reliably;
4. The value of the asset individually or as part of a grouped or networked asset exceeds the asset capitalisation threshold; and
5. The economic benefits are expected to be received over more than one period (refer to Section 4-Depreciation for further discussion)

Below we breakdown the definition of the first four items.

1.2.1. Council has Control Over the Asset

Council has control over an asset when it has control over the benefits that flow from the asset or has the ability to restrict the access of others to those benefits. Control usually arises from the legal right of ownership; however legal rights are not essential in determining whether Council controls the flow of the future economic benefits from the asset. Questions that can be asked to determine if Council has control over an asset:

- Does Council have the ability to use the asset to achieve its objective?
- Does Council have the ability to restrict or charge for use of the asset?
- Does Council have the authority to decide how the asset will be used?
- Is Council responsible for managing the asset's wear and tear?
- Does Council bear the risks associated with holding the asset?

Council occasionally obtains control over assets for no or nominal value. These assets are gifted or contributed assets. Refer to 1.4. Gifted / Contributed Assets for discussion on when Council obtains control over these assets.

1.2.2. It is Probable that Future Economic Benefits Will Flow to Council

Future economic benefits typically arise when an asset produces goods or services that contributes to cash inflows to an entity. However, in the case of Council, where the generation of profits is not our principle objective, the future economic benefits of our assets are derived from their capacity to contribute to Council's service objectives to the ratepayers, workers and visitors of the CoA.

Services that Council are responsible for include:

- Transportation – providing adequate infrastructure for residents and workers to freely access the city's facilities;
- Flood protection – maintain channels, damns and bank protection to prevent flooding within the city;
- Environmental – reducing CoA's carbon footprint through activities such as increasing street tree canopies;
- Economic – improving technological infrastructure to enhance visitor experience and promote business development;
- Leisure and culture – providing social and cultural benefits such as artwork and library services;
- Recreation – providing activity areas such as sports fields, playgrounds, picnic areas and other facilities;
- Public Health – ensuring adequate stormwater systems are in place; and
- Corporate – maintain assets that allow CoA to provide administrative services.

1.2.3. Cost or Fair Value can be Reliably Measured

Under AASB 116.15 an item of property plant and equipment that qualifies for recognition as an asset shall be measured at cost. Under AASB 116.16 & 17 the cost comprises:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
b) 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;
c) Initial estimate of dismantling costs;
d) Costs of employee benefits arising directly from the construction or acquisition of property, plant and equipment;
e) Costs of site preparation;
f) Initial delivery and handling costs;
g) Installation and assembly costs;
h) Costs of testing functionality;
i) Professional fees;
j) Detailed design costs; and
k) Fixed overhead allocation.

In instances where costs cannot be reliably measured, the asset must not be recorded in the fixed asset register. Where an asset has been gifted or contributed to Council for nominal consideration, the asset shall be valued at its market value or depreciated replacement cost. Refer to 1.4. Gifted / Contributed Assets for further information.

1.2.3.1. Distinction between project wide and operating expenditure

Expenditure may be incurred throughout the project that relates to bringing multiple assets to the condition and location necessary to be operating as intended by management. This expenditure is referred to as project wide costs and should be proportionally allocated across all capitalised assets within the project.

However, care must be taken to ensure project wide costs meet AASB 116's recognition criteria. Refer to Appendix A for a list of project wide costs typically recognised by Council. Project wide costs shall not be allocated to non-capital items.

1.2.4. The value of the asset individually or as part of a grouped or networked asset exceeds the asset capitalisation threshold

To avoid insignificant non-current assets being recognised in the fixed asset register Council applies the following recognition thresholds:

Asset Type	Threshold
Land	$5,000
Building	$5,000
Park Land and Open Space Assets	$5,000
Infrastructure	$5,000
All Other Non-Current Assets	$5,000

Asset acquisition or construction costs that fall below the threshold will be expensed and, as such, the asset will not be recognised in the fixed asset register. Similarly, any gifted or contributed asset valued on acquisition below the recognition threshold should not be financially recognised.

If the total value of purchased or constructed network assets exceeds the capitalisation threshold, the individual component is capitalised irrespective of whether or not it exceeds the capitalisation threshold. For grouped asset such as bins, the assets might be below threshold on an individual basis, but, when considered as a group, is material in value and therefore should be recorded on asset register. CoA's asset management system (Assetic) keeps records for each individual component of a grouped asset on its register for repairs and maintenance purpose.

1.3. NETWORK AND GROUPED ASSETS

1.3.1. Network assets are defined as interconnected assets that rely on each other to provide a service. If a network asset were to be removed, the system may not function to full capacity. Individually these assets are below the capitalisation threshold but require recognition in the financial statements due to their collective value.

When it is applied:

Expenditure on networked assets for the purposes of procuring a new asset, upgrading the capability of the asset, extending the life or restoring the asset is classified as capital expenditure. If the total value of the networked asset exceeds the capitalisation threshold, the individual component is capitalised irrespective of whether or not it exceeds the capitalisation threshold. Only assets that form a network or part of a network are to be capitalised.

Examples of networked assets include the following:

- Roads and associated assets including kerb and water table, footpaths, cycleways and reseals or asphalt overlay of roads;
- Stormwater network – including lined channels, underground culverts and pipe components;
- Irrigation – underground pipe components, telemetry equipment and water meters;
- Traffic lights
- Library books
- Archival collection

1.3.2. Grouped Assets are a collection of homogenous-type assets which individually fall below Council's asset recognition threshold but when considered in combination are material in value and therefore should be recorded on the balance sheet.

This principle should be used for assets that fundamentally have the same characteristics, resulting in same assumptions around the useful life and depreciation. In determining what constitutes a grouped asset, the following criteria should be considered:

- Assets are below the recognition threshold level on an individual basis but when considered as a whole are material;
- Individual items are homogenous in nature and typically purchased rather than constructed;
- Useful life and consumption patterns of individual items are approximately the same.

Assets that are currently grouped include:

- BBQs;
- Bike Racks
- Bins
- Bollards
- Bus Shelters
- Drinking Fountains
- Fences
- Gates
- Parking ticket machines
- Picnic Tables
- Planter Boxes
- Seats
- Signs

For Council's purpose to monitor the condition of each grouped asset for asset management or risk purposes, each asset will be individually identified, and condition assessed.

1.3.3. Distinction between Networked Assets and Grouped Assets:

Networked Asset	Grouped Assets
Items are functionally interdependent	Items are functionally independent
Items have different characteristics and function with different useful lives	Items have similar characteristics and approximately the same useful life

1.4. GIFTED / CONTRIBUTED ASSETS

Occasionally, Council may receive gifted or contributed assets from one of the following sources:

- State or other government entities;
- Developers; or
- Bequests.

Council must firstly determine whether they wish to accept the asset prior to recognising the asset in the fixed asset register. The following must be taken into consideration before accepting a gifted asset:

- What will be the ongoing costs to maintain the asset (consider both maintenance costs and resources)?
- Is the item of a specialist nature requiring a skill set unavailable within Council?
- Do we have adequate storage to hold the asset (e.g. for items donated to the civic collection); and
- What are the risks associated with holding the asset?

Once the decision has been made to accept the asset, evidence of the transfer of ownership and valuation must be obtained to recognise the asset in the fixed asset register.

1.4.1. Ownership

The majority of gifted or contributed assets shall be recognised at the point at which legal title is transferred to Council. For land, this may be a land title notification. For other types of assets, it may be a legal contract, Council decision letter or deed.

Ownership of developer contributed infrastructure assets shall be measured and recognised at the point they become "On maintenance". During the "On Maintenance" period, the assets are covered under a warranty and the developer is required to cover all costs to maintain the asset. Once Council completes the asset's final inspection, the asset will become "Off Maintenance" and all costs associated with managing and maintaining the asset are expensed by Council.

Following are examples of when ownership or control over the asset has been transferred:

Asset	Control/Ownership
Land and Buildings	When property title transferred
Contributed Infrastructure Assets	Commencement of the "On Maintenance" period
Plant and Equipment	When item is formally handed over to Council
Other Assets	Legal Title transferred

1.4.2. Valuation

Gifted or contributed assets are typically acquired for no or nominal consideration. Under these circumstances at initial recognition the item shall be recognised at fair value as at the date it is acquired.

Fair value is obtained via either:

- Market Value - for buildings, land or civic collection items that are part of an active market
- Depreciated Current Replacement Cost – applicable to all other assets

The majority of Council's IPPE are measured at depreciated replacement cost. Therefore, in determining the fair value of gifted/contributed infrastructure asset either the most recent unit rate must be used or a recent invoice for a similar item.

1.5. SPARE PARTS INVENTORY

Occasionally excess materials will be purchased in a capital project. When excess materials have been purchased these shall be recorded as spare parts in the project asset register handover form and classified as inventory or plant and equipment in the ledger.

Spare parts and servicing equipment are normally carried as inventory under AASB 102 Inventories, however there are some instances as described below where they should be recognised under AASB 116 – Property, Plant and Equipment.

The following provides guidance for when an item should be classified as inventory or plant and equipment:

AASB 102 - Inventory	AASB 116 - Plant and Equipment
• Are the spare parts held for sale or use in after sales, materials, consumable stores and other supplies, which would generally be consumed in a production process or in rendering services. Example: spare pavers that may be used for footpath maintenance purposes.	• Are the spare parts material in value and it is expected that they would be used over more than one period; or • Can they only be used in connection with an item of infrastructure, property, plant and equipment. Example: a spare engine.

Project wide costs shall not be allocated to the spare parts when preparing the Project Asset Register. Project wide costs shall only be applied to the spare parts if utilised in a separate capital project.

Spare parts purchased specifically for a particular asset (or class) that could be redundant where that asset is retired, or its use discontinued, form part of the historical cost of the asset. If the spare parts can only be utilised in connection with an item of infrastructure, property, plant and equipment, it should be depreciated at the same rate as the related asset. Spare parts recorded as inventory under AASB 102 shall be reviewed annually for obsolescence.

For further information on the process surrounding spare parts inventory, refer to the attached ProMapp Process.

1.6. ASSETS HELD FOR SALE

Recognition

When an asset is acquired for the purpose of resale and meets the following criteria, it should be classified as "Held for Sale" current asset in the financial statements.

	Recognition Criteria
Assets Held for Sale	• A commitment to sale plan has been adopted by Council. • Marketing of the asset has been actively undertaken at a price commensurate with its fair value. • A sale is expected to happen in the next 12 months after the asset has being classified as Held for Sale. The timeframe can be extended due to circumstances beyond Council's control so long as there remains a commitment to the sale. • It is unlikely that Council's commitment to sell will be significantly changed or withdrawn.

Moreover, where an item initially acquired for continuing operation purpose but subsequently meets the criteria above, it needs to be reclassified as Held for Sale.

Assessment

Held for Sale assets need to be assessed at each reporting period by the Financial Accountant or Corporate Accountant. If the abovementioned criteria are no longer applicable due to changing circumstances, the asset must be reclassified to non-current and included within the relevant asset class.

Measurement

Council shall measure a held for sale asset at the lower of its carrying amount or fair value less costs to sell.

2. SUBSEQUENT EXPENDITURE AFTER ACQUISITION

2.1. CAPITALISATION OF WIP

2.1.1. Distinction between capital, maintenance and operating expenditure

Expenditure on infrastructure assets typically falls into two classes of expenditure being:

- Capital expenditure; and
- Operating expenditure.

Capital Expenditure

Capital expenditure is expenditure of which the resulting benefits are expected to be consumed over multiple years. Capital expenditure is usually made under one of the following categories:

New Assets – Expenditure on a new asset that previously did not exist or, where the footprint of an existing asset is extended, the portion of the asset that was extended.

Upgraded Assets – Expenditure which enhances the existing asset to a higher level of service, including where superior materials have been used or the service capacity has increased above that endorsed by Council's asset management plan.

Renewed Assets **–** Expenditure on an existing asset which increases the service potential or the expected life of the asset. Renewed assets also cover those where:

- the technology or materials are outdated and therefore a modern equivalent has been used; and
- the works have been performed to ensure the asset meets legislative requirements.

Where an asset is partially renewed, its service potential increases but not up to its original service potential (refer to Section 2.3 below for further discussion).

Operating Expenditure

Operating expenditure is usually classed as one of the following categories:

Maintenance Expenditure – periodic or reactive expenditure required as part of the anticipated schedule of works to ensure that the asset is able to deliver the desired service levels throughout its intended useful life. Maintenance expenditure does not significantly increase service potential or extend an assets useful life.

Operational Expenditure – periodic expenditure required to provide the regular service activities within the asset class.

Refer to Appendix B for how Council distinguishes between the different expenditure streams for each asset class.

2.2. BUDGETING PROCESS

During the budgeting process, the cost components of each capital project shall be determined. Any expenditure expected to be operating or maintenance in nature shall be identified during this process so accurate capital and expense reporting can be communicated to Council.

Capital budgets shall be reviewed and updated on a quarterly basis to ensure capital and expense components continue to accurately reflect expectations.

2.3. PARTIAL RENEWAL

Projects involving roads, kerbs and footpaths may involve minor works on asset segments which will not extend the overall useful life or improve the condition of the asset.

For these assets, Council have defined the point at which a partial capitalisation occurs to be in line with below:

Portion of Asset	Condition Rating
0-10%	No change as works are deemed maintenance on the asset.
10-90%	Condition rating adjusted per Asset Managers formula.
90-100%	Considered a full renewal. Condition of asset is reset to 0

Refer to Section 4.2 Useful Life for how the useful life is calculated in Assetic under the above scenarios.

3. CLASSIFICATION OF ASSETS

The following table is to provide a classification of assets recognised in Council's fixed asset register and financial statements.

Asset Group – Financial Statements	Asset Category	Asset Component
LAND	Crown Land	Crown Land
	Land	Land
BUILDINGS	Structural	Structural
	Other Building Components	Electrical Services
		Fire Services
		Fit Out (kitchens, carpets, bathrooms etc)
		Hydraulic Services
		Mechanical Services
		Roof
		Vertical Transport Services
PARK LAND and OPEN SPACE ASSETS	Open Space Assets	Green Assets
		Tree Grates
		Strata cells
	Water Features	Water Features (boating ponds, rock pools)
	Irrigation	Irrigation main
		Master Valve
		Back Flow Main
INFRASTRUCTURE	Roads	Wearing Course
		Base Course, Lower Sub Base, Upper Sub Base
	Bridges	Deck surface
		Super structure Main
		Sub-Structure Main
		Railing
		Culverts
		Minor Bridges
	Footpaths	Footpaths Main
		Wearing Course
		Base Course
		Access Ramps
	Kerb & Water Table	Kerb and Water Table
		Traffic Control Devices
	Stormwater and Drainage Network	Earth retaining structures
		Easements
		Links
		Nodes

Asset Group – Financial Statements	Asset Category	Asset Component
INFRASTRUCTURE (cont'd)	Stormwater and Drainage Network (cont'd)	Weir Components
	Traffic signals	Poles
		Lanterns
		Controller Main
		Conduit Pit
		Conduit
		Cable
	Lighting and Electrical	Public lighting
		Electrical switchboards
		CCTV
		Smart technology
	Urban Elements	Arts and culture (public art and memorials)
		Furniture (BBQs, bike racks, bollards, drinking fountains, picnic tables, planter boxes, seats)
		Other structures (arbours, rotundas, pergolas)
		Recreational (sports fields, playground equipment)
		Signs (custom, regulatory and street)
		Structures (bus shelters, fences, gates, boat landings, retaining walls)
		Ticket machines
		Waste (bins)
OTHER	Plant & Equipment	Plant (trucks, loaders, graders, tractors, mowers, forklifts etc)
		Light vehicles (passenger vehicles and motor bikes)
		Other Equipment (machinery, pumps and tools)
	Library Books	Library books
		Audio visual
	Civic Collection	Artwork (Portraits, paintings, prints)
		Artefacts
		Antique Furniture
		Ephemera
		Medals, Gold, Silver
		Maps
		Clocks
		Antiques
	Office Furniture & equipment	Furniture (desks, cabinets, partitions, cupboards)
		Office Equipment (microwaves, computers, servers, routers, printers, photocopiers, white boards)
		Software (licensed) (purchased software)

4. ACCOUNTING FOR THE DEPRECIATION, USEFUL LIFE AND RESIDUAL VALUE OF ASSETS

4.1. DEPRECIATION METHOD

Depreciation is the systematic allocation of the depreciation amount of an asset over its useful life (AASB 116.6). The straight-line depreciation method is adopted by Council to reflect patterns of consumption for all non-current assets other than land, the civic collection, public art, memorials and investment properties, which are not subject to depreciation. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change.

Straight- Line Formula:

Depreciation = (Net Book Value – Residual Value) / Remaining Useful Life

In doing so, due consideration is required to ensure:

i. Where the asset has several different components with varying patterns of consumption, each major component is depreciated separately (AASB 116.43). However, Council may elect to depreciate separately parts of an item that do not have significant cost.
ii. Depreciation is to be calculated on a systematic basis over the asset's useful life (AASB 116.50)
iii. A residual value has been determined to ensure the depreciation is allocated against the depreciable amount.
iv. A residual value based on salvage or scrap principles should only be allocated to an asset whenever there is some certainty on its condition at the end of its useful life. In general, this precludes the allocation of residual value to most of Council's depreciable asset types due to their long-life nature. Common exceptions are certain items of plant, equipment and fleet, which Council retains for a stipulated short-term period before being traded or disposed.

4.1.1. Date to Start Depreciating

Depreciation starts from the date of:

- practical completion for assets capitalised as part of a capital project (this date to be provided by the authorised officer); or
- acquisition of the asset, the date of installation or the date the asset is available for use.

When recording depreciation in Assetic, depreciation shall be calculated at the end of the day, except when the asset has been capitalised at 30 June, where it should be recorded at the start of the day. This is since asset revaluations are conducted on the 30th of June at the end of the day and therefore cannot have depreciation calculated at the same time.

Refer to Appendix C for the current depreciation periods for each asset class. Note these are subject to change when revaluations are performed.

4.2. USEFUL LIFE

The useful life of an asset or part of an asset is the period over which an asset is expected to be available for use by Council. Therefore, the useful life to Council may differ from the asset's potential physical life or economic life. For example, Council may renew road assets when they reach a certain condition rating, notwithstanding that they could continue to be used. Alternatively, Council may continue to use a road past the point when it would be optimum to renew it, due to resource constraints.

For most infrastructure assets the duration (the period over which an asset or component will be used) will be the appropriate basis for measuring useful life.

Financial reporting standards require the useful life of an asset to be reviewed annually, with changes in useful life for an asset class to be accounted for as a change in an accounting estimate.

The following table refers to how the useful life should be calculated in Assetic.

Project Treatment Type	Calculation Method
Acquisition – Constructed	Retrospective
Acquisition – Gifted	Retrospective
Acquisition - Purchase	Retrospective
Full Renewal	Retrospective
Partial Renewal	Prospective

How to estimate useful life

The long-lived and complex nature of infrastructure assets makes the reliable estimation of useful life difficult. Council use the historic records of the current age of existing assets and the achieved ages of assets that have been replaced. Asset condition data is required to complement historic data, or as a surrogate when historic records are not available.

Condition data can be used to determine remaining useful life (i.e. when an asset or component is likely to be replaced). It can also be used to confirm current estimates of total expected useful life, based on the expected rate of deterioration of an asset or component.
Systematically capturing condition data over a number of years on a consistent basis will also allow Council to better understand the actual rate of degradation or deterioration of their infrastructure assets. The actual rate of degradation should be compared to the expected rate to determine whether current estimates of total and remaining useful life remain valid.

Useful life by component

Where an asset, such as buildings, comprises a number of major components, it is desirable to initially establish useful lives for each component. For example, lifts, air conditioning and lights may have different useful life with buildings and may be replaced during the building's life.

4.3. RESIDUAL VALUE

AASB 116 defines residual value as the estimated amount that would be obtained today from the disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and condition expected at the end of its useful life. For assets expected to be traded at the end of their useful life, consideration needs to be given to the salvage or scrap value and second-hand market when estimating residual value.

The residual value of the asset is what is expected to be obtained at trade in. Due to the long-life nature of most of the Council's asset, residual value based on salvage or scrap principle should only be allocated to an asset whenever the certainty exists on its condition at the end of its useful life.

For the avoidance of doubt, residual value does not include expected cost savings from reuse of part of an asset.

Residual values are not recognised for infrastructure assets as they do not have a resale or trade- in value by their very nature and when decommissioned are generally left in place or removed at considerable cost. The cost of decommissioning will ultimately outweigh any potential scrap value of infrastructure assets.

For components of most infrastructure assets that are to be replaced, the residual value of an asset is zero and has no effect in the calculation of the depreciable amount.

4.4. ANNUAL REVIEW OF DEPRECIATION PARAMETERS AND USEFUL LIFE AND RESIDUAL VALUE

AASB 116 requires the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

4.4.1. Impact of Climate Change on Asset Useful Lives

When undergoing the annual review, Asset Managers shall consider the potential reduction of an asset's useful life resulting from changes in the climate. Changes in climate are likely to impact useful lives through either physical damage or chemical deterioration (e.g. melting of bitumen road due to heatwaves or corrosion of concrete exposed to water and salts). When considering the impact of climate change on the useful life of an asset, refer to IPWEA Practice Statement 12.1.

5. DERECOGNITION OF IPPE

5.1. DISPOSALS (FULL AND PARTIAL)

An asset must be disposed from the asset register when one of the following occurs:

- Ownership of the asset has transferred to another party;
- Significant or major works have been conducted to a portion of the asset (i.e. the asset has been partially renewed);
- The asset has been damaged and will not be replaced; or
- No future economic benefits are expected from the use, replacement or disposal of the asset.

Where a partial renewal has been conducted on the asset, the same portion of the asset shall be derecognised from the fixed asset register.

The date of disposal shall be either:

- The date ownership has been transferred to an external party;
- The project completion date; or
- The date the decision is made that the asset will not be replaced.

5.2. ACCOUNTING FOR DISPOSAL

On derecognition of an asset, the net written down value of the asset shall be derecognised from the ledger and gain or loss on disposal recorded in profit or loss.

6. REVALUATION – INFRASTRUCTURE PROPERTY PLANT AND EQUIPMENT (IPPE)

In accordance with the Australian Accounting Standards, upon recognition of an asset Council must elect to choose the cost model or the revaluation model for subsequent measurement of the asset. Whichever method is selected shall be applied to the entire asset class of that asset.

6.1. COST MODEL

Under the cost model, assets are recognised at their cost less any accumulated depreciation or impairment. Asset classes which are measured under the cost model include:

- Open Space Assets – Water Features
- Open Space Assets – Green
- Plant and Equipment
- Office, furniture and equipment
- Intangible assets

The cost model has been selected for these items due to their relatively short life or the complexity involved in valuing these items. Due to the complexity of revaluing green assets and water features, Council have elected to recognise these under the cost model and depreciated over their useful life.

6.2. REVALUATION MODEL

Under the revaluation model, the asset must be recognised at fair value at the date of revaluation less any accumulated depreciation and subsequent accumulated impairment losses.

Market based evidence shall be used, where available, to value IPPE assets and, if market-based evidence is unavailable, assets shall be valued at depreciated replacement cost.

Given the majority of Council's assets is infrastructure, and therefore not a part of an active market, assets are mostly revalued at depreciated replacement cost (DRC). Table 1 illustrates the valuation approach used for each asset class:

Asset Class	Fair Value Input*	Valuation Approach
Land – Crown	3	DRC
Land – Other	2	Market Value
Land – Community	3	DRC
Open Space Assets – Irrigation	3	DRC
Buildings – Commercial	2	Market Value
Buildings – Corporate	3	DRC
Stormwater and Drainage	3	DRC
Bridges	3	DRC
Footpaths	3	DRC
Kerb and Water Table	3	DRC
Lighting and Electrical	3	DRC
Roads	3	DRC
Traffic Signals	3	DRC
Urban Elements	3	DRC
Civic Collection	2 & 3	Market or DRC

Table 1 – Valuation approach for asset classes

*Fair Value Level	Description
1	Quoted prices in an active market for identical assets of liabilities that can be accessed at the measurement date.
2	Are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
3	Unobservable inputs for the asset or liability

When one item of IPPE is revalued, the entire asset class of that IPPE shall be revalued. The revaluation shall be accounted for in one of two ways:

- Gross revaluation method – where the current replacement cost and accumulated depreciation is adjusted proportionately to reflect the new amount; or
- Net revaluation method – where the accumulated depreciation is eliminated against the current replacement cost of the asset.

Council uses the gross revaluation method across all asset classes, with the exception of buildings, land, public art, memorials and civic collection assets valued at market value, which are accounted for using the net revaluation method. The gross revaluation method is used on assets measured at DRC so that the historical cost is maintained in balance sheet with remaining useful life adjusted to reflect service capacity. As the historical cost is not relevant to assets held at market value, the net revaluation method is used for these remaining asset classes.

6.2.1. Timing of Revaluations

Comprehensive revaluations must be conducted with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the end of the reporting period. Therefore, to ensure the valuation of an asset class is materially correct, comprehensive revaluations must occur every three to five years.

Refer to ACC2020/44047 for the revaluation schedule for each asset class.

Revaluations shall exclude new or renewed assets that were capitalised within the revaluation year.

6.2.2. Interim Revaluations

At each reporting period Council shall assess whether the valuation of an asset class differs materially from its carrying amount. To ensure assets are materially correct in between revaluation years, Asset Managers shall annually review the relevant price indices for infrastructure assets. If the average indices rate or unit rate for an asset class has moved ±1% since the last full revaluation, a desktop revaluation (being a revaluation undertaken without physical inspection of the asset) shall be conducted on all asset classes that are not undergoing a full revaluation for that financial period. Relevant price indices shall consider the effects of technology changes as well as specific or general price levels. For this reason, the consumer price index (CPI) is not an accepted price index for valuing infrastructure.

6.2.3. Treatment in Assetic

Assetic provides an option of performing the valuation at the beginning or the end of the day on the prescribed date. When processing a revaluation through Assetic, the revaluation shall be conducted at the end of the day.

6.2.4. Accounting for Revaluations

If an asset's carrying amount has increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading revaluation surplus. However, the revaluation increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

If an asset's carrying amount has decreased as a result of the revaluation, the decrease shall be recognised in other comprehensive income to the extent that it offsets against any revaluation surplus previously recognised for that asset. This in turn will reduce accumulated equity being the revaluation surplus for that asset. Any revaluation decrease that exceeds the revaluation surplus previously recognised in equity shall be recorded in profit or loss.

7. STOCKTAKES

7.1. INFRASTRUCTURE, PARK LAND AND OPEN SPACE ASSETS, LAND AND BUILDINGS

Infrastructure, Park Land and Open Space Assets, Land and Buildings are all tracked through Assetic and location mapped through GIS. Stocktakes of these assets are conducted in conjunction with the condition audits and revaluation of the asset class, being ever three to five years. Council considers this to be sufficient to ensure the existence and completeness of assets recorded in the register.

7.2. PLANT AND EQUIPMENT

The plant and equipment asset register is recorded in Assetic. An annual stocktake shall be conducted of the asset register to confirm assets are still held at the depot.

7.3. OFFICE FURNITURE AND EQUIPMENT

The office, furniture and equipment register is recorded in TechOne. An annual review of equipment older than 5 years shall be conducted to confirm assets are still held by Council.

7.4. CIVIC COLLECTION

A stocktake of the civic collection is to be conducted at the time of revaluation.

7.5. PORTABLE AND ATTRACTIVE ITEMS

An stocktake shall be conducted of portable and attractive items on a rolling category approach with any anomalies followed up promptly.

A monthly review shall be performed of account 6824 – Non-Current Assets <$5,000 with any portable or attractive items added to the *Portable and Attractive Items Register*. As part of the monthly review, any items that have been incorrectly allocated to this account shall be reclassified to the correct account.

8. IMPAIRMENT

8.1. INTRODUCTION

Under the requirements of AASB 136, Council is required to assess each financial year at reporting date if there are any indicators that an asset may be impaired.

Management need only assess assets that are considered to have a material effect on the financial statements should they be impaired. Assets that are deemed to have a material effect are those with carrying value >$200,000.

Additionally, in the case of not-for-profit entities, AASB 136 Aus5.1 notes that assets are not primarily held for their ability to generate cash inflows and are typically held for continuing use of their service capacity. As these assets are rarely sold and costs of disposal are typically negligible, the recoverable amount is considered to be materially the same as their fair value. Any specialised assets that meet this criterion and are regularly revalued under AASB 116 may be excluded from impairment testing under AASB 136. Given Council undertake regular revaluations, it is expected any increments or decrements in the fair value of those assets are captured with sufficient frequency. However, Council must assess each reporting period whether there has been a reduction in service capacity of a specialised asset and, if required, revalue downwards (refer Section 6 – Revaluations).

8.2. ASSESSMENT

The annual assessment shall be documented regardless of whether any impairment is found. If no indicators of impairment exist, Council must document that an analysis was undertaken, and no impairment indicators were found.

1. Assessing whether an asset may be impaired

Management should consider any internal or external events that occurred during the year that may indicate an asset is impaired. Examples of such circumstances include:

Source	Information	Example
External	Reduction in Demand	A convention centre's major lessee has declined to renew its lease with the result that the facility is expected to close.
	Change in Operating Environment	Play equipment in a children's playground is made unusable and redundant by new safety legislations.
		Computer software no longer supported by the supplier because of technological advances.

Source	Information	Example
Internal	Physical Damage or Obsolescence	Building or infrastructure assets are damaged by fire, flood, storm, cyclone or other factors.
		Load limits are placed on a bridge after an inspection reveals structural deficiencies.
	Change in Use	A sewerage ocean outfall has its use reduced to only during the wet season by the commissioning of a water reuse scheme to store treated effluent and irrigate adjacent forest land in the dry season.
	Adverse Service Performance	A sport stadium is closed due to operating costs being significantly greater than operating budgets.

If management finds that an impairment indicator exists, the recoverable amount of the asset shall be determined (refer to step 2).

If no indicators exist, no further work is performed (other than documenting the process undertaken).

2. Determining the Recoverable Amount

If an indicator of impairment exists, management must determine the recoverable amount of the asset. The recoverable amount is defined as the higher of the:

- fair value less costs to sell; or
- value in use.

The fair value less costs for Council assets are either the market value, where a market is readily available for the asset, or the depreciated replacement cost. Refer to Section 6 – Revaluations for further information.
The value-in-use refers to present value of future cash flows derived from the asset. The value in use approach is not applicable for Council, as Council's assets are not primarily used for the purpose of deriving income. Therefore, the concept of recoverable amount can be summarised as being the higher of:

- Market value where a readily available market exists; or
- Depreciated current replacement cost.

If the carrying amount of an asset exceeds the recoverable amount an impairment loss is recorded.

Carrying Value > Recoverable Amount = Impairment Loss
Carrying Value ≤ Recoverable Amount = No Impairment

3. Accounting for the Impairment Loss

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 comprehensive income.

Refer to Appendix E for Impairment Testing Flow Chart.

8.3. REVERSING AN IMPAIRMENT LOSS

Each reporting period, Council shall assess whether there is any indication that an impairment loss previously recognised for an asset no longer exists or has decreased.

If Council assesses that the impairment loss no longer exists, this may indicate that the remaining useful life, depreciation or amortisation method or the residual value may need to be reassessed even if the impairment loss is not reversed.

The impairment loss shall be reversed if there has been a change in estimates used to determine the asset's recoverable amount. The increase in the asset's carrying amount shall not exceed the carrying amount had no impairment loss be previously determined.

A reversal of impairment on a revalued asset shall be recognised as other comprehensive income and an increase in the revaluation surplus. However, if the impairment loss for the same class of asset was previously recognised in profit or loss, it shall be recorded in the statement of comprehensive income to the extent the impairment was previously recorded.

When reversing the impairment loss of an (completed) asset that was impaired when the asset was WIP, the reversal is to go through the Statement of Comprehensive Income. As the reversal relates to an asset that was previously recognised at cost, the initial impairment would have been recorded through the Statement of Comprehensive Income.

9. INVESTMENT PROPERTIES

9.1. DISTINGUISHING INVESTMENT PROPERTY FROM OWNER-OCCUPIED PROPERTY

Investment properties are distinct from owner-occupied property in the way income is generated from these assets. Investment properties comprise property held by Council to generate rental income or for capital appreciation and are accounted for under AASB 140 – Investment Properties. In contrast, Council's owner–occupied property is used for administrative purposes or in the supply of goods or services, with the related cash flows attributable to the property and other assets. AASB 116 – Property, Plant and Equipment applies to owner-occupied property and AASB 16 – Leases applies to owner-occupied property held by the lessee as a right-of-use asset (not covered in this guideline).

Examples of investment properties

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business
- Land held for a currently undetermined use. Under this scenario, if land is not owner-occupied or to be sold in the ordinary course of business then it is regarded as being held for capital appreciation
- A building owned by Council, or right-of-use asset leased by Council, that is being leased out under one or more operating leases (e.g. a shopping centre).
- A building that is vacant but planned to be leased out under one or more operating leases
- Property that is being constructed or developed with the future use intended to be for investment property.

Examples of property that is not investment property

- Property held for sale in the ordinary course of business shall be treated as inventory under AASB 102 Inventories
- Owner-occupied property (e.g. property occupied with employees or used in the production of goods or services)
- Property held for strategic objectives (e.g. a building which is used to provide a social service or land strategically purchased to provide future development). Note when land has been strategically purchased for future development, any subdivisions due for sale form part of *Inventory* under *Real Estate Developments*.

9.2. RECOGNITION AND SUBSEQUENT MEASUREMENT OF INVESTMENT PROPERTIES

Investment property shall be initially recorded at cost when it meets the asset recognition criteria (refer to Section 1.2 – Initial Recognition Criteria).

The cost comprises:

(a) Purchase price, including taxes, professional fees or legal fees and other transaction costs; and
(b) Start-up costs that are required to get the property in a condition necessary for it to be capable of operating in the manner intended by management.

Expenditure that shall not be recognised in the initial cost of an investment property:

(a) start-up costs that **are not** necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by management;
(b) operating losses incurred before the investment property achieves the planned level of occupancy; or
(c) abnormal amounts of wasted material, labour or other resources incurred in constructing or developing the property.

9.3. SUBSEQUENT MEASUREMENT

Council have elected to value investment properties under the fair value model. Therefore, the rental income from current leases and other assumptions market participants would use when pricing investment property shall be reflected in the fair value of the property.

To ensure Council's investment properties are materially correct, a desktop valuation must be conducted annually either internally by the rates team or externally by a qualified valuer.

9.4. ACCOUNTING FOR INVESTMENT PROPERTY

The carrying value of Council's investment properties shall be adjusted at each reporting period to reflect the fair value of the property.

The gain or loss on the fair value of the investment property shall be recognised in profit or loss in the period it is incurred.

Investment property recognised under the fair value model is not required to be depreciated.

10. INTANGIBLE ASSETS

10.1. INITIAL RECOGNITION CRITERIA

AASB 138 defines intangible assets as identifiable non-monetary assets without physical substance. In order to recognise an intangible asset, the following criteria shall be met:

1. Identifiability
2. Control over a resource
3. Existence of future economic benefits; and
4. Cost of the intangible asset can be reliably measured.

1. Identifiability

The definition requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill acquired in a business combination and not capable of being individually identified and separately recognised. An asset meets the identifiability criterion in the definition of an intangible asset when:

a) It is capable of being separated or divided from Council, and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
b) Arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Where the software is a component of an asset that has a significant physical component and the physical component could not operate without the software, the software is not separately identifiable and therefore classified as part of the physical asset in accordance with AASB116. Items of this nature will be classified as Office, Furniture and Equipment.

2. Control

Control cover an asset has been defined in "Initial Recognition at Acquisition" Section 1.2 and reflects the ability of Council to access future economic benefits from the asset and restrict the access of others to those benefits. Control of an intangible asset usually arises when an entity acquires legal title for hardware and IP licences or otherwise has contractual or legal rights to a specific asset. When Council accesses cloud services (refer section 10.6 below), Council's right to access the software does not give rise to the ability to gain future economic benefits from the software or restrict others' access to those benefits. In this instance the cloud service provider retains control of the intangible asset.

3. Future Economic Benefits

The future economic benefits flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by Council. For example, the use of new system in a production process may reduce future production costs rather than increase future revenues.

4. Cost Can Be Reliably Measured

The intangible asset shall be measured initially at cost.

For intangible assets that are acquired, costs may be reliably measured by way of purchase invoice.

Complexities arise when Council undergoes projects where an intangible asset may be internally developed as the majority of expenditure arises through Council employee's salaries and wages or consultants engaged. Internally developed intangible assets have components that may be capitalizable or expensed, of which employees or consultants may work on at the same time.

It is therefore imperative that clear records are kept of when an employee or consultant works on a capitalizable activity versus an operating activity. This may include clearly documenting in a timesheet or invoice time spent on the relevant activities.

Further discussion on internally developed intangible assets can be found below under Section 10.5.

As a not-for-profit entity, Council may also acquire intangible assets for a nominal amount. In these circumstances, Council shall measure the cost at its fair value as at the date of acquisition with any surplus recognised in accordance with AASB 1058 Income of Not-for-Profit Entities.

Quoted market prices in an active market provide the most reliable estimate of the fair value of an intangible asset. If no active market exists, the fair value of an intangible asset is the amount that Council would have paid at the acquisition date. In determining this amount, Council should consider the outcome of recent transactions for similar asset.

10.2. TYPES OF INTANGIBLE ASSETS

There are two types of intangible assets that Council will most commonly come across in their operations, being:

- Assets that have been separately acquired; and
- Assets that have been internally developed.

Intangible assets may also be acquired as part of a business combination, which gives rise to the recognition of goodwill. As Council doesn't typically operate in the space of acquiring business', this guideline will only focus on the treatment of the above listed scenarios. Should Council plan to acquire a business in future, please contact Finance to discuss recognition treatment.

The following are examples of intangible assets:

Intangible Asset	Explanation/ Examples
Licenses	Business licenses in a highly regulated industry such as banking licenses and fishing licenses.
Trademarks	Trademarks and other visual symbols of a brand such as trade dress. For example, Target's trademark has become a red bullseye, widely recognized by consumers.
Patents	Right to inventive designs and solutions such as software patents.
Copyrights	Right to creative and intellectual work such as a novel copyright.
Rights	Rights enshrined in contracts such as mortgage servicing rights.
Research and Development	Results of research and development such as internally developed software.

10.3. SEPARATE ACQUISITION

At initial recognition, the cost of a separately acquired intangible asset includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any directly attributable cost of preparing the asset for its intended use.

Directly attributable costs include:

- Salaries and wages arising directly from bringing the asset to working condition;
- Professional fees arising directly from bringing the asset to working condition (e.g. consultants fees); and
- Costs of testing whether the asset is functioning properly.

Expenditure that shall not be capitalised as part of an intangible asset includes:

- Advertising and promotional activities;
- Staff training; and
- Administration and other general overhead costs.

10.4. ACQUISITION BY WAY OF A GOVERNMENT GRANT

Intangible asset may be acquired free of charge, or for nominal consideration by way of a government grant. For example, the government may transfer or allocate to Council intangible assets such as licences to operate radio or television stations or the right to access restricted resources. In accordance with AASB 120, Council may choose to recognise both the intangible asset and the grant initially at fair value or recognise at a nominal amount plus any expenditure that is directly attributable to preparing the asset for its intended use.

10.5. INTERNALLY GENERATED ASSETS

To assess whether an internally generated intangible asset meets the criteria for recognition, Council should classify the generation of the asset into the:

(a) research phase; and
(b) development phase.

All costs incurred during the research stage are expensed when they are incurred. This stage includes:

- activities aimed at obtaining new knowledge;
- the search for, evaluation and final selection of, applications of research findings or other knowledge;
- the search for alternatives for materials, devices, products, processes, systems or services; and
- the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.

The development stage of an internal project includes design, construction and testing prior to the asset being available for use. In the development stage, expenditure is capitalised if it meets all the requirements set out in AASB 138.57, as listed below:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) its intention to complete the intangible asset and use or sell it.
(c) its ability to use or sell the intangible asset.
(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If the above criteria are not met, development expenditure is expensed.

If an internal project cannot distinguish its research phase from the development phase, the entity treats the expenditure on that project as if it were incurred in the research phase only.

The cost of an internally developed intangible asset shall include all expenditure directly attributable to create, produce and prepare the asset to be capable in the manner intended by Council, and includes:

(a) costs of materials and services used or consumed in generating the intangible asset;
(b) costs of employee benefits (as defined in AASB 119) arising from the generation of the intangible asset;
(c) fees to register a legal right; and
(d) amortisation of patents and licences that are used to generate the intangible asset.

Expenditure that may not be capitalised includes:

(a) administrative costs and other general overhead expenditure;
(b) identified inefficiencies or operating losses before the asset achieves its required performance;
(c) staff training costs; or
(d) expenditure recognised in a previous period.

If a decision is made to terminate or materially rescope a project, any expenditure that was capital shall be expensed.

Refer to Appendix F for examples of expenditure that may be capitalised from an internally generated intangible asset.

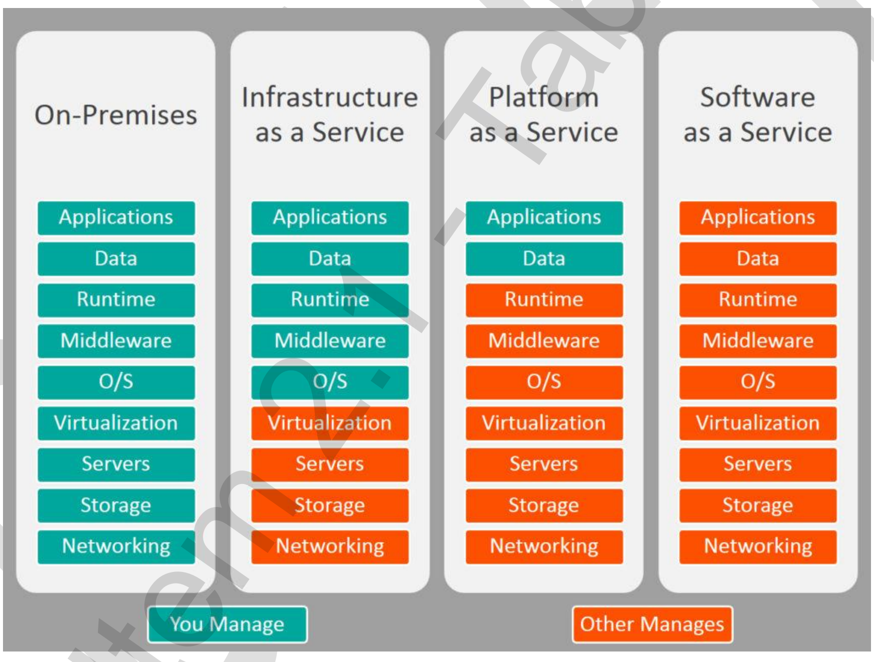
10.6. CLOUD-BASED SOFTWARE AND COUNCIL PROJECTS

There are four scenarios Council most commonly uses in our information management (IM) capital projects, with varying degrees of involvement with cloud services. Additionally, within each IM capital project Council may use a hybrid of the below scenarios.

Software as a Service (SaaS)	Software applications are delivered over the internet, on demand and usually via subscription. Under these agreements a third-party provider owns and manages the software and is responsible for the maintenance. Council employees are able to connect to the application over the internet, with no requirements for downloads and installations. Examples of SaaS cloud solutions include Gmail, Office 365 and Assetic.
Platform as a Service (PaaS)	PaaS cloud services supply an on-demand environment over the web that developers can use to develop, test, deliver and manage software applications. Under a PaaS agreement, Council are able to create web or mobile apps without the need to set up or manage the underlying infrastructure such as servers and storage. Examples of PaaS cloud solutions include Google App Engine and Windows Azure

Infrastructure as a Service (IaaS)	IaaS refers to the most basic group of cloud computing services. Under these arrangements Council pays for scalable IT infrastructure from a cloud provider on a PAYG basis. This includes servers, storage, networks and operating systems. Examples of IaaS cloud solutions include Amazon Web Services, Microsoft Azure and Google Compute Engine.
On Premises (On-Prem)	On-Prem comprises software and technology that is located within the physical confines of Council as opposed to being run remotely through hosted services such as the cloud. Under this scenario, Council purchases and installs the software on site, can physically access, manage and secure the data, and can control the configuration. Examples of On-Prem solutions that are currently at Council include TechOne and Pathway.

Under each of these arrangements, Council has control over intellectual property (IP) to varying degrees, as illustrated in the diagram below:



The areas highlighted red are controlled by a third party, which Council accesses via the cloud. As Council does not own or control these assets, any fees paid to access these services are expensed. Capitalisation treatments are per below:

Arrangement	Capitalisation Treatment
On-Prem	Council have 100% control over the software and physical infrastructure and therefore expenditure may be capitalised.
IaaS	Council (may) control a portion of the IP, highlighted in green. Consider the questions below to determine if capital.
PaaS	Council (may) control a portion of the IP, highlighted in green. Consider the questions below to determine if capital.
SaaS	Council does not control the core asset and therefore all related expenditure should be expensed

When determining whether an intangible asset has arisen and can be recognised the following should be considered:

1. Can we clearly define the asset?
    a. Can the asset be separated or divided from Council, and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, regardless of whether Council intends to do so; or
    b. Has an asset arisen from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations?

2. Do we control the asset?
    a. Do we have legal title over the asset;
    b. Can we restrict the access of external parties to the intellectual property (IP);
    c. Does the cloud service provider have a right to Council's IP (note – while the above diagram indicates we own the IP, the service contract may stipulate the provider is able to access our data, therefore please review the contract); and
    d. If our cloud service provider changed or disappeared, would we still have control of the asset or would it disappear?

3. Does the asset provide future economic benefits in the form of:
    a. Potential future sales of the product; or
    b. Reduction in internal production costs?

4. Can costs be reliably measured, including:
    a. Can development activities (i.e. time spent specifically developing code) be distinguished from research or proof of concept (POC). If not, then everything shall be expensed;
    b. Have consultants provided clear records of time spent on developing the asset; and
    c. Are staff working on development activities maintaining clear timesheets?

5. What is the expected useful life of the asset?
    a. Due to changing technological demands will the asset likely be redundant in within one year? If yes, then costs are expensed in the year they are incurred.

If Council are able to meet all the above requirements, then an intangible asset may be recognised. Appendix F provides examples of expenditure that may be capitalised.

Date from which we can capitalise costs:

Council may capitalise costs from the point which the research and assessment phase is complete and the development phase has started.

What costs would be deemed maintenance or operating costs?

The following costs will always be deemed maintenance or operating:

- Subscription costs under a service arrangement;
- Maintenance costs (e.g. If, under a PaaS arrangement, the supplier performs an update in the platform which prompts Council to update the coding in their application, this will be maintenance);
- Security costs, particularly any expenditure incurred to ensure software is PCI compliant;
- Support costs;
- Staff training; and
- Reusing application programming interface (API).

10.7. MEASUREMENT AFTER RECOGNITION

AASB 138 states the cost model or revaluation model should be used as measurement methodology for an intangible asset. As Council's intangible assets are expected to have a short useful life in line with technological changes or service contracts, the cost model approach shall be applied to all intangible assets after initial recognition. Under the cost model, an intangible asset shall be carried at its cost less any accumulated amortisation and impairment.

10.8. AMORTISATION METHOD

Amortisation has been defined in AASB 138 as the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Commencement date of amortisation

Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Cease date of amortisation

Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5 and the date that the asset is derecognised.

Amortisation method

The amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. For Council's purpose, the straight-line amortisation method has been adopted to reflect the patterns of consumption of intangible asset.

Recognition of amortisation charge

The amortisation charge for each period shall be recognised in profit or loss unless another Standard permits or requires it to be included in the carrying amount of another asset.

Estimation of Useful Life

Assets should be capitalised if the useful is expected to be greater than one year.

When determining the useful life of an intangible asset, the following shall be considered:

- Technological redundancy
- Supportable lifestyle; or
- If applicable, the fixed term of the contract; or

10.9. ANNUAL IMPAIRMENT AND USEFUL LIFE REVIEW

Intangible assets must be reviewed annually for impairment and reasonableness of useful life. The following will prompt an asset to be impaired:

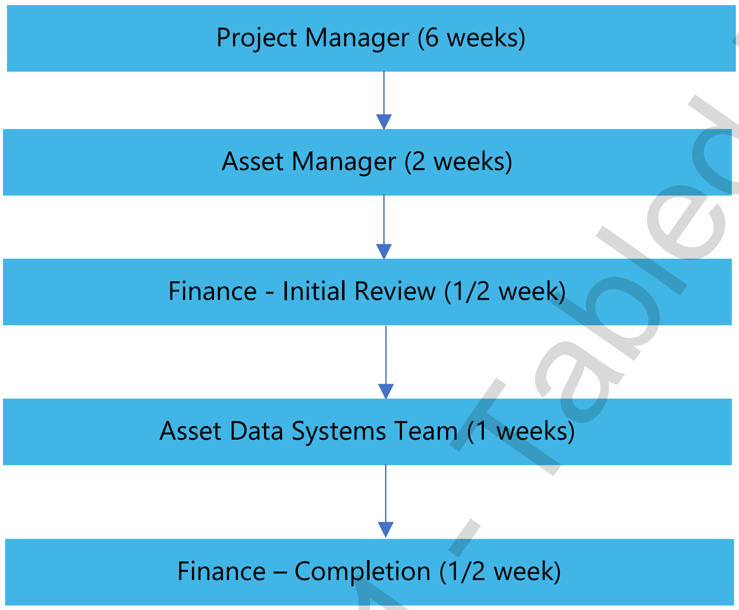
- Significant or major upgrades to the software; or
- Redundancy of technology.

11. WORK IN PROGRESS (WIP) PROCESS

11.1. HANDOVER TIMELINE

All capital expenditure incurred before the completion of a project must be treated as work in progress. Once the project has reached practical completion, the total expenditure shall be recognised 'At Cost' in the relevant asset class of Council's asset register.

A Project Asset Register shall be completed for each project as part of the handover process to document the financial data that supports asset capitalisation. All capital projects shall be capitalised as soon as practically possible after they've reached practical completion. A typical timeframe for project handovers is as follows:



Further information of each person's responsibilities as part of the handover process can be found here.

11.2. QUARTERLY WIP REVIEW

Each quarter, a review of WIP shall be performed to ensure:

- All projects that have reached practical completion have been financially capitalised through TechOne; and
- Projects that are identified as non-capital have been expensed.

The Governance and Performance team will be responsible for overseeing the handover process and ensuring WIP is progressing through each stage. In the lead up to end of each quarter, all staff involved in the handover process shall ensure they are progressing the projects to the next stage as efficiently as possible.

To identify non-capital expenditure within WIP, consider the following:

- Design projects that have not eventuated into a capital project (3 years or greater); and
- Projects that typically have operating expenditure (e.g. IM projects that contain SaaS or condition audits).

As detailed under section 2.2, the budgeted WIP write off shall be reviewed and updated on a quarterly basis to ensure capital and expense components reported to Council continue to accurately reflect expectations.

11.3 YEAR END WIP REVIEW

The cut off for projects to be formally handed over at year end is 10 weeks before 30 June. All projects that have reached practical completion before this date must be financially capitalised.

While 10 weeks before 30 June is the official cut off for project handovers, every effort must be made wherever possible to ensure projects completed after this date are capitalised within the financial year.

Projects that are practically complete but are not formally handed over shall be manually capitalised at the end of the financial year.

APPENDIX A – PROJECT WIDE VERSUS OPERATING COSTS

The purpose of this appendix is to provide examples of when a cost is classified as an operating expense or project wide cost in the project asset register. Project wide costs shall not be allocated to non-capital expenditure.

Operating Expense	Project Wide Cost

Costs associated with:
• Advertising, marketing or promotion
• Bank guarantees or other finance mechanisms
• Cab charges
• Car parking
• Catering
• Cleaning
• Condition and compliance audits
• Contributions and grants
• Design costs not implemented
• Development application fees
• Insurances
• Introducing a new product or service
• Legal fees
• Maintenance (programmed or reactive – refer to Appendix B – Capital versus Operating Expenditure for examples for each asset class)
• Murals
• Planning approval
• Preliminaries - Costs associated with projects up to the point when Council formally decides that a capital project will be undertaken (e.g. feasibility studies, research studies, master plans, concept plans and investigations)
• Relocation or reinstatement of existing assets, where;
  ○ They are **not** material in value; and
  ○ The asset being relocated is **not** being replaced, upgraded or subject to major renewal works as part of the relocation and reinstatement process
• Sculpture hire and temporary art display
• Security
• Signs (promotional and advertising)
• Stakeholder and community consultation before and during construction in excess of $5,000.
• Stationery
• Tenders SA
• Utility service costs
	Costs associated with:
	• Adjacent tie in works (i.e. minor works considered immaterial on adjacent asset segments to transition between core works within the project footprint and adjacent asset segments – generally to improve amenity at street intersections)
	• Contamination testing and soil removal
	• Detailed design costs, where construction is planned within three years
	• Disposal of assets being replaced including dump fees
	• Earthworks, where the earthworks directly link to an asset that Council capitalises (refer Appendix D – Green Assets for instances where expenditure is non-capital)
	• Engineering survey fees
	• Legislative stakeholder and community consultation before and during construction (once project has been approved) up to $5,000
	• Levies (e.g. CITB)
	• Line marking (when performed as part of resurfacing the road. Periodic re-line marking is expensed)
	• Plant and equipment hire
	• Professional fees that are directly linked to the construction or commissioning of an asset (e.g. consultants' fees)
	• Relocation or re-connection of existing assets (e.g. stormwater pipes) controlled by a private party
	• Rubbish removal
	• Safety and compliance sign off
	• Salaries directly related to the construction of the asset
	• Signage and temporary fencing used for safety of the site
	• Site preparation
	• Traffic management
	• Utility fees relating to the cost of interruption of third-party services

APPENDIX B – CAPITAL VERSUS OPERATING EXPENDITURE

This appendix provides further clarification for each asset class of what is considered operating or maintenance in nature, which is expensed, versus when it is a capital renewal, new asset or upgrade, which is capitalised.

B.1. BUILDINGS

Buildings are broken down into the following groups in the fixed asset register:

- Electrical Services
- Fire and Security Services
- Fit-Out and Fittings
- Hydraulic Services
- Mechanical Services
- Roof
- Structure
- Vertical Transport Services

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Cleaning • Condition audits • Security • Utility service costs	• Programmed or reactive maintenance and repair (e.g. painting, fencing, guttering) • Replacement of a building component <$5,000 (walls, floors, roof, ceiling and windows)	• Replacement of a building component ≥$5,000 (walls, floors, roof, ceiling and windows) with the modern equivalent • Additions undertaken as part of updated legislative requirements (e.g. adding disabled facilities as required under new legislation) • Making good a property for re-leasing	• Upgrade: Enhancement of a building component (e.g. installing larger windows) • Upgrade: Repurposing a building • New structures • Leasehold Improvements

B.2. LAND (CROWN AND OTHER)

Land includes crown land (being the park lands surrounding the city and squares and gardens within the City) and other land.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Legal costs where the project did not eventuate • Easements (right of access) • Mowing			• All new land acquisitions (excluding land under roads). • Stamp duty

B.3. INFRASTRUCTURE

Bridges

Bridges are recognised under the following components:

- Super-structure
- Sub-structure
- Deck Surface
- Railing
- Minor Footbridges

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Condition audits • Sweeping • Drain clearing	• Programmed or reactive maintenance activities (e.g. painting, sweeping, drain clearing, re-line marking, crack sealing) • Replacement of bridge components (e.g. deck, beam, guard rails) with the modern equivalent < $5,000	• Replacement of bridge components (deck, beam, guard rails) with modern equivalent ≥ $5,000)	• Upgrade: Strengthening or widening bridge • Upgrade: Increasing handrail height so pedestrians can look over • New bridge structures

Footpaths and Bikeways

Footpath assets are recognised at the following level and include access ramps.

- Footpaths
- Bikeways
- Access Ramps

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Road hazard / defect inspections • Condition audits • Sweeping • Grass mowing • Weed spraying	• Partial renewal of small lengths of footpaths < 10% of asset • Programmed or reactive maintenance activities (e.g. resetting segmented blocks, re-gravelling, pothole repair, resetting pavers)	• Partial renewal of footpath segments ≥ 10% • Replacement of footpath component to same standard (e.g. Resealing bitumen footpaths)	• New footpaths assets ≥ $5,000 • New footpath segments part of a network asset ≥ $5,000 • Upgrade: Widening of the path • Upgrade: Replacement of footpath component to higher standard (e.g. to bluestone or a superior material)
Project Wide Costs Specific to Footpaths: • Patching - Expenditure on minor patching performed to blend a new or renewed footpath asset into the existing asset shall be recognised as a project wide cost.			

Kerb & Water Table

Kerb and water table are recognised at the following levels:

- Kerb and Water Table
- Traffic Control Devices

While individual kerb components may fall below the asset capitalisation threshold of $5,000, the segment is considered part of a larger asset network and therefore should be capitalised.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Condition audits • Street sweeping	• Partial replacement of kerb <10% of the asset • Programmed or reactive maintenance activities (e.g. replacing isolated section of kerbing that is not functioning or in poor condition)	• Partial replacement of kerb and water table where planned replacement length exceeds 10% of total asset segment length	• Replacement of whole kerb and water table segment to a higher standard

Lighting and Electrical

Lighting and electrical includes the following asset types:

- Public Lighting (poles, luminaires, switchboard, pits)
- Main Switchboard (switchboards, electrical conduit, cable, power bollards / outlets)
- CCTV (Camera, server equipment, equipment enclosure)
- Smart Technology

Each asset type, is made up of key components, listed in brackets. These components are crucial to the operation of the asset and therefore part of the assets network. Expenditure on these items as part of a capital project shall be capitalised regardless of whether the component meets the capitalisation threshold. However, any planned or reactive maintenance to replace these components shall be expensed.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Condition audits • Switchboard audits (e.g. electrical compliance) • Utility costs	• Replacement of a consumable component of the asset <$5,000 • Programmed or reactive maintenance (re-lamping of luminaires, painting)	• Replacement of existing assets with the modern equivalent ≥ $5,000 • Replacing smart technology with modern equivalent	• New assets • Upgrade: Expansion of lighting structures • Upgrade: Changing light bulbs to LED

Roads (Sealed and Unsealed)

Roads are recognised under the following components:

- Wearing Course
- Base Course Layer
- Sub-base Layer

While individual road segments and components may fall below the asset capitalisation threshold, each segment is considered to be part of the larger road network and therefore should be capitalised.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Road hazard / defect inspections • Condition audits • Periodic line marking reapplication • Street sweeping	• Planned maintenance (i.e. repair works to road component(s) <10% of the area of the defined asset segment, crack sealing) • Reactive maintenance (e.g. pothole repair)	• Partial renewal of road components ≥ 10% of the area of the defined asset segment • Replacement or refurbishment of road component with the modern equivalent (e.g. resurfacing of wearing course, base course replacement, in-situ stabilisation)	• Upgrade: Replacement of a road component to a higher standard (e.g. resealing a gravel road, paving an asphalt road) • Upgrade: Pavement widening to increase capacity • New assets
Project Wide Costs Specific to Roads: • Minor enabling works of underlying road components - expenditure on minor works (<10% of segment area) performed in conjunction with a capital works project (e.g. repairs to the base course performed in conjunction with the resurfacing of the road) may be recognised as a project wide cost.			

Stormwater and Drainage

Stormwater and drainage covers the stormwater and Torrens Lake infrastructure networks, and comprises the following asset types:

- Earth Retaining Structures
- Easements
- Links
- Nodes
- Weir Components

Stormwater infrastructure is made up of a number of low value items, which are all required for the stormwater network to operate. Therefore, while components of the stormwater network may fall below the asset capitalisation threshold, if a component is renewed, newly installed or upgraded as part of an infrastructure project it will be capitalised as the component is considered part of a network asset. However, any planned or reactive maintenance to replace these components shall be expensed.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Cleaning • Condition audits	• Programmed or reactive maintenance activities (e.g. clearing blockages, pipe repair, pit lid replacement) • Repair and refurbishment of existing asset components • Replanting vegetation (basins)	• Replacement of asset component to same standard • Relining pipes	• New installations • Enhancements (e.g. increasing the diameter of the pipes)

Traffic Signals

Traffic signals include the following components:

- Poles
- Lanterns
- Control System
- Conduit Pits
- Cables
- Conduits

These assets are considered to be networked assets that are crucial for the operation of the traffic signal asset. Therefore, regardless of whether the component falls below the asset threshold, if the component has been renewed, upgraded or replaced as part of an infrastructure project it should be capitalised to the fixed asset register.

All other assets outside of these core items are considered minor and expensed as incurred.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Condition audits • Servicing / testing cabinets • Utility costs	• Reactive maintenance and repairs of traffic signal components (push buttons, audio tactile and target boards, replacement of poles or UPS arising from a car strike) • Programmed maintenance (Gridlock costs)	• Individual components or components that form a network ≥ $5,000 (e.g. poles, lanterns, control system, cables, conduits)	• Individual components or components that form a network ≥ $5,000 to a superior standard

Urban Elements

Urban Elements comprise the following categories:

- Furniture (e.g. BBQ's picnic tables, seats, bike racks, drinking fountains, planter boxes, flag poles, bollards)
- Artwork (e.g. public art, statues, fountains and memorials, integrated street furniture and other elements)
- Structures (e.g. bus shelters, retaining walls, fences, gates and boat landings)
- Other Structures (e.g. pergola, rotundas, horse troughs)
- Parking Machines
- Recreational areas (e.g. sports fields, playgrounds and playground equipment)
- Signs (e.g. custom, street and regulatory)
- Waste Bins

Urban elements contain a number of homogenous assets that can be easily grouped. If you are unsure whether an urban elements item should be capitalised as a grouped asset, contact Finance.

EXPENSE		**CAPITAL**	
Operating	**Maintenance**	**Renewals**	**New / Upgrade**
• Assets where the valuation is < $5,000 • Murals • Sculpture hire or temporary art display • Strategic health management audits (sports fields) • Installation and removal of Christmas Tree and decorations	• Replacement of individual item < $5,000 that do not form a grouped asset. • Programmed or reactive maintenance (cleaning, painting, general repairs)	• Individual assets or assets that can be easily grouped ≥ $5,000 with the modern equivalent	• Individual assets or assets that can be easily grouped ≥ $5,000 to a superior standard • Upgrading an asset (e.g. increasing length of fence)

B.4. PARK LAND AND OPEN SPACES

Irrigation

An irrigation system includes the reticulation pipes, controllers, water supply line and pumps.

EXPENSE		**CAPITAL**	
Operating	**Maintenance**	**Renewal**	**New / Enhancement**
• Utility costs	• Replacement of component of irrigation system (e.g. sprinklers, controllers) < $5,000	• Renewal of irrigation components ≥ $5,000	• Replacement of whole irrigation asset system ≥ $5,000 • Upgrade or extension of current irrigation system or components ≥ $5,000

Open Space Assets

Open space assets include the following:

- Street Trees
- Strata Cells
- Tree Grates

Open space assets shall be recognised at cost and depreciated over its useful life. Where an open space asset has its own maintenance plan it shall be recognised individually in the asset register, otherwise it shall be recorded as a grouped asset.

Further details on open space assets can be found for under Appendix D – Green Assets.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewal**	**New / Enhancement**
• Revegetation of land • Re-planting garden beds • Existing green assets that are deemed non-capital in accordance with Appendix D – Green Assets	• Programmed or reactive maintenance (e.g. pruning, mowing, mulching, weed removal, watering).		• New assets ≥ $5,000 (refer to Appendix D – Green Assets). • Establishment of new parks and extensions to existing parks
Note – existing green assets that would have met the capitalisation threshold and definition will not be brought to account on the balance sheet. This change will be recognised prospectively.			

Water Features

Water features comprise the following asset types:

- Boat Ponds
- Rock Pools
- Himeji Gardens Water Feature

The cost of the water feature includes the structure, pumps, pipes and water supply lines.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewal**	**New / Enhancement**
• Cleaning • Utility costs • Water treatment	• Programmed or reactive maintenance • Assets considered to be non-capital (refer to Appendix D – Green Assets)		New assets ≥ $5,000 (refer to Appendix D – Green Assets)

B.5. OTHER ASSETS

Office Furniture and Equipment

Office furniture and equipment comprise the following types of assets:

- Office Furniture
- Computer Equipment and Hardware
- Other Equipment

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewal**	**New / Enhancement**
• IT Subscription fees	• Expenditure <$5,000 for individual hardware/ furniture assets or assets that cannot be easily grouped	• Replacing technology with the modern equivalent ≥ $5,000, or assets that can be easily grouped.	• New assets ≥ $5,000, or assets that can be easily grouped. • Upgrade: Replacing technology with a superior model ≥ $5,000

Plant and Equipment

Plant and equipment comprises:

- Motor Vehicles; and
- Minor Plant and Equipment

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewal**	**New / Enhancement**
• Fuels costs • Utility costs	• Programmed or reactive maintenance (e.g. servicing vehicles) • Plant and fleet assets < $5,000	• Plant and fleet assets ≥ $5,000 where the asset has been replaced with the base model • Network assets or groups with aggregate price ≥ $5,000	• New plant and fleet assets ≥ $5,000 • Upgrade: Plant and fleet assets ≥ $5,000 where the asset has been replaced with the superior model

Library Books

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewal**	**New / Enhancement**
• Magazines, newspapers, periodicals and toys.			• Library books, videos, DVD's, CD's and other permanent additions to the library collection.

Civic Collection

Civic collection comprises items of historical significance such as:

- Antiques
- Artworks (portraits, paintings and prints)
- Artefacts
- Ephemera
- Medals
- Gold/silver
- Maps and
- Clocks

Additionally, antique furniture is recognised in the fixed asset register under the civic collection.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewal**	**New / Enhancement**
• Assets whose valuation is < $5,000	• Programmed or reactive maintenance activities (restoration of antique furniture)		• New assets with value ≥ $5,000

Investment Properties

Council own three investment properties. These are not depreciated as they are revalued annually under AASB 140 – Investment Properties.

EXPENSE		CAPITAL	
Operating	**Maintenance**	**Renewal**	**New / Enhancement**
• Costs of day to day servicing • Start-up costs (costs incurred that are **not** required to get the property running	• Programmed or reactive maintenance activities (e.g. painting, fencing, guttering)	• Replacement of a building component ≥$5,000 (walls, floors, roof, ceiling and windows) with the modern equivalent	• New properties with value ≥ $5,000

APPENDIX C – DEPRECIATION RATES

The table below depicts the depreciation rates for major asset types within each asset class. These are determined by the Asset Managers as part of the revaluation process.
The below table shall be assessed and updated annually for current depreciation rates. Any changes in depreciation rates shall be disclosed in the financial statements as a change in accounting estimate in accordance with AASB 108.

Asset Class	**Useful Life**
Buildings	
Structure – other buildings	60 to 100 years
Structure – heritage buildings	300 years
Other building components	10 to 100 years
Infrastructure	
Roads – surface	10 to 25 years
Roads – structure	30 to 80 years
Bridges (major) components	20 to 100 years
Bridges (minor) components	25 to 75 years
Footpaths & Bikeways	20 to 70 years
Kerb & water table	60 to 120 years
Stormwater drainage networks	50 to 125 years
Culverts	80 years
Weir components	25 to 100 years
Basins	50 to 80 years
Earth retaining structures	30 to 80 years
Gross pollutant traps	80 years
Irrigation	15 to 25 years
Traffic signals	10 to 30 years
Lighting & electricals	25 to 30 years
Electrical switch boards	30 years
CCTV	5 to 20 years
Sports fields	15 to 50 years
Open space assets	10 to 40 years
Statues & Monuments	Indefinite
Urban Elements	5 to 80 years
Other Assets	
Office furniture & equipment	3 to 20 years
Vehicles & Road making equipment	2 to 20 years
Other Plant & Equipment	3 to 25 years
Library books	1 to 7 years
Civic Collection	Indefinite

APPENDIX D – GREEN ASSETS

Green assets are natural assets which reflect Council's focus within the City of Adelaide's Strategic Plan to 'green' the city. The determination of whether an item is capital or non-capital comes down to the consideration of the following criteria:

- Does the asset contribute to Council's service objectives to the ratepayers, workers and visitors of the CoA;
- Is the asset likely to be renewed as part of CoA's asset management plan; and
- Is the asset located on land owned by CoA (i.e. all land excluding Park Lands, Squares and Gardens)?

If the answer is yes to the above three criteria, then it is capital in nature and should be capitalised to Park Land and Open Space Assets.

Pre-existing green assets that have not been financially recognised in Council's fixed asset register will not be brought into account.

The table below illustrates examples of green assets the City of Adelaide will encounter in their capital works program and their capitalisation treatment.

Table 2 – Green Assets

Item	Non-Capital	Capital	Reasoning
Arbours 		X	Arbours are recognised under **urban elements - other structures**. Any expenditure on plants form the cost of the arbour asset.
Basins (E.g. detention, sedimentation)  		X	Basins formed to assist in the flow of water and are distinct from the constructed lining and formal bank protection, which are capitalised separately under **Stormwater and Drainage**. Plants may be used in the construction of a basin to improve the quality of the stormwater. Therefore, basins are capital as they: • aid in stormwater catchment; • perform a function for Council over a number of years; and • would be renewed under an asset management plan. Note –basins are to be classed as a **Stormwater and Drainage asset** Plants that are used in the initial structure and renewal of the structure shall be capitalised as part of the asset, however the replacement of plants around the basin shall be expensed.

Item	Non-Capital	Capital	Reasoning
Biodiversity Projects 	X		Council undergo biodiversity projects to revegetate various areas of the Park Lands. Expenditure on biodiversity projects is considered non-capital as the City of Adelaide has care and control of the Park Lands, however ownership belongs to the State Government. As such land improvements made to the Park Lands will not provide any future economic benefits through future land sales and therefore should be expensed.
Boulders / logs – general (aesthetic) 	X		Boulders or logs that are purely laid out for aesthetic purposes in the Park Lands will be treated as non-capital as they serve no function and would not be renewed under an asset management plan.
Boulders / logs - functional  		X	Boulders or logs should be capitalised where they have a functional purpose (such as seats or benches or barriers to a playground). If there is uncertainty around whether the boulder or log provides a function, the assumption should be that it's non-capital. Note – These are not green assets, and instead would be capitalised under **Urban Elements** based on their function (e.g. a log used as a seat will be capitalised under **Urban Elements - Seats**).

Item	Non-Capital	Capital	Reasoning
Creek Channel (man-made) 		X	Man-made creek channels are formations to assist in the flow of water and excludes the constructed lining and / or formal bank protection (which is capitalised separately under **Stormwater and Drainage**) Creek channels are capital as they: • aid in stormwater catchment; • perform a function for Council over a number of years; and • would be renewed under an asset management plan. Note – creek channels are to be classed as a **Stormwater and Drainage** asset.
Garden Beds – Park Lands (including Squares and Gardens) 	X		The City of Adelaide has care and control of the Park Lands, Squares and Gardens, however ownership belongs to the State Government. As such land improvements made to the Park Lands, Squares and Gardens will not provide any future economic benefits through future land sales and therefore should be expensed.
Garden Beds – Streets 	X		Garden beds located in the streets require annual turnover of plants and mulch. As the assets themselves have a short useful life they are considered to be non-capital.
Green Wall 		X	The green wall is considered an improvement to the building and provides oxygen and cooling while removing urban air pollution. As the green wall is an improvement to the building it will get capitalised to **Buildings** as a separate component.

Item	Non-Capital	Capital	Reasoning
Sand Pit		X	A sandpit is a structure that forms part of the playground and therefore should be capitalised under **Urban Elements.**
Softfall material – Formal materials with life greater than 12 months (e.g. rubber) 		X	Formalised soft fall material, such as rubber, typically forms part of a playground and therefore should be capitalised as a cost of the playground asset under **Urban Elements**.
Softfall material – Informal materials (e.g. bark chips, sand) 	X		Softfall material such as sand and bark are replaced annually as part of CoA's maintenance program. Where expenditure relates to the replacement or top up of existing soft-fall material, this should be expensed.
Soil 	X		Expenditure on soil alone is considered to be maintenance in nature and therefore not capitalised, however if it forms part of the cost of a street – tree or basin then expenditure will be captured as part of the cost of the asset.
Soil Mounds (e.g. for BMX tracks, behind the archery field) 		X	Soil mounds are capitalised when they are created for a recreational activity such as the BMX tracks or the mounds in the archery fields. Note – soil mounds (e.g. BMX tracks) are of a specialised nature and shall be capitalised under **Urban Elements – Sports fields.**

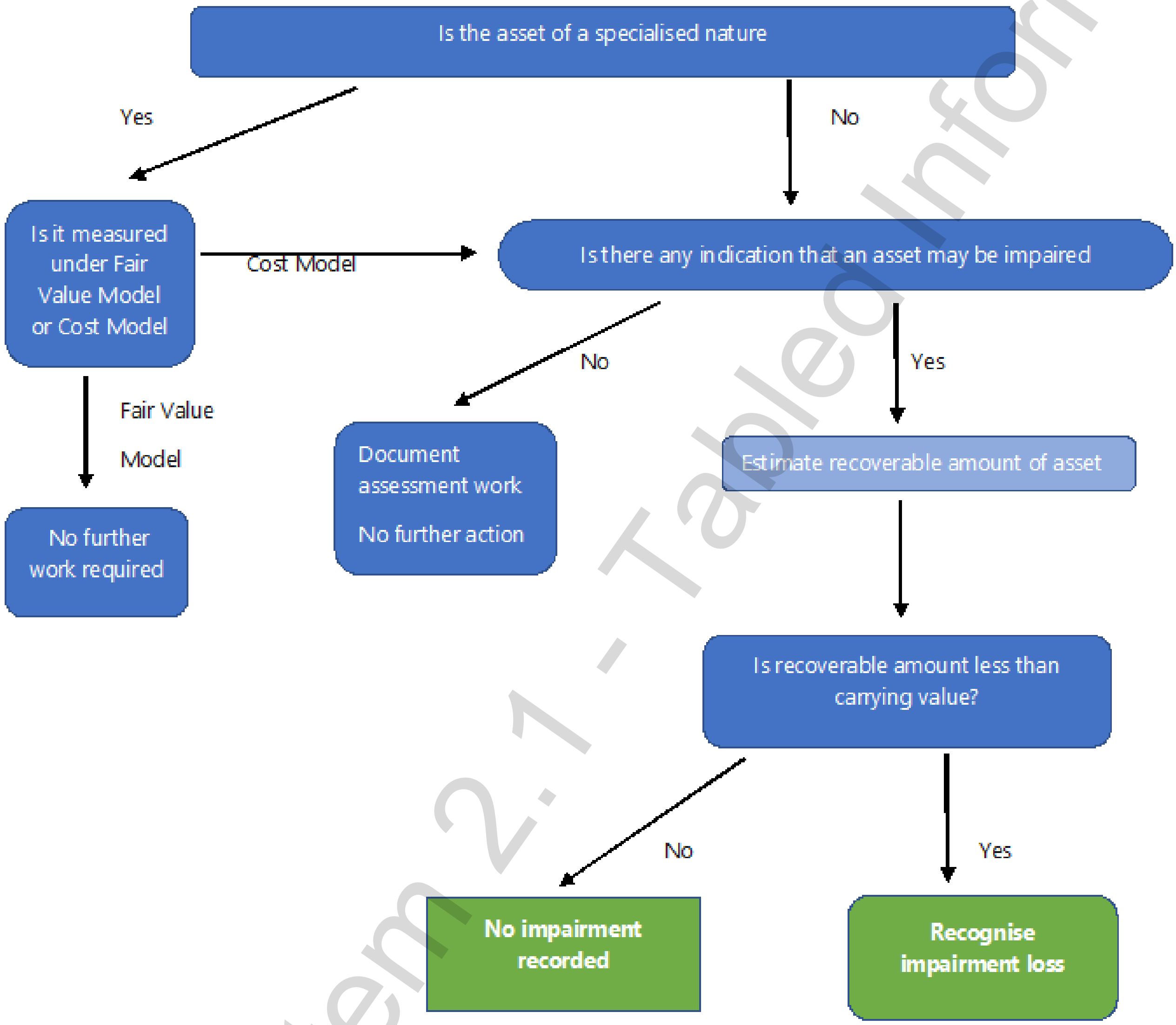
Item	Non-Capital	Capital	Reasoning
Swales 		X	Swales are formed to assist in the flow of water and are distinct from the constructed lining and formal bank protection, which are capitalised separately under **Stormwater and Drainage**. Plants may be used in the construction of a swale to improve the quality of the stormwater. Swales are therefore capital as they: • aid in stormwater catchment; • perform a function for Council over a number of years; and • would be renewed under an asset management plan. Note – swales are to be classed as a **Stormwater and Drainage** asset rather than a green asset. Plants that are used in the initial structure and renewal of the structure shall be capitalised as part of the asset, however the replacement of plants around swale shall be expensed.
Trees – Park Lands, Square and Gardens 	X		The City of Adelaide has care and control of the Park Lands, Squares and Gardens, however ownership belongs to the State Government. As such land improvements made to the Park Lands, Squares and Gardens will not provide any future economic benefits through future land sales and therefore should be expensed.
Trees – Streets 		X	Street trees are located on the footpaths within the City of Adelaide. Their purpose is to provide screening to surrounding suburbs, oxygen, cooling and remove urban air pollution. They are considered to improve the market value of surrounding properties and therefore over time may provide a future economic benefit through increased rates income. Therefore, street trees shall be capitalised. Note – street-trees may only be capitalised if they are located on road reserves owned by Council. Refer to ACC2019/84203 for further details.

Item	Non-Capital	Capital	Reasoning
Turf – Event Space 	X		Turf laid out in event spaces is replaced annually after the event is held. Therefore, while it may be considered capital as it relates to an area that generates income for Council, as the useful life of the asset is one year it should be expensed immediately.
Turf – General Park Lands 	X		The City of Adelaide has care and The City of Adelaide has care and control of the Park Lands, Squares and Gardens, however ownership belongs to the State Government. As such land improvements made to the Park Lands, Squares and Gardens will not provide any future economic benefits through future land sales and therefore should be expensed.
Turf - Specialised nature (e.g. Sports fields) 		X	Turf used for sports fields are of a specialised nature and are hired out by Council to generate income, therefore related expenditure is capital in nature. Examples of these include cricket pitches. Note – turf of a specialised nature is not an open space asset and shall be capitalised under **Urban Elements – Sports fields.**
Water Features (e.g. Boat Ponds, Himeji Garden water feature, Veale Gardens Rock Pool) 		X	Water features perform a function of reticulating water and may be used for commercial gain (e.g. the Council may charge for the use of the boat ponds). Therefore, water features may be capitalised. Costs to be included in a water feature asset include the pumps and pipes.

