

ASSETS

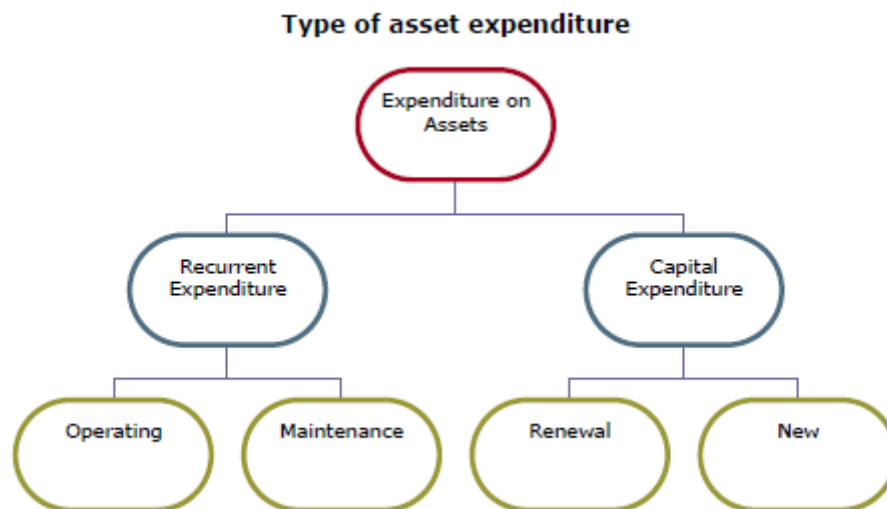
Explanation of Assets

Local Government differs from other organisations when it comes to assets. In addition to have assets that are used for operational purposes (property plant and equipment) Local Government also hold assets to meet the community's need for economic and social facilities and services. The vast majority of a local government's assets are usually infrastructure assets such as roads.

- Assets are instruments or entities over which a council has ownership rights and from which economic benefits may be derived by holding them, or using them, over a period of time.
- Assets comprise of two different categories:
 1. financial assets, being assets that are in the form of financial claims on other economic units, and comprise cash, securities, and other interest-earning financial instruments; and
 2. non-financial assets, being all assets other than financial assets (Physical or intangible)
- Assets are further broken down into Current or Non-Current:
 1. Current Assets refer to assets that have an economic life of less than one year or fall below the capitalisation threshold (a total original acquisition cost of less than \$5,000)
 2. Non-Current Asset refers to assets that have an economic life greater than one year and are capitalised where the cost of acquisition exceeds the capitalisation threshold (a total original acquisition cost of greater than \$5,000)



Asset Expenditure



- **Operating** expenditure of an asset is expenses such as insurance and licenses.
- **Maintenance** of an asset is periodic expenditure required to ensure that the asset lasts as long as it is expected to last (useful life) and that it provides and continues to provide future economic benefits. Expenses such as servicing, small part replacement, painting.
- **Capital new** – is expenditure that creates a new asset that provides a service that does not currently exist.
- **Capital renewal/replacement** - is expenditure on an existing asset, which restores the service potential and extends the life of the asset beyond that which it had originally. Expenses such as road reseal, building reroof.
- **Capital upgrade/expansion** - is expenditure, which enhances an existing asset to provide a higher level of service. Expenses such as road widening, road reconstruction, restumping a building or office refit, major renovations, major motor overhaul.
- **Minor assets** are those items acquired for a cost less than the threshold, the rule of thumb is the cost of each item is greater than \$200 but less than \$5,000. These are generally called portable and attractive items that are susceptible to theft or loss due to their portable nature or attractiveness for personal use or resale. The acquisition of minor assets is treated as an expense and are recorded in a Portable and Attractive Asset Register which is subject to a stocktake and assessed in the financial audit by Council's auditors. Examples of minor assets are:
 - Laptops/computer equipment
 - Photography equipment
 - Handheld radios
 - Mobile phones
 - Bicycles
 - Tools such as drills, angle grinders, quickcut saws
 - Equipment such as lawnmowers, chainsaws, whipper snippers, scaffolding

Asset Classes

Asset Classes are classes that assets are broken down into for reporting purposes:

Asset Class	Examples
Land	Residential Land, Reserves, Parks, Sportsgrounds and Playing Fields, Landfill Sites, Cemeteries, and other land asset requiring management
Buildings	Administration Buildings, Public Toilets, Halls, Housing, and any other building assets requiring management
Infrastructure – Roads	Road Network including car parks, pavement, seal, kerb and channel drainage.
Infrastructure – Footpaths	Footpath Network
Infrastructure – Parks and Ovals	Reticulation, picnic tables, gazebos, lighting, play equipment, sporting equipment.
Infrastructure – Drainage	Drainage Network including culverts, pipes, stormwater drains, flood mitigation networks
Infrastructure – Other	Standpipes, water tanks, airstrip infrastructure, cemetery infrastructure, entry statements, waste facility infrastructure.
Plant and Equipment	Corporate fleet vehicles, works vehicles, construction and earthworks plant and equipment, parks and gardens equipment, street cleaning and town maintenance equipment, and any other plant and equipment assets.
Furniture and Equipment	Furniture, fittings, IT and communications hardware and equipment, kitchen appliances.

Further to these asset classes there are also heritage assets that have specific requirements that need to be considered when planning the future of the asset.

Heritage Assets are defined as tangible assets that a community intends to preserve due to unique cultural, historical, and environmental considerations. This can be due to government legislation implications or simply Council policy. These assets are not for sale or redevelopment as the intention to reserve and use the asset for heritage purposes supersedes other uses the asset may have. Examples are the Water Tower, Town Hall, Roads Board.

Purchase Cost Calculation of an Asset

Purchase price of an asset includes any non-refundable taxes and charges such as GST less any discounts and rebates, all costs associated with bringing the asset to the location and to working order and any initial estimates for dismantling and removal of the asset.

When calculating the estimated cost of a project or purchase that will end in being recognised as an asset, consideration of the following direct costs needs to be included in the estimate:

- Employee costs arising directly from the construction or acquisition of an asset (excluding plant purchases)
- Site preparation costs (materials and contracts)
- Delivery and handling costs
- Predelivery, Installation and assembly costs (materials and contracts)
- Professional fees (architect, legal agreement costs, project management consultant)
- Waste, Disposal, and Demolition costs – tip fees and removal contractors (demolition contractor, skip bins, asbestos removal, building rubble removal)
- Final testing of installation compliance, regulatory approval for commencement of use, remediation, or restoration costs (building surveyor, environmental health officer, electrician, plumber)

Costs that are excluded from calculating an estimated cost of a project or purchase that will end in being recognised as an asset are:

- Costs of opening a new facility (opening ceremonies, stationary supplies, company branding)
- Costs of introducing a new product or service (advertising or promotional activities)
- Costs of conducting business in a new location or with a new class of customer
- Administration and general overhead costs associated with business as usual activities.

*****Please Note when it comes to estimating costs for consideration in the annual budget, it is important to remember that the estimated cost of a project or purchase does not include taxes or charges such as GST.***

Example of calculating the cost of purchasing an asset

Note: All examples are excluding the impact of GST and values stated are assumed as being excluding GST.

Worked Example 1 – Determination of Cost

The Shire of City-Country has acquired a piece of plant that is now installed at the depot. The following items were included in the cost of acquisition:

Cost of Plant	\$55,000
Labour and travel costs for management to inspect the new item of plant and for negotiating for the purchase of the equipment	\$3,000
Freight Costs	\$3,000
Increase in Insurance Costs	\$1,000
Costs of training staff to use the machine	\$3,500
Costs of repairing the depot gate, which was damaged by the delivery of the item of plant	\$750
Marketing costs updating the community on the new item of plant	\$500
Total	\$66,750