



FP1 – CAPITALISATION AND DEPRECIATION OF NON-CURRENT ASSETS POLICY

MANAGEMENT PRACTICE:

DELEGATION:

PURPOSE

The purpose of this policy is to provide appropriate accounting guidelines for the capitalisation and depreciation of Council assets.

OBJECTIVE

To provide consist approach in the capitalisation and depreciation of assets.

To comply with *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1997* and provide clear guidelines for depreciation rates used to calculate figures in Council's annual and monthly financial reports.

POLICY

It is Council policy that the following accounting policies shall apply for the capitalisation and depreciation of non-current assets.

Depreciation:

Property, plant and equipment will be carried at cost until such a time as fair values are determined and implemented. When fair values for assets are implemented these fair values will formulate the basis of determining the value of Council's asset holdings. All asset items, property, plant and equipment, including buildings but excluding freehold land, are depreciated over their estimated useful life on a straight line basis according to the following table:

Land	Not Depreciated
Buildings	25 – 75 Years
Furniture and (Internal) Equipment	3 – 20 Years
Light Vehicles	2 – 15 years
Light Plant and (External) Equipment	2 – 15 Years
Heavy Plant and (External) Equipment	5 – 15 Years
Freehold Land for Sale	Not Depreciated

Infrastructure	
Roads and Streets	
Clearing and Formation	Not Depreciated
Pavement	
- District Distributors	70 years
- Local Distributors	90 years
- Access Roads	100 years
- Other	120 years
Bitumen Seal (Surface Structure)	
- Local Distributors	20 years
- Access Roads	20 years
Asphalt Seal (Surface Structure)	
- District Distributors	15 years
- Local Distributors	20 years
Footpaths	
- Concrete Path – Poured	80 years
- Concrete Path – Slabs	40 years
- Asphalt Path	45 years
- Gravel Path	30 years
Drainage	
- Pipe – Culvert Pipes	60 years
- Pipe - Underground	80 years
- Table (Roadside) Drainage	20 years
Kerbing	
- Roadside Kerbing	50 years
- Storm Water Channel	50 years
Water Supply Piping, Sewerage Fixtures etc	30 – 65 years
Other Infrastructure	10 – 50 years

Assets are depreciated from the date of acquisition or in respect to internally constructed assets, from the time the asset is complete and held ready for use.

Depreciation on each asset is charged to the program to which the asset principally relates or, where possible, to the job which the asset was actually used.

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner, which reflects the consumption of the service potential embodied in those assets.

Asset Capitalisation Thresholds:

For reasons of practicality, the following materiality thresholds have been applied, below which any expenditure on assets need not be capitalised:

Land: all purchases are capitalised but land resumed for public works need not be capitalised if the resumption costs is less than \$5,000.

Buildings: improvement expenses totalling less than \$5,000 on any one building in any year need not be capitalised.

Furniture and (internal) Equipment: expenses totalling less than \$5,000 on any one item in any year need not be capitalised. Software is not capitalised.

Plant and (External) Equipment: expenses totalling less than \$5,000 on any one item in any year need not be capitalised.

Tools: expenses totalling less than \$5,000 on any one item in any year need not be capitalised.

Freehold Land for Sale: expenses totalling less than \$5,000 on any one item in any year need not be capitalised.

Asset Revaluation and Fair Value:

Council have adopted a policy of re-valuing roads with sufficient regularity to ensure that a reasonable total asset value is carried year to year. From 1 July 2012 in line with amendments to the *Local Government (Financial Management) Regulations 1997*, Council will implement fair value asset accounting principles.

Relevant Legislation:	<i>Local Government Act 1995</i> <i>Local Government (Financial Management) Regulations 1997</i>
Related Documents:	
Related Local Law:	N/A
Related Policies:	FP9 – Portable and Attractive Items Policy FP10 – Asset Management Policy
Adopted:	21 August 2013 OC130810
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