POLICY 5.27
Finance & Internal Controls
Asset Management
Version: 5 | Next Review: March 2028

DISTRICT COUNCIL of TUMBY BAY

1. INTRODUCTION

The District Council of Tumby Bay (the Council) owns and manages an asset portfolio in which the assets form the social and economic infrastructure that facilitates the provision of services to the district's community, businesses and visitors for current and future generations.

Councils have an obligation to ensure that current assets are managed and maintained efficiently and that decisions regarding the acquisition of new assets and the disposal of existing assets are undertaken in an open, accountable and transparent fashion.

Sound asset management is key to financial sustainability of every Council with the Council adopting 15-year Infrastructure & Asset Management Plans to assist Council in meeting its asset management objectives.

2. OBJECTIVES

This Asset Management Policy (the Policy) provides direction on the treatment of Council owned assets in accordance with the Australian Accounting Standards and the *Local Government Act 1999*.

This Policy provides direction on the following areas of asset management and asset accounting:

a) Infrastructure & Asset Management Plans

b) Asset Recognition

c) Capitalisation Thresholds

d) Residual Values

e) Asset Registers

f) Asset Revaluations

g) Asset Depreciation

h) Asset Impairment

i) Asset Disposal or Sale

j) Asset Renewal Funding Ratio

3. LEGSILATIVE REQUIREMENTS

The *Local Government (Financial Management) Regulations 2011* require the following:

Part 3 – Accounting principles

11 – Accounting standards

(1) A council, council subsidiary or regional subsidiary must ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards.

Electronic version in TRIM is the controlled version. Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.

(2) Unless otherwise required or permitted by another law, a council, council subsidiary or regional subsidiary must ensure that reporting on a function, activity, goods or service of the council, council subsidiary or regional subsidiary contained in its financial statements, or in any other external financial report prepared by the council, council subsidiary or regional subsidiary, is made according to a full cost attribution basis.

(3) For the purposes of subregulation (2), an external financial report is a report of a financial nature prepared for the information and use of a person or body external to the council, the council subsidiary and the council which established the subsidiary, or the regional subsidiary and any constituent council (as the case may be).

12 – Revaluation of assets

(2) A council, council subsidiary or regional subsidiary must undertake a revaluation of all material non-current assets in accordance with the requirements of Australian Accounting Standard AASB 116.

4. INFRASTRUCTURE & ASSET MANAGEMENT PLANS

In accordance with section 122 of the *Local Government Act 1999*, Council will adopt and maintain infrastructure and asset management plans, relating to the management and development of infrastructure and major assets by the council for a period of at least 10 years.

Infrastructure and asset management plans will include detail outlining the future planning strategies for new and upgraded assets, renewal of assets and as appropriate the replacement of assets.

Council's Infrastructure and Asset Management Plans will be reviewed annually following the adoption of the Annual Business Plan with a comprehensive review to be undertaken within 12 months after each general election of the Council.

Consultation on the review of Council's Infrastructure Asset Management Plans will include consideration and feedback provided by Council's Audit and Risk Committee.

5. ASSET RECOGNITION

An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost that can be measured reliably.

Council may capitalise costs once the research and planning phases of a capital project are complete and it is highly probable that the project will be completed. If a decision is made to delay, terminate or materially rescope a capital project, any expenditure that was previously capitalised shall be expensed.

Assets should have a useful life of greater than one year to enable capitalisation of the expenditure and should also meet Council's capitalisation thresholds as detailed within this Policy. Capitalisation thresholds are set so as not to make a misstatement in the Annual Financial Statements and to provide a guide as to whether it is practical from an administrative perspective that expenditure is capitalised.

Non-council and community buildings, structures and associated assets (on crown land that is under the control of Council) will not be valued in Council's asset registers and therefore will not be depreciated.

6. CAPITALISATION THRESHOLDS

The capitalisation threshold is set at an amount of $10,000. However, in some circumstances lesser amounts of capital expenditures will be capitalised where it is considered appropriate for that particular asset.

No capitalisation threshold is applied to the acquisition of land or interests in land.

Capitalisation of assets will take place at 30 June each year in accordance with Council's end of financial year procedures and capitalisation threshold amounts are reported in Note 7 of the audited Annual Financial Statements each year.

7. RESIDUAL VALUES

A residual value is the estimated value of an asset at the end of their useful life.

Council only applies residual values to its machinery assets which are calculated using historical values previously observed by Council for assets of a similar type.

Market fluctuations, machinery usage, age and condition impact trade-in values achieved by Council for each individual item of machinery. Council annually reviews trade-in values obtained against residual values set to review past assumptions and determine future residual values.

8. ASSET REGISTERS

The following Asset Registers will be maintained for each class of asset owned by the Council:

- Land
- Buildings & Other Structures
- Infrastructure
  - Sealed Roads
  - Unsealed Roads
  - Bridges
  - Footpaths
  - Kerbing & Water Tables
  - Stormwater Drainage
- Community Wastewater Management Systems
- Plant, Machinery & Equipment
- Office Furniture, Fittings & Equipment

Asset Registers will be reconciled with the General Ledger Trial Balance Report as at 30 June each year in accordance with Council's end of financial year procedures.

9. ASSET REVALUATIONS

The Australian Accounting Standards require that Council report it's assets at Fair Value. In line with this requirement and to ensure asset values are maintained at acceptable standards Council will revalue its various asset classes as detailed:

a) Land

Council owned land will be re-valued on a 5-year cycle utilising the external services of suitably qualified personnel.

b) Buildings, Structures & Site Improvements

Buildings, structures, and site improvements will be re-valued on a 5-year cycle utilising the external services of suitably qualified personnel.

c) Transport & Stormwater

Transport and stormwater assets will be re-valued on a 3-year cycle and will be carried out by external services of suitably qualified personnel in consultation with Council's General Manager Works & Infrastructure and Deputy CEO.

d) Community Wastewater Management Systems

Community Wastewater Management Systems will be re-valued on a 3-year cycle and will be carried out by external services of suitably qualified personnel in consultation with Council's General Manager Works & Infrastructure and Deputy CEO.

e) The following assets classes will remain at cost, as these assets are typically short-life, lower-value, or depreciate predictably, making the cost model acceptable under *AASB 116 – Property, Plant & Equipment*, where fair value revaluation is unlikely to provide materially different outcomes:

- *Plant, Machinery & Equipment*
- *Office Furniture, Fittings & Equipment*

Each year a report is to be presented to the Audit and Risk Committee which considers asset values and assets that may no longer have an economic benefit to Council thereby changing their fair value.

10. ASSET DEPRECIATION

As per Australian Accounting Standard AASB 116 *Property, Plant & Equipment*, the depreciation method used by Council to depreciate an item of property, plant and equipment shall reflect the pattern in which the asset's future economic benefits are expected to be consumed.

Accordingly, the straight-line method of depreciation is used to systematically depreciate all classes of assets (with the exception of land) over the asset's respective useful lives. Council is of the opinion that this accounting method best reflects the consumption of the service potential embodied in those assets.

A broad outline of the Council's predetermined service potential periods for their respective assets is reported in the Annual Financial Statements at the end of each reporting period. Also, a more comprehensive summary of depreciation rates and useful life periods can be found in the respective asset registers and most recent valuation reports.

Depreciation rates and useful life timeframes will be considered as part of Council's annual review of asset management plans and will also form part of any re-valuation process. Annual reviews carried out by Council will be appropriately documented with any material changes to depreciation rates to be included in the annual review process.

11. ASSET IMPAIRMENT

Asset impairment occurs when the carrying amount of an asset exceeds its recoverable amount.

The Australian Accounting Standards require that Council assess at each reporting date whether there is any indication that any assets under its control may be impaired. If any such indication exists, the Council shall estimate the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired, Council may consider, as a minimum, the following indications:

- Information that may indicate significant adverse changes have taken place during the period or will take place soon, in the technological, market, economic or legal environment in which the Council operates.
- Evidence of obsolescence or physical damage of an asset.

If there is an indication that an asset may be impaired, this may mean that the remaining useful life, the depreciation method or the residual value for the asset needs to be reviewed and adjusted in accordance with the Australian Accounting Standard applicable to the asset, even if no impairment loss is recognised for the asset.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount in accordance with *AASB 136 Impairment of Assets*.

Each year a report is to be presented to the Audit and Risk Committee which considers asset impairment and assets that may no longer have an economic benefit to Council thereby changing their value.

12. ASSET DISPOSAL OR SALE

The disposal or sale of Council assets must be made in accordance with Council's *Policy 5.19 - Disposal of Land and Assets*.

13. ASSET RENEWAL FUNDING RATIO

The Asset Renewal Funding Ratio indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of asset is wearing out.

The ratio It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the amount of such expenditure identified within Council's long term renewal programs as referenced in Council's year one of the respective Infrastructure & Asset Management Plans.

The Local Government Association of South Australia as part of the LGA Financial Sustainability Program developed a set of information papers with *Information Paper 9 – Local Government Financial Indicators* recommending Council's aim to achieve a ratio between 90% - 110%.

Achievement of this target indicates that Council is replacing its assets in a timely manner and that Council is reasonably optimising the timing of capital outlays on the renewal/replacement of assets (for its specified and preferred level of service from assets).

14. POLICY REVIEW

This Policy shall be reviewed every two (2) years. However, Council may revise or review this Policy at any time.

15. AVAILABILITY OF POLICY

This Policy will be available for inspection at the Council's Office during ordinary business hours and via the Council's website, www.tumbybay.sa.gov.au. Copies will also be provided to the public upon request and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

16. FURTHER INFORMATION

File reference	R26/9624
Responsibility	Deputy Chief Executive Officer
Version	5
Effective date	30/06/2026
Last revised date	08/03/2022
Minutes reference	DCEO 1/626 DCEO 1626 - Review of Finance & Internal Control Policies
Next review date	March 2028
Applicable Legislation	*Local Government Act 1999* *Local Government (Financial Management) Regulations 2011* *Australian Accounting Standards* AASB 116 Property, Plant & Equipment AASB 136 Impairment of Assets LGA Information Paper 9 – Local Government Financial Indicators
Related Policies	Policy 5.19 - Disposal of Land and Assets Policy 5.24 – Risk Management Policy Risk Management Framework (Draft)
Related Procedures	Procedure 7.1.14 – Review Asset Management Plans Plant & Equipment Infrastructure & Asset Management Plan Buildings & Structures Infrastructure & Asset Management Plan Community Wastewater Management System Infrastructure & Asset Management Plan Transport & Stormwater Infrastructure & Asset Management Plan Long Term Financial Plan

AUTHORITY:

Adopted by Council:	10/11/2015	{Motion 7c/112015}
Amended by Council:	12/05/2020	{Motion 3c/52020}
Adopted by Council:	30/06/2026	{Motion 6c/62026}

SIGNED: 

……..
Responsible Officer

DATED: 30/06/2026

Electronic version in TRIM is the controlled version. Printed copies are considered uncontrolled.
Before using a printed copy, verify that it is the current version.