

Responsible Directorate	Corporate Services
Responsible Business Unit/s	Finance Services
Responsible Officer	Manager Finance
Affected Business Unit/s	All

Objective

This policy is intended to outline the prescribed requirements to be followed by Council employees in the acquisition, accounting, control, transfer and disposal of non-current physical assets recognised as property, plant and equipment, and ensure compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and relevant Australian Accounting Standards.

Scope

This policy applies to all decision making in respect to all current, proposed and future property, plant and equipment items which are classified under land, buildings, plant and equipment, mobile vehicles and plant, furniture and office equipment, recreation equipment and infrastructure.

Policy

1. Legislation/Local Law Requirements

Council employees will follow the prescribed treatment for property, plant and equipment as per the relevant Australian Accounting Standards and Government Legislation.

2. Capitalisation of Assets

Any acquisition or construction costs incurred over the life of the asset must be recognised as capital expenditure or expense. A capitalisation threshold must be established for the recognition of non-current assets in the statement of financial position, i.e. to determine which assets will be capitalised and which ones will be expensed.

2.1 Capitalisation Thresholds

The capitalisation thresholds set the value of expenditure for items of property, plant and equipment above which the expenditure is deemed to be material and recognised as capital expenditure, and below which the expenditure is deemed to be immaterial and charged as expense in the reporting period in which the expenditure is incurred.

Capitalisation threshold amounts are to be reviewed annually to ensure that they remain relevant and effective in the face of inflation.

The capitalisation thresholds for each asset class are shown below:

Asset Class	Capitalisation Threshold
Land	Nil
Building	\$5,000
Plant and Equipment	\$5,000
Mobile Vehicles and Plant	\$5,000
Furniture and Office Equipment	\$5,000
Recreation Equipment	\$5,000
Infrastructure	\$5,000
Software	\$50,000

The benefit of setting a threshold is to ensure efficient use of the City's resources, balanced against the need to 'expense' items, through depreciation, against more than one financial year and therefore present financial information accurately.

Definitions

Asset	A resource which is controlled as a result of past events and from which future economic benefits are expected to flow.
Capitalisation Threshold	The minimum amount whereby the value of a non-current asset must be capitalised. Amounts below the recognition threshold are to be treated as an expense.
Non-current Asset	An asset held for use rather than exchange and which provides an economic benefit for a period greater than one year.

Relevant management practices/documents

Asset Management Policy
 Asset Management Management Practice
 Asset Disposal Policy
 Non-Current Assets Management Practice
 Significant Accounting Policies
 Australian Infrastructure Financial Management Guidelines
 WALGA Local Government Accounting Manual (Edition 3)
 CPA Guide to Valuation and Depreciation 2013

Legislation/local law requirements

State Government Legislation

- *Local Government Act 1995*
- *Local Government (Financial Management) Regulations 1996*

Australian Accounting Standards

- AASB 5 Non-Current Assets Held for Sale and Discontinued Operations
- AASB 13 Fair Value Measurement
- AASB 101 Presentation of Financial Statements
- AASB 116 Property, Plant and Equipment
- AASB 136 Impairment of Assets
- AASB 1031 Materiality
- AASB 116 Australian Implementation Guidance (Heritage and Cultural Assets)
- UIG 1030 Depreciation of Long-Lived Physical Assets
- Relevant AASB Interpretations

Office use only			
Relevant delegations	Not applicable		
Initial Council adoption	Date 3 May 2016	Resolution #	0516/020
Last reviewed	Date 26 May 2020	Resolution #	0520/027
Next review due	Date 2021		