POLICY

TITLE:	Asset Management Policy
DIVISON:	Infrastructure
ADOPTED BY:	Barkly Regional Council
DATE OF ADOPTION:	22 March 2018
DATE OF REVIEW:	February 2022
MOTION NUMBER:	OC 59/18
POLICY NUMBER:	FP0001
AUTHORISED:	Barkly Regional Council

THIS POLICY APPLIES TO:

All employees of Barkly Regional Council and its Elected Members

SUMMARY

This policy outlines Council's priorities in regards to the provision and replacement of infrastructure assets.

OBJECTIVES

The purpose of this policy is to provide guidance on the Council's priorities and requirements in relation to the provision of asset management processes within Council areas.

BACKGROUND

The Barkly Regional Council provides and maintains all assets in Barkly region. The Council is committed to practising an effective asset management process to apply asset management best practices across all areas. Due to financial constraints the Council has to adopt priorities for the renewal and replacement of assets during planning process.

POLICY

The Council recognises all assets exist to provide services and value to community throughout the Council area in accordance with the following principles:

- Undertake asset management activities within Council's strategic framework,
- A best practice asset management strategy must exist for implementing systematic asset management throughout all area of Council,
- All relevant legislative requirements together with political, social, cultural, economic and environmental considerations are to be taken account in assets management,
- Asset Management Plans will be developed for main asset categories. The plans will be informed for budget planning and reporting,
- An inspection activity will be conducted as part of asset management to ensure agreed service level and to identify renewal/replacement priorities,
- Asset renewal required to meet agreed service levels and in accordance to asset management plans,
- Asset renewal plans will be prioritised and implemented according to agreed service level and current performance of asset,
- Systematic and life-cycle reviews will be implemented to all assets categories,
- The depreciation value and replacement cost of all assets will be accounted in accordance with best practice and applicable Australian Standards,
- Future operation and maintenance costs will be considered in decisions of adopting new assets and upgrading existing assets,

- Asset and financial management training will be provided for Elected Council Members and relevant staffs,
- Wherever possible, asset management and renewal plans will ensure the sustainable practices.

Financial Asset Classes

For the purposes of financial reporting non-current physical assets will be grouped into the Financial Asset Classes as detailed below.

- Land Under Roads
- Land and Improvements
- Buildings
- Stormwater Drainage
- Roads Infrastructure
- Water and Sewerage Infrastructure
- Other Infrastructure
- Plant and Equipment
- Motor Vehicles
- Other Assets

Accounting for Non-Current Assets upon Initial Recognition

Recognition and Control

Prior to being brought to account as a Non-Current Asset the item must satisfy the following criterion –

- It must have physical substance
- The entity is able to receive the benefit and restrict other entities' access to the benefits provided by the item. (Control)
- It is probable that future economic benefits or service potential associated with the asset will flow to the entity (Future Economic Benefit)
- The item is not held for sale and it is expected to be used by Council for greater than 12 months (Non-Current and Not Held for Sale)
- The cost of the item can be measured reliably
- Its value exceeds the Capitalisation Threshold (Capitalisation Threshold)

Capitalisation Threshold

Items of low value are to be expensed on the basis of materiality. Capitalisation Thresholds have been established for all asset classes at $5,000.

Valuation Basis (Cost or Fair Value)

All Non-Current Assets are to be valued either at Fair Value or Historical Cost.

Portable and Attractive Items

Some items, whether above or below the capitalisation threshold, may be at risk of theft or loss. Items considered to be 'Portable and Attractive' are to be recorded in the respective 'Portable and Attractive Items Register' of each agency.

These registers are to be verified annually via a regular or rolling stocktake process.

Contributed Assets or assets acquired for below cost

Assets acquired through donation or below cost are to be initially recorded at their estimated Fair Value.

Accounting for Assets after Initial Recognition

Subsequent Expenditure: Capital v Maintenance

Expenditure subsequent to initial acquisition is to either be expensed to the Profit and Loss Account as Maintenance or capitalised against the asset as Capital Expenditure.

The criteria to be applied to determine whether costs should be capitalised or not is whether, when compared to the existing asset, the expenditure meets one of the following criteria –

- Exceeds the capitalisation threshold;
- Extends the useful life of the asset, by a period of greater than 12 months; and
- Provides additional economic benefits or service potential.

