

HEAD OF POWER

- *Local Government Regulation 2012, section 206(2)*

INTENT

The purpose of this policy is to set an amount for each different type of non-current physical asset below which the value of an asset of the same type must be treated as an expense.

SCOPE

This policy applies to all employees and Councillors.

DEFINITIONS

Employee means a local government employee as defined in the *Local Government Act 2009*.

Non-current asset means as defined in section 224 of the *Local Government Regulation 2012*.

POLICY STATEMENT

1. This policy provides clarification on the types of expenditure that may be recognised and the timeframe and milestone points for recognition. All asset recognition thresholds in this policy are exclusive of GST, unless otherwise stated.
2. A non-current asset with a cost greater than the following asset recognition thresholds must be capitalised:

Asset Class	Asset Recognition Threshold
Land	\$1
Plant and equipment	\$5,000
Buildings and structures	\$10,000
Intangibles	\$10,000

There is no set amount for infrastructure assets, including roads, water, sewerage and stormwater drainage as these are networked assets and it depends on the nature of the expenditure.

3. Application of thresholds

The original estimated value of the asset will be used to identify the nature of the expenditure as either operational or capital. If the actual expenditure varies from the threshold by more than 50%, the expenditure will be reclassified.

This application will be reviewed at the end of each financial year to ensure the effect is immaterial to the relevant class of asset.

4. Principles of capital expenditure recognition

- 4.1. Capital expenditure must result in an asset** – Capital expenditure is incurred from an approved capital project and must result in the acquisition, renewal, upgrade or replacement of, or addition to, an asset in the Non-Current Asset Register.

Assets will be physical in nature (except for intangible assets – software and systems) such as:

- buildings and other structures;
- water and wastewater assets;
- playground equipment;
- plant and equipment;
- pipes and road; and
- vehicles

and will satisfy the recognition criteria if it is over the asset capitalisation thresholds listed above.

- 4.2. Expenditure that does not result in a new asset or the renewal or enhancement of an existing asset is operational** – Expenditure incurred during normal operations that ensures an asset realises its normal operating capacity and reaches its full useful life will be regarded as repair or maintenance and recognised as an operating expense.

These expenses include:

- painting;
- sanding floors;
- street beautification;
- soft landscaping;
- tree planting;
- regular servicing;
- replacing minor parts; and
- administration and catering.

ASSOCIATED DOCUMENTS

- Asset Management Policy

DOCUMENTS CONTROLS

Council will review this policy biennially or in response to changes in law or best practice.

POLICY OWNER

Chief Financial Officer.