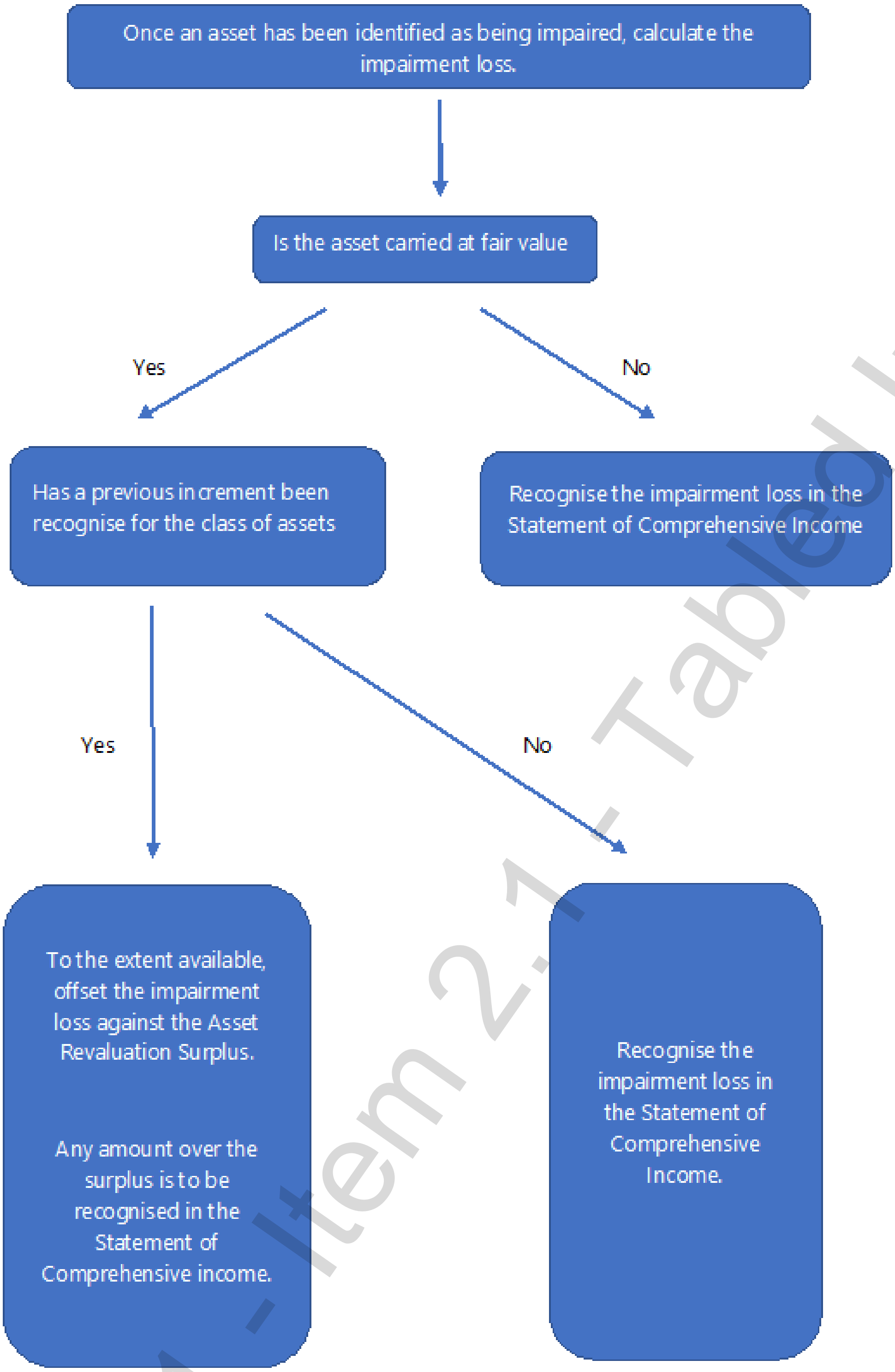
APPENDIX E – IMPAIRMENT TESTING

Decision Tree

Implementation of AASB 136 Impairment of Assets



Recognition of Impairment Loss



APPENDIX F – INTERNALLY DEVELOPED SOFTWARE CAPITALISATION TABLE

The table below illustrates what costs are typically capitalised and expensed in relation to internally developed software.

	Expensed	Capitalised
Preliminary Project Stage		
Assessment (any expenditure incurred in relation to market research, feasibility and development of the business case)	X	
Research activities: • activities aimed at obtaining new knowledge; • the search for, evaluation and final selection of, applications of research findings or other knowledge; • the search for alternatives for materials, devices, products, processes, systems or services; and • the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.	X	
Installation and Implementation		
Internal and external costs incurred- modify provider offerings or develop bridging modules to existing systems or bespoke additional capability. This may include contractor or staff costs specifically spent on developing code. Any preliminary activities prior to developing the code is deemed research and is **expensed**.		X
Fees to access SaaS, PaaS or IaaS services	X	
Depreciation of software & equipment specifically required to develop or test the asset		X
Project manager costs – planning data migration and/or training	X	
Administration cost – not directly related to development	X	
Inefficiencies in development (sunk cost of abandoned software)	X	
Testing costs- enable final system will be capable of being used by Council		X
Training Costs at Implementation		
Employee training costs	X	
Development of training materials	X	
Data Conversion Costs		
Purging or cleansing of existing data, reconciliation or balancing of old data and data in the new system, creation of new or additional data and conversion of old data to the new system	X	
Post-implementation stage		
Post implementation- operation stage	X	
Re-use of application programming interface (API)	X	
Maintenance costs (e.g. If, under a PaaS arrangement, the supplier performs an update in the platform which prompts Council to update the coding in their application, this will be maintenance);	X	

APPENDIX G – DEFINITIONS

Item	Definition
Amortisation	The systematic allocation of the cost of an intangible asset (less any residual value) over its useful life to reflect patterns of periodic consumption of the asset.
Assetic	The City of Adelaide's asset management system and asset register used for Infrastructure, Buildings, Land, Park Land and Open Spaces and Plant and Equipment assets.
Assets	Future economic benefit controlled by Council as a result of past transaction or other past events.
Asset Class	Grouping of non-current assets of a similar nature and the lowest level of information on non-current assets included within Council's financial statements.
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.
Capitalisation	A cost is included in the value of an asset and depreciated over the useful life of that asset.
Capital Expenditure	Costs that are incurred over the life of an asset that either renew, extend or upgrade the asset's underlying service potential.
Carrying Amount	The cost of an asset less the depreciation and any impairment losses accumulated since the asset was acquired.
Contributed Asset	An asset that is acquired by Council at nominal or no cost, usually by way of an agreement with property developers, through State Government arrangements or bequeathed to Council.
Cost Model	Measurement methodology for intangible asset. An intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.
Decommissioning	Removal, demolition, or elimination of an asset's service potential, resulting from a specific management decision.
Depreciable Amount	The cost of an asset, or other amount substitute for cost, less its residual value.
Depreciated Current Replacement Cost	Current cost of replacement or reproduction of an asset, less deductions for physical deterioration of the asset.
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life.
Design Life	Expected period of time an asset can be used based on its design characteristics. The design life can be greater than the period of time Council intends to use an asset.
Desktop Revaluation	A revaluation that is undertaken without physically inspecting the asset.
Directly Attributable Cost	Cost occurred in preparing the asset for its intended use, including costs of employee benefits, professional fees and costs of testing arising from bringing the asset to its working conditions.

Economic Life	The period over which an asset is expected to be economically useful to Council. For example, a vehicle may be replaced after 2 years for economic reasons even though its design life may exceed 15 years.
Event Space	An area within the Park Lands, Squares or Gardens where an event is held.
Fair Value	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Fixed asset register	Repository of financially recognised non-current assets and related information used primarily for financial accounting purposes.
Full Renewal	Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally, including replacement of an existing asset. Council's policy is a full renewal covers 90-100% of an asset.
Full Revaluation	The process whereby the fair value of all assets within an asset class are updated to reflect current market value or current replacement cost as well as reassessing remaining useful life and residual value.
Future Economic Benefits	In respect to not-for-profit entities such as Council, future economic benefits refer to the ability of an asset to provide goods or services in accordance with the organisation's objectives.
Goodwill	Goodwill is an intangible asset that is associated with the purchase of one entity by another. The amount of goodwill is the cost of purchase minus fair value of tangible asset, intangible asset that can be identified, and the liabilities obtained in the purchase.
Gardens	Gardens refers to Brougham and Palmer Gardens. These are crown land in accordance with the *Adelaide Park Lands Act 2005*.
Garden Beds	Garden beds include soil, mulch, small plants and flowers.
Green Assets	Refers to trees, shrubs, grasses, green walls and water sensitive design infrastructure such as raingardens and wetlands.
Grouped Asset	A grouped asset combines homogenous assets that provide the same type of service but 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.
Intangible Asset	An identifiable non-monetary asset without physical substance.
Interim Revaluation	Desktop review of unit rates whereby all asset values within an asset class are adjusted by an indexation factor.
Impairment	A decline in the service potential of an asset such that the carrying amount of an asset exceeds its recoverable amount.
Infrastructure Asset	Typically, large, interconnected networks or programs of composite assets. The components of these assets may be separately maintained, renewed, replaced or disposed of, so that the required level and standard of service from the network of assets is continuously sustained. Generally, the components and hence the assets, have long lives. They are fixed in place and rarely have any market value.
Maintenance Expenditure	Recurrent planned and unplanned expenditure, which is periodically or regularly required as part of Council's maintenance plan to ensure that the asset is kept in an operational state, achieves its useful life and provides the required level of service.
Market Value	The price that would be received to sell an asset in an orderly transaction between market participants, excluding transaction costs but inclusive of any transport costs.

Net Book Value	The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset's carrying amount or written down value.
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.
New Asset	Expenditure on a new asset that previously did not exist or, where the footprint of an existing asset is extended, the portion of the asset that was extended.
Nominal Cost	A price or charge that is well below the real value or cost.
Off Maintenance	Point in time that the period of "On Maintenance" applicable to contributed assets either expires or ceases and Council is responsible for the maintenance costs.
On Maintenance	Point in time that Council accepts control of an asset handed over by a property developer and assets are recognised in Council's accounts. The term "On Maintenance' refers to an effective warranty period whereby the responsibility for rectifying defects associated with the contributed assets rests with the developer.
Operating Expenditure	Encompasses all costs associated with operating an asset (i.e. electricity, fuel, staff, plant and equipment on costs and corporate overheads).
Park Lands	The region referred to as the Park Lands covers the Park Lands surrounding the central business district (CBD), Squares and Gardens (Brougham and Palmer) in accordance with the *Adelaide Park Lands Act (2005)*.
Partial Renewal	Expenditure on an asset which increases the service potential of the asset but not up to its original service potential. Council's policy is a partial renewal covers 10-90% of an asset
Portable and Attractive Items	Minor assets up to the value of $5,000 which do not get captured in the fixed asset register, however due to the attractiveness of the item shall be tracked via the Portable and Attractive Items Register.
Practical Completion	The point at which the assets constructed within a capital project are available for use.
Project-wide Costs	Project expenditure that has brought multiple assets to the condition and location necessary to be operating as intended by management. This expenditure shall be proportionally allocated across all capitalised assets within the project.
Prospective (Remaining Useful Life)	Depreciation calculation method used in Assetic. This is a forward-looking approach to calculating the depreciated replacement cost.
Recognition Threshold	The recognition threshold is the amount of expenditure below which you record an item 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.
Remaining Useful Life (RUL)	The remaining operational life of an asset in service, irrespective of the period an asset has been in use or its design life or initial useful life when first recognised.

Renewed Asset	Expenditure on an existing asset which increases the service potential or the expected / design life of the asset. Renewed assets also cover those where: • the technology or materials are outdated and therefore a modern equivalent has been used; and • the works have been performed to ensure the asset meets legislative requirements.
Replacement Cost	The current cost to replace or reproduce an asset based on similar operating conditions.
Residual Value (aka Salvage Value or Scrap Value)	The estimated amount that would be obtained today by Council from the disposal of an asset, after deducting the estimated costs of disposal (where applicable), if the asset were already of the age and in condition expected at the end of its useful life.
Retrospective (Useful life)	Depreciation calculation method used in Assetic. This approach is used to calculate depreciated replacement cost if the initial asset value requires updating that will affect the depreciated value.
Service Potential	The capacity to provide goods and services in accordance with Council's objectives.
Squares	Squares located in Adelaide are Hurtle, Victoria, Hindmarsh, Light, Wellington and Whitmore Square. These form part of the Adelaide Park Lands in accordance with the *Adelaide Park Lands Act 2005*.
Sunk Cost	Costs that are incurred on the initial construction of an asset that are unlikely to be incurred again when the asset is renewed or replaced.
TechOne	City of Adelaide's accounting ledger.
Upgraded Assets	Expenditure which enhances the existing asset to a higher level of service, including where superior materials have been used or the service capacity has increased above that endorsed by Council's asset management plan.
Useful Life	The period over which the asset is expected to be available for use by Council.
Valuation Unit Rates	Asset unit rates based on replacement cost principles that exclude specific asset management costs to fully comply with accounting standards and to avoid the potential for double counting of costs
Value in Use	The present value of the future cash flows expected to be derived from an asset or cash-generating unit.
Work-In-Progress (WIP)	Work in progress is the accumulation of the construction costs of an asset that is incomplete as at the end of the financial year. The most common example is the design costs of an asset that has yet to commence construction. Every year the work in progress is reviewed and where it is not certain that the construction of the asset will commence within the following financial year the amount of work in progress shall be expensed.
Written Down Value	The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset's carrying amount or net book value.

ADMINISTRATIVE

As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed as per legislative requirements or when there is no such provision a risk assessment approach is taken to guide the review timeframe.

This Policy document will be reviewed annually unless legislative or operational change occurs beforehand.

The next review is required in **March 2021.**

Review history:

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
ACC2020/43863	Council		New Guideline

Contact:

For further information contact the Strategic Finance & Performance Program.

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CHANGES TO THE FIXED ASSET GUIDELINE

Section 1.2.3 – Have added sentence highlighted per below:

Updated version:

1.2.3. Cost or Fair Value can be Reliably Measured

Under AASB 116.15 an item of property plant and equipment that qualifies for recognition as an asset shall be measured at cost. Under AASB 116.16 & 17 the cost comprises:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
b) 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;
c) Initial estimate of dismantling costs;
d) Costs of employee benefits arising directly from the construction or acquisition of property, plant and equipment;
e) Costs of site preparation;
f) Initial delivery and handling costs;
g) Installation and assembly costs;
h) Costs of testing functionality;
i) Professional fees;
j) Detailed design costs; and
k) Fixed overhead allocation.

In instances where costs cannot be reliably measured, the asset must not be recorded in the fixed asset register. Where an asset has been gifted or contributed to Council for nominal consideration, the asset shall be valued at its market value or depreciated replacement cost. Refer to 1.4. Gifted / Contributed Assets for further information.

Section 2.1 – Deleted sentence per below

Original version:

2.1. CAPITALISATION OF WIP

2.1.1. Distinction between capital, maintenance and operating expenditure

Expenditure on infrastructure assets typically falls into two classes of expenditure being:

Capital Expenditure

Capital expenditure is expenditure of which the resulting benefits are expected to be consumed over multiple years. Capital expenditure is usually made under one of the following categories:

New Assets – Expenditure on a new asset that previously did not exist or, where the footprint of an existing asset is extended, the portion of the asset that was extended.

Upgraded Assets – Expenditure which enhances the existing asset to a higher level of service, including where superior materials have been used or the service capacity has increased above that endorsed by Council's asset management plan.

Renewed Assets **–** Expenditure on an existing asset which increases the service potential or the expected / design life of the asset. Renewed assets also cover those where:

- the technology or materials are outdated and therefore a modern equivalent has been used; and
- the works have been performed to ensure the asset meets legislative requirements.

Partial renewal is expenditure on an asset which increases the service potential of the asset but not up to its original service potential (refer to Section 2.3 below for further discussion).

Operating Expenditure

Operating expenditure is usually classed as one of the following categories:

Maintenance Expenditure – periodic or reactive expenditure required as part of the anticipated schedule of works to ensure that the asset is able to deliver the desired service levels throughout its intended useful life. Maintenance expenditure does not significantly increase service potential or extend an assets useful life.

Operational Expenditure – periodic expenditure required to provide the regular service activities within the asset class.

Complexities arise when works performed in a capital project are maintenance in nature, and therefore should be expensed.

Refer to Appendix B for how Council distinguishes between the different expenditure streams for each asset class.

Section 11 – WIP Handover – more detail added

Original

11. WORK IN PROGRESS (WIP) PROCESS

11.1. HANDOVER TIMELINE

All capital expenditure incurred before the completion of a project must be treated as work in progress. Once the project has reached practical completion, the total expenditure shall be recognised 'At Cost' in the relevant asset class of Council's asset register.

A project asset register for each project shall be completed as part of the handover process to document the financial data that supports asset capitalisation. The handover process shall be completed no more than 10 weeks from practical completion.

While the above provides a guideline for time taken to complete handover, every effort must be made to ensure the majority of projects are capitalised within the financial year. Any projects that are practically complete but have not been formally handed over shall be manually capitalised at the end of the financial year.

A detailed explanation of the handover process is available at **<Insert link>.**

11.2. QUARTERLY WIP REVIEW

Each quarter, the Finance team shall review WIP to ensure:

- All projects that have reached practical completion have been processed through TechOne; and
- Projects that are identified as non-capital have been expensed.

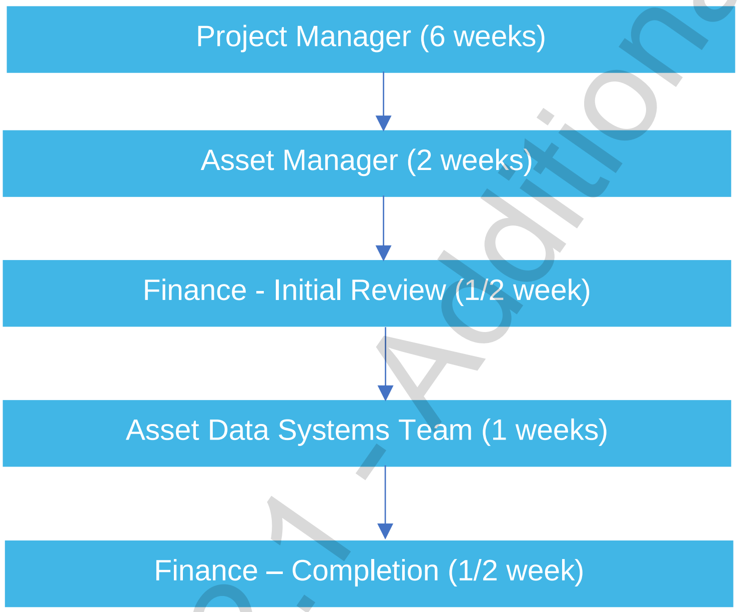
Updated version

11. WORK IN PROGRESS (WIP) PROCESS

11.1. HANDOVER TIMELINE

All capital expenditure incurred before the completion of a project must be treated as work in progress. Once the project has reached practical completion, the total expenditure shall be recognised 'At Cost' in the relevant asset class of Council's asset register.

A Project Asset Register shall be completed for each project as part of the handover process to document the financial data that supports asset capitalisation. All capital projects shall be capitalised as soon as practically possible after they've reached practical completion. A typical timeframe for project handovers is as follows:



Further information of each person's responsibilities as part of the handover process can be found here.

11.2. QUARTERLY WIP REVIEW

Each quarter, a review of WIP shall be performed to ensure:

- All projects that have reached practical completion have been financially capitalised through TechOne; and
- Projects that are identified as non-capital have been expensed.

The Governance and Performance team will be responsible for overseeing the handover process and ensuring WIP is progressing through each stage. In the lead up to end of each quarter, all staff involved in the handover process shall ensure they are progressing the projects to the next stage as efficiently as possible.

To identify non-capital expenditure within WIP, consider the following:

- Design projects that have not eventuated into a capital project (3 years or greater); and
- Projects that typically have operating expenditure (e.g. IM projects that contain SaaS or condition audits).

As detailed under section 2.2, the budgeted WIP write off shall be reviewed and updated on a quarterly basis to ensure capital and expense components reported to Council continue to accurately reflect expectations.

11.3 YEAR END WIP REVIEW

The cut off for projects to be formally handed over at year end is 10 weeks before 30 June. All projects that have reached practical completion before this date must be financially capitalised.

While 10 weeks before 30 June is the official cut off for project handovers, every effort must be made wherever possible to ensure projects completed after this date are capitalised within the financial year.

Projects that are practically complete but are not formally handed over shall be manually capitalised at the end of the financial year.

11. APPENDIX B – GREEN ASSETS (CONTINUED)

Original

Item	Non-Capital	Capital	Reasoning
Green Wall 		X	The green wall is considered an improvement to the building, however rather than be capitalised as a green asset should be capitalised to **Buildings - Structure**.

Updated version

Item	Non-Capital	Capital	Reasoning
Green Wall 		X	The green wall is considered an improvement to the building and provides oxygen and cooling while removing urban air pollution. As the green wall is an improvement to the building it will get capitalised to **Buildings** as a separate component.

Project Code	Project	Total Project Spend	Total Written Off 19/20	Type	Commentary	Advertising	Cab Charges and Car Parking	Cleaning	Contributions
		6,507,657.18	774,461.33	11.90%		3,116.47	678.44	-	-
R006	R006 Underground Drainage	39,411.00	39,411.00	Stormwater	Investigation / design work that did not eventuate				
T113	T113 St Helena Streetscape	14,448.09	14,448.90	Open Space	Defect remediation post completion of project				
T134	T134 Morphett Gouger St Intersection	820.00	820.00	Transportation	Late charges, <$5,000				
T153	T153 - Narnungga (Park 25) shared access road and lighting	26.40	26.40	Transportation	Late charges, <$5,000				
T162	T162 - Colonel Light Centre Renewals 17/18	1,579.30	1,579.30	Buildings	Late charges, <$5,000				
T165	T165 Public Conveniences	316.67	316.67	Buildings	Late charges, <$5,000				
T184	T184 Vincent St and Vincent Place Design	65,903.72	65,903.72	Design	Project did not proceed				
T301	T301 Road Design 17/18	1,973.61	1,973.61	Design	Project did not proceed				
U005	U005 Love Lock Relocation	6,995.91	6,995.91	Open Space	Removal of love locks, non capital				
U101	U101 Main Street Improvement Program	374.79	374.79	Transportation	<$5000				
U111	U111 Residential street improvement program	98,888.28	98,888.28	Open Space	Mostly project design fees that will not be proceeding				
U121	U121 Laneways (Design)	31,845.00	31,845.00	Design	Project did not proceed				
U128	U128 Nature Strip and Verges	95,755.23	95,755.23	Open Space	Garden beds - streets and greening awards (nature strip competition)				
U129	U129 Planter Box Program	322,152.27	876.23	Urban Elements	Advertising marketing and promotions				
U130	U130 - Wayfinding 18/19	266,380.00	335.00	Urban Elements	Advertising	335.00			
U141	U141 Hurtle Square Landscaping	78,839.27	61,161.84	Open Space	Parkland Trees and turf				
U146	U146 Obrien Street	12,709.64	12,709.64	Open Space	Minor art works on road. Not capital				
U152	U152 South terrace & ANZAC Highway Shared Use Path v2.0	611,466.21	8,798.97	Footpaths	Relocation of traffic poles and advertising	1,106.47			
U173	U173- Victoria Park Grand Entrance Restoration	140,932.00	331.90	Buildings	DA fees				
U204	U204 - Push Button Replacemnet	21,265.41	-	Transportation	N/A				
U205	U205 SCATS & CCTV Replacement Program	85,582.55	-	Lighting and Electrical					
U224	U224 Parking Machines	279,605.00	-	Parking Machines	No write off but balance transferred to spare parts				
U235	U235 Gresham Stormwater	330,125.25	1,467.45	Stormwater	Investigations costs and preliminaries				
U245	U245 Garden Bed Renewals	216,275.55	103,763.56	Open Space	Garden beds - parklands				
U246	U246 Streetscape Garden Bed Renewal	25,380.50	25,380.50	Open Space	Contractor to remove existing garden bed and backfill				
U264	U264 - Adelaide Central Bus Station	353,352.59	788.44	Buildings	Travel and advertising	335.00	453.44		
U265	U265 Rundle Park Toilet Upgrade	336,864.10	8,037.42	Buildings	Advertising, DA fees and temporary toilets	335.00			
U266	U266 James Place Changing Places Project	528,096.69	560.00	Buildings	Clean first floor for site office and advertising	335.00	225.00		
U270	U270 Adelaide Bowling Club	414,878.63	-	Buildings	N/A				
U271	U271 integrated Water Meter Management	85,288.83	670.00	Buildings	Tenders SA	670.00			
U317	U317 – Edward Street	20,581.76	-	Transportation	N/A				
U318	U318 – Arthur Street	18,736.66	-	Transportation	N/A				
U320	U320 – Frederick & George	44,219.57	-	Transportation	N/A				
U336	U336 Mann Road (Robe Terrace to Walkerville)	451,930.36	-	Transportation	N/A				
U338	U338 Bartels Street	36,595.21	-	Transportation	N/A				
U346	U346 Selby Street	27,900.52	354.16	Transportation	Immaterial				
U347	U347 Stephen Street	50,987.07	-	Transportation	N/A				
U349	U349 Walter Street	48,498.85	-	Transportation	N/A				
U351	U351 Victoria Square Eastern Footpath / DDA (Flinders to Anga	852,671.25	19,906.00	Transportation	Maintenance (<10% of asset renewed)				
U354	U354 – DDA Bus Stops (19/20)	96,353.87	44,403.63	Transportation	<10% of footpath assets renewed therefore written off as maintenance				
U355	U355 DDA Kerb Ramps	23,234.94	21,807.66	Transportation	Assets that were expensed were just replacement of tactiles. Low value therefore write off				
U381	U381 – Jerningham Street	134,551.74	-	Transportation	N/A				
U383	U383 - Bower Street & provost	40,486.16	-	Transportation	N/A				
U391	U391 Adelaide Bridge Risk Management Investigation	48,418.00	48,418.00	Bridges	Condition audit				
U733	U733 Rundle Mall Bollards	47,105.12	47,105.12	Open Space	Security costs for previously capitalised project				
V159	V159 Path from North Adelaide Train Station to Mills Terrace	9,247.00	9,247.00	Footpaths	SAPN stobie pole removals + other immaterial				
V275	V275 Pirie Shop Upgrade	25,617.77	-	Buildings	N/A				
V276	V276 Topham Shop upgrades	25,460.00	-	Buildings	N/A				
V392	V392 Heavy Vehicle ByPass Signage	37,528.84	-	Urban Elements	N/A				

Project Code	Design/ Consultants	Excess stakeholder engagement	Parkland and Squares - Trees	Garden Beds including expenditure on plants and mulch	Turf	Low Value Assets	Mural	Preliminaries	Project did not proceed	Relocation of NM assets or those not being replaced	Repairs or Maintenance Activities	Security	Temporary works	Other
	48,418.00	-	51,973.54	212,183.56	5,413.65	21,807.66	-	1,949.45	238,021.61	7,692.50	93,602.91	47,105.12	7,508.92	34,989.50
R006									39,411.00					-
T113											10,001.72			4,447.18
T134														820.00
T153														26.40
T162														1,579.30
T165														316.67
T184									65,903.72					-
T301									1,973.61					-
U005											6,995.91			-
U101														374.79
U111									98,888.28					-
U121									31,845.00					-
U128				83,040.00										12,715.23
U129														876.23
U130														-
U141			51,973.54		5,413.65						3,774.65			-
U146														12,709.64
U152										7,692.50				-
U173								288.50						43.40
U204														-
U205	-													-
U224														-
U235								1,467.45						-
U245				103,763.56										-
U246				25,380.00										0.50
U264														-
U265								193.50					7,508.92	-
U266														-
U270														-
U271														-
U317														-
U318														-
U320														-
U336	-													-
U338														-
U346														354.16
U347														-
U349	-													-
U351											19,180.00			726.00
U354											44,403.63			-
U355						21,807.66								-
U381														-
U383	-													-
U391	48,418.00													-
U733												47,105.12		-
V159											9,247.00			-
V275														-
V276														-
V392														-