Depreciation Method

The Depreciable Amount of each component of all Non-Current Assets are to be depreciated on a systematic basis over their useful life using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

In doing so due consideration is required to be given ensuring -

- The method used matches expected pattern of consumption of the assets future economic benefits
- Where the asset has a number of different components with varying patterns of consumption, each component is depreciated separately
- Depreciation is to be calculated on a systematic basis over the asset's useful life
- A Residual Value has been determined to ensure the depreciation is allocated against the Depreciable Amount.

In the absence of better information it is assumed that assets will be depreciated in a constant pattern (straight-line). It is also assumed that, except for assets traded in an open market, that the Residual Value is nil.

The components of assets often experience regular renewal which as a consequence either extend the useful life of the asset or result in an increase in the assets remaining service potential. Such practice indicates that the various components are comprised of two parts which have a different Useful Life. For these assets the various components are required to be separated into a short-life part (representing the cost of the expected renewal treatment) and the long-life part (the balance between the component cost and short-life part) with each part depreciated over their respective Useful Life.

Based on materiality consideration it is appropriate to calculate and apply a weighted average depreciation rate to be applied at the component level.

Annual Reviews (including Impairment)

The following aspects are required to be reviewed by Asset Custodians for all Non-Current assets at the end of each financial year to ascertain whether there have been any changes since the last revaluation.

- Replacement Cost / Unit Rates
- Condition / Consumption Rating
- Pattern of Consumption
- Useful Life
- Residual Value
- Recoverable Amount (if there are indicators of Impairment)

Where the impact of changes in any of the key assumptions used to determine the Fair Value would result in a material difference between the Carrying Amount and the Fair Value the entire Asset Class is to be re-valued.

If the Asset Class is not re-valued any changes in the key assumptions are to be accounted for prospectively as a change in the rate of depreciation in future periods.

If the Carrying Amount exceeds the Recoverable Amount the asset is to be written down to the Recoverable Amount and an Impairment Loss recorded in the Profit and Loss Account. However, for assets valued at Fair Value this action may be avoided by revaluing the individual asset (if impact is not material) or entire class of asset to Fair Value. This action would result in the Carrying Amount being the Fair Value and equalling the Recoverable Amount thereby resulting in no Impairment Loss.

Assets Written Down to Nil but Still in Use
Assets valued at Fair Value that have a written down value of zero and are still in use shall be re-lived and re-valued if the current replacement cost is of a material amount.

Assets valued at Historical Cost that have been written down to zero and are still in use shall be written off and brought back to account with a new asset number and useful life if the new estimate of written down value is of a material amount.

Management of Work in Progress

Each section is required to actively manage capital projects to ensure that capital costs are removed from WIP and capitalised to appropriate assets (whether new or additions to existing assets) in a timely manner. The timing that expenditure no longer belongs in WIP is the point at which the asset is put into service or use.

Each section is to review their WIP balance on a monthly basis to ensure that there are no assets currently in service recorded in WIP.

Assets Held for Sale
At the time when it is resolved that a non-current asset will be sold, and the disposal is likely to occur within 12 months, that asset will be classified as a current asset as “Asset Held for Sale”.

The value of these assets will be the carrying value in the asset register as at the date of the resolution. Any further costs incurred in the development of such asset will also be included as part of the value of the asset held for sale.

Items that are classified as assets held for sale are to be assessed on an annual basis at the end of the reporting period. If circumstances change and it is deemed that the asset will not be sold within the following 12 months the asset is to be re-classified as a non-current asset and valued in accordance with the relevant valuation methodologies.

Once classified as an ‘asset held for sale’ depreciation of the asset is to cease.

Revaluation of Non-Current Assets
Non-Current Assets required to be Re-valued
All Non-Current Assets are to be valued either at Fair Value or Historical Cost.

Fair Value Valuation Method
The fair value of an asset is the best estimate of the price reasonably obtainable for an asset of a similar type, age and condition in the market at the date of valuation. Fair Value is to be determined using either one of or a combination of appropriate valuation techniques. These include –

- Market approach
- Income approach
- Cost approach

Revaluation Threshold
In order to minimise the cost associated with revaluations a materiality (Revaluation) threshold has been established for each Asset Class. It is considered that the impact of revaluation of assets below this threshold would result in an immaterial impact in relation to the value of the entire class and therefore the cost of valuing these assets would exceed the net benefit gained. Revaluation Thresholds have been established for all asset classes at $10,000.

Frequency of Revaluations

All Asset Classes valued at Fair Value are required to be re-valued regularly to ensure the Carrying Amount does not differ materially from the Fair Value. This may include a combination of Comprehensive Valuations supported and Interim Revaluations.

In some circumstances it may be appropriate to undertake a 'rolling valuation' where a large portion of the portfolio is physically inspected in such a way resulting in a 100% inspection over a three-year period. The assets not inspected are to be revalued by way of indexation. Such valuations should be treated as a desktop valuation with the final valuation recorded as a comprehensive valuation.

The maximum period allowed between a Comprehensive Revaluation and the frequency of Interim Revaluations is 3 years.

De-recognition of Non-Current Assets

Assets are to be removed from the financial asset register and the underlying asset management component register (if applicable) on its disposal, trade-in, retirement, decommissioning, abandonment, confirmation of any theft or loss or when it is withdrawn from use and no future economic benefits are expected from the asset.

All decisions to derecognise an asset should be authorised and supported by appropriate documentation prior to removal from the Financial Asset Register.

The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognised in the Profit and Loss Account. Proceeds include cash received and trade-in value.

Any costs associated with the disposal of the assets are to be recognised as an expense in the Profit and Loss Account.

Financial Statement Disclosures

The Accounting Standards and other prescribed requirements require the disclosure of a range of information in the financial statements. All disclosures as required by the prescribed requirements shall be disclosed. This includes, but is not limited to, the following.
For each Asset Class –

- Measurement basis used for determining gross carrying amount;
- Capitalisation threshold for asset recognition;
- Depreciation methods used;
- Useful lives or the depreciation rates used;
- The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period (Gross disclosure method).

A reconciliation showing for each Asset Class the movements between the carrying amount at the beginning and end of the period showing –

- Additions
- Assets classified as held for sale and other disposals
- Increases or decreases from revaluations
- Impairment losses recognised and reversed
- Depreciation
- Net exchange differences and
- Other changes.

Details of any revaluations including –

- Whether the valuation was conducted internally or by an external valuator,
- The type of revaluation (full revaluation or interim revaluation),
- Date of effect and
- The financial impact (both for gross value and accumulated depreciation).

Security and Physical Control over Non-Current Assets
The Asset Custodians shall assume full responsibility for assets within their control. The nature of some asset classes, such as infrastructure assets, is such that the asset cannot be physically removed, are subject to regular physical inspection for Asset Management Planning purposes and are inspected for revaluation purposes. As such they do not require a separate physical stocktake.

The remaining assets are required to be verified via an annual stocktake process which may include a rolling stocktake process conducted over a number of years.

TERMINOLOGY & DEFINITIONS

Asset
A resource controlled or managed by the Council and provides or contributes to the provision of services to the community.

Asset Management
The combination of management, financial, economic engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner.

Life-cycle
It is the cycle of activity that an asset goes through while it retains an identity as a particular asset from design to disposal.

Service Level
Service Level is a relevant measurable standard or parameters that reflect social, political, environmental and economic outcomes that the Council delivers.

REFERENCES
Stock Take Policy (Pending)
CP000009 Disposal of Property Policy
IPWEA International Infrastructure Management Manual 2015
ISO 31000:2009 Manual

LEGISLATION & STANDARDS
NT Local Government Act 2016
NT Local Government (Accounting) Regulations 2014
ISO 31000:2009
Work Health & Safety (National Uniform Legislation) Act 2011

LINKS
http://www.austlii.edu.au/au/legis/nt/num_act/whasula201139o2011543/
http://www.austlii.edu.au/au/legis/nt/consol_act/lga182/
http://www.austlii.edu.au/au/legis/nt/consol_reg/lgr388/

RESPONSIBILITY & DELEGATION
Barkly Regional Council
Chief Executive Officer
Director Corporate Services
Director Infrastructure
Director Community Services

EVALUATION AND REVIEW
This policy is to be reviewed every four (4) years, and may be reviewed at other times at the discretion of Chief Executive Officer.
Next review date: