

Infrastructure Asset - Management, Capitalisation and Depreciation

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Objective

This Policy sets a framework to ensure the City of Mandurah (the City) infrastructure asset portfolio supports the service needs of the community, both now and into the future, through efficient and effective delivery of short and long-term economic, social, health and environmental benefits. This Policy guides the life cycle management of the City's infrastructure assets to support informed decision making influenced by community expectation, value for money, and ensuring funding of the assets is based on a strong understanding of asset performance with application of sound financial management practices.

Applicability

This Policy applies to the management of all City of Mandurah infrastructure assets. All City of Mandurah employees and Elected Members are bound by this Policy.

Requirements/Statement

Asset Management

Appropriate management of, and investment in, the City's Infrastructure Asset portfolio is fundamental in providing a foundation for the efficient delivery of services, promoting economic growth, and delivery of environmental sustainability.

This Policy provides clear direction to the City to ensure infrastructure assets, will be managed within a consistent management framework that is aligned to International Standard AS/NZS/ISO 55000:2014, Asset Management – Overview, Principles and Terminology, integrated with the City's business practices, and is consistent with the State Government's Integrated Planning and Reporting Framework requirements.

The framework for delivery of Asset Management outcomes will include this Policy which will inform and be underpinned by an Asset Management Strategy and a suite of Asset Management Plans for each infrastructure asset class including:

- Buildings and Community Facilities;
- Roads and Transport Infrastructure;
- Coastal and Marine Infrastructure;
- Parks and Open Space Assets;
- Stormwater Drainage Infrastructure; and
- Bridges.

The City will ensure adequate provision for the long-term management of infrastructure assets by:

- 1) Identifying and complying with relevant legislative, regulatory and statutory requirements;
- 2) Establishing a consistent Asset Management Improvement Plan for implementing best practice processes throughout different business units;
- 3) Integrating asset management principles within existing planning, development and operational business processes;
- 4) Determining community levels of service in consultation with the Council and community, to ensure that infrastructure assets meet community expectations, attract and sustain community use, provide value for money and contribute to our "sense of place";

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- 5) Implement appropriate business practices and procedures to ensure that infrastructure assets are acquired and properly managed through their lifecycle, in accordance with agreed standards, to deliver short and long-term economic, social, health and environmental benefits;
- 6) Identifying resources, operational capabilities and responsibility for asset management;
- 7) Demonstrating transparent and responsible asset management processes that align with appropriate best practice;
- 8) Creating an environment where City officers take part in the overall management of assets by developing asset management awareness and capability across directorates; and
- 9) Clearly defining the role of Council to be:
 - 9.1) Allocation of resources and verifying their efficient use through internal audit, service reviews, observations and Finance implications working group;
 - 9.2) Participation in community consultation as part of decisions to provide new assets; and
 - 9.3) Establishing community levels of service in accordance with the Asset Management Strategy and the relevant Asset Management Plans.

Third Party Assets on City Owned or Managed Land

Third-party assets constructed on City owned or managed land shall require a formal agreement in place for the proper asset management by the user (or the City if agreed) for the life of the asset.

Capitalisation, Asset Classification and Depreciation for Accounting Purposes

This Policy provides clear direction on the correct recognition of capital expenditure and the subsequent capitalisation, depreciation and revaluation of assets as they directly impact the operating financial position of the City.

The disposal of assets will be carried out in accordance with the relevant City register of delegations.

In accordance with Australian Accounting Standard (AASB) 116: Property, Plant and Equipment, expenditure for non-current assets must meet the following criteria:

- 1) It must have a physical substance other than for an intangible asset;
- 2) The City has control over the asset;
- 3) It is probable that future economic benefits or service potential associated with the item will flow to the City;
- 4) The item is not held for sale and it is expected to be used by the City for greater than 12 months;
- 5) The cost of the item can be measured reliably; and
- 6) Its value exceeds the City's capitalisation threshold.

The expenditure that occurs subsequent to initial acquisition (i.e. expenditure on an existing asset) is to be treated as either operating expenditure (maintenance) or capitalised to the asset as capital expenditure.

For accounting purposes, if criteria (1) is met below and one of either criteria (2) or (3) applies then it will be considered capital expenditure:

- 1) The value of the works exceeds the capitalisation threshold (unless the works were assumed maintenance in determining the remaining life at initial acquisition);
- 2) The work extends the life of the asset, by a period of greater than 12 months beyond the current useful life; and

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3) The works provide material additional economic benefit or service potential for the asset.

If criteria (1) is not met, or where the above criteria (1) is met but criteria (2) or (3) is not met, then it will be maintenance and considered operating expenditure.

Capitalisation Threshold

The capitalisation threshold value is greater than or equal to \$5,000 (excluding GST). This is applicable to all asset classes.

Portable and Attractive Assets

Assets under \$5,000 do not meet the criteria to be capitalised but are defined as portable and attractive and are to be properly recorded and monitored. This will include the following:

- 1) Appropriate records for assets should include information to enable assets to be registered, identified, managed and maintained;
- 2) Annual process to prevent theft or loss of non-consumable assets that are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale; and
- 3) Reporting on any discrepancies from the annual process.

Asset Classification

Capital Expenditure on assets requires the one of the following classifications:

Renewal: Capital expenditure is over the capitalisation threshold and is expected to increase the remaining useful life of the original asset.

Upgrade: Capital expenditure is expected to increase the economic benefit or service potential of the asset.

New: Capital expenditure for an asset that has not previously been recognised.

The above classifications impact the financial ratios, Long Term Financial Plan (LTFP) and sustainability measures. If expenditure relates to replacing a part of an existing asset and the useful life does not increase or there is not an increase in economic benefit or service potential, then the expenditure is classified as maintenance in nature.

Measurement Basis

All assets that qualify for recognition are to be initially measured at cost. However, where an asset is acquired at below or no cost (such as contributed assets), the cost is its fair value at the date of acquisition. If there is no readily available market for the asset then the cost is its current replacement cost. Where an asset was acquired in a prior financial year and has yet to be recorded in the accounts, the asset is to be brought to account at current replacement cost at the date of recognition. This can be by using:

- 1) market value, if there is a readily available market; or
- 2) depreciated replacement cost, if there is no readily available market.

Annual Reviews

The following are required to be reviewed for all assets at the end of each financial year to ascertain whether there have been any changes since the last revaluation:

- 1) Replacement costs/unit rates;
- 2) Condition/ consumption rating;
- 3) Pattern of consumption;
- 4) Useful life;
- 5) Residual value; and
- 6) Recoverable amount.

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Revaluation

The City's physical assets will be revalued to fair value in accordance with *Local Government (Financial Management) Regulations 1996*. The fair value of each asset will be determined in accordance with AASB 13: Fair Value Measurement.

Non-Current Assets Held for Sale

In accordance with AASB5: Non-current Assets Held for Sale and Discontinued Operations, non-current assets that are held for sale are stated at the lower of either:

- Carrying amount; or
- Fair value less costs to sell.

Depreciation

The depreciable amount of each component of all non-current assets are to be depreciated on a systematic basis over their useful life (refer to table below) using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the City.

Consideration is required to be given to ensuring:

- 1) The method used matches the expected pattern of consumption of the asset's future economic benefits;
- 2) Where the asset has a number of different components with varying patterns of consumption, each major component is depreciated separately;
- 3) Depreciation is to be calculated on a systematic basis over the asset's useful life; and
- 4) A residual value has been determined to ensure the depreciation is allocated against the depreciable amount and reviewed annually.

Useful Life

The City's adopted useful lives for assets are detailed in the table below.

Class	Components	Years	Class	Components	Years	
Roads	Asphalt surface	15-35	Marina & Waterways	Boat Ramps	20	
	Base course	55-150		Canoe Launching Ramp	40	
	Bitumen seal	10-30		Fishing Platforms	40	
	Brick paved	15-35		Fixed Jetties	40	
	Concrete	50-120		Floating Jetties	20	
	Earthworks/Formation >100	50-120		Groynes	50	
	Kerbing	55-100		Rock Protection	50	
	Sub-base	55-150		Sea Walls	50	
	Unsealed	5-15		Swimming Enclosure	20	
	Footpaths Asphalt	20-50		Swimming Pontoon	20	
	Footpaths Brick paved	30-60		Wharf	40	
	Footpaths Concrete	40-80		Parks	Fencing and gates	20-35
	Footpaths Gravel/Limestone	5-40			Park furniture	10-50
Light poles	10-25	Playground equipment	8-35			
Drainage	Culverts (RCBCs)	60-100	Light poles	10-25		
	Headwalls	50-100	Bridges	Footbridge	60	

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Plant & Equipment	Pipes (concrete)	60-150	Buildings	Road Bridge	100
	Pipes (uPVC)	60-100		Electrical	12-50
	Pits and Manholes	50-100		Fit out and fittings	10-65
	Boats	5-15		Mechanical	3-80
	Buses	10		Roof	15-45
	Heavy Plant	5-15		Structural	30-150
	Light Commercial	4	Substructural	10-90	
	Light Passenger	4	Land Improvements	25-40	
	Misc Plant & Equipment	3-20	Furniture & Fittings	5-25	
	Mowers	4-15			
	Trailers	10-15			
	Trucks	5-20			

Legislative Context

1. *Local Government Act 1995* (Section 5.56(1));
2. *Local Government (Financial Management) Regulations 1996* (regulation 17A); and
3. Australian Accounting Standards (including AASB 116).

Review

At a minimum this Council Policy will be reviewed every two years.

Related Documents

These documents are mandatory and required to give effect to this Policy:

NA

Supporting Documents

The following documents inform this Policy (i.e. documents that are not mandatory to the implementation of this Policy but may support the implementation of the Policy):

1. Infrastructure Asset Management Strategy;
2. The suite of Asset Management Plans by Asset Class; and
3. DLGSC Integrated Planning and Reporting Framework (IPRF) (updated 2016).

Responsible Directorate: Built and Natural Environment and Business Services

Responsible Department: Strategic Asset Management and Financial Services

Reviewer: Strategic Asset Management Working Group

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Last Review: TBC

Amendments			
Version #	Council Approval Date, Reference	Date Document In force	Date Document Ceased
1	Minute G.43/12/09	15 December 2009	28 February 2012
2	Minute G.57/2/12	28 February 2012	24 February 2015
3	Minute G.35/2/15	24 February 2015	23 July 2019
4	Minute G.12/7/19	23 July 2019	
5	Replaces former policies POL-CPM-04 & POL-FCM 09		