

5.6. ASSET CAPITALISATION GENERAL POLICY

REPORT AUTHOR Tara Killeen, Chief Financial Officer

MANAGER Rachel Brophy, Chief Executive Officer

DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council adopts the Asset Capitalisation Policy.

EXECUTIVE SUMMARY

The Asset Capitalisation General Policy sets the thresholds for the capitalisation of non-current assets for the Council as required by *Local Government Regulation 2012 s 206*. The Asset Capitalisation Policy was workshopped with Councillors on 14 March 2023.

PROPOSAL

That Council adopts the Asset Capitalisation Policy.

FINANCIAL/RESOURCE IMPLICATIONS

The asset capitalisation thresholds have remained unchanged and there is no financial implication of the Asset Capitalisation General Policy review.

RISK MANAGEMENT IMPLICATIONS

Complying with legislative requirements ensures Council mitigates any regulatory or reputational risk. Not adopting the reviewed Asset Capitalisation Policy would not be in keeping with best practice of regular reviews and would not be in line with the review date in the current adopted policy schedule.

SUSTAINABILITY IMPLICATIONS

Economic: Nil

Environmental: Nil

Social: Nil

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

Goal 1 - We will conduct Council business in an open and transparent manner with strong oversight and open reporting.

Goal 3 - We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.

Operational Plan 2022-2023 Actions:

Legislative requirement.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Regulator Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator, Council will utilise an outcomes based approach that balances the needs of the community with social and natural justice.

CONSULTATION

Internal: Finance and Corporate Services Asset Management Team, workshopped with Councillors on 14 March 2023.

External: Nil

COMMUNITY ENGAGEMENT

Nil

ATTACHMENTS

1. Asset Capitalisation General Policy (1) [5.6.1 - 2 pages]

26. ASSET CAPITALISATION GENERAL POLICY

Purpose

To set thresholds for the capitalisation of non-current assets for Douglas Shire Council.

Scope

This policy applies to all Douglas Shire Council activities.

Provisions

The following sets out the Asset Capitalisation Thresholds for Douglas Shire Council as required by Section 206 of the *Local Government Regulation 2012*.

Definition

Australian Accounting Standard AASB 116 defines Property Plant and Equipment as tangible items that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period.

The Standard states that the cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

In simpler terms a non-current asset may generally be an item with a life of more than 12 months and any expenditure on an item which meets the above criteria may be eligible for capitalisation.

Thresholds

In accordance with the limits prescribed by Section 224 of the *Local Government Regulation 2012*, the capitalisation thresholds for Council are set at \$1 for land, \$1 for network assets, \$5,000 for plant and equipment and \$10,000 for all other assets. Any expenditure below these thresholds is expensed in the period in which it is incurred.

Related Legislation

Local Government Regulation 2012

Related Documents

This policy is to be used in conjunction with Council's:

- Procurement General Policy
- Revaluation of Non-Current Assets General Policy

Other Documents

Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB)

Policy Review

This policy is to be reviewed whenever legislation changes, or every 4 years if no changes have been required to be enacted, at the direction of the Chief Executive Officer.

Policy Details

Policy Name	Asset Capitalisation General Policy
Policy Number	26
Policy Version	5
Document Number	809840
Endorsed by	Chief Executive Officer
Policy Type	Council
Approval Authority	Council
Date Adopted	28/03/2023
Time Period	4 Years
Review Date	01/03/2027
Policy Department	Finance and Corporate Services
Link to Corporate Plan	Robust Governance and Efficient Service Delivery
Revoked/Superseded	

This policy is to remain in force until otherwise determined by Council.