# Infrastructure, Property, Plant & Equipment Accounting Policy

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| **Related documents:** | Australian Infrastructure Financial Management Manual 2015<br>Infrastructure and Asset Management Plan<br>Strategic Plan 2025-2028<br>South Australia Model Financial Statements |

## Contents


1. Purpose ..... 2
2. Scope ..... 2
3. Definitions ..... 2
4. Council's Core Values ..... 4
5. Capitalisation ..... 4
6. Acquisition of Assets ..... 5
7. Revaluation ..... 5
8. Leases ..... 6
9. Impairment ..... 6
10. Depreciation ..... 7
11. Disposal of Infrastructure, Property, Plant & Equipment ..... 8
12. Asset Registers ..... 8
13. References ..... 8
14. Records management ..... 9
15. Document review ..... 9
16. Further information ..... 9

## 1. Purpose

1.1. The purpose of this policy is to provide a framework that ensures infrastructure, property, plant and equipment are recognised and accounted for in accordance with legislative requirements[1].

1.2. This Policy also assists Council's commitment to Financial Sustainability by ensuring service standards/levels for Council's infrastructure assets are delivered according to a long-term assets and financial plans without the need to significantly increase rates or significantly reducing other services.

## 2. Scope

2.1. This policy details expenditure that is to be capitalised and the associated accounting treatment for infrastructure, property, plant and equipment in Council's asset register.

## 3. Definitions

*3.1.* ***attractive portable item*** means any items owned or leased by the Council which are more likely to be subject to loss due to theft or misplacement and shell include items such as cameras, portable TVs, tools of trade and communication equipment.

*3.2.* ***carrying amount*** is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses[2].

*3.3.* ***Componentisation*** relates to assets that are made up of materially significant parts, which in turn have different lifecycles and therefore must be depreciated separately.

*3.4.* ***condition assessment*** is the technical assessment of the operational and physical conditions of an asset, using a systematic method designed to produce consistent, relevant and useful information.

*3.5.* ***cost*** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards[3].

*3.6.* ***Council*** means Adelaide Plains Council.

*3.7.* ***current replacement cost*** is the purchase or construction cost of replacing an asset with a technologically modern equivalent new asset with the same economic benefits allowing for any differences in the quantity and quality of output and in operating costs.

*3.8.* ***depreciable amount*** is the cost of an asset, or other amount substituted for cost, less its Residual Value[4].

*3.9.* ***depreciation*** is an expense representing the consumption of an asset overtime in providing services. It is the systematic allocation of the depreciable amount of an asset over its useful life.

*3.10.* ***Depreciable Asset*** is an asset having a limited useful life.

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[1] Australian Accounting Standards Board (AASB) and the Local Government Act 1999 and *Local Government (Financial Management) Regulations 2011*

[2] AASB 116 – Paragraph 6

[3] AASB 116 – Paragraph 6

[4] *AASB 116 – Paragraph 6*



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3.11. ***employee*** means any person carrying our duties or performing tasks for and on behalf of Council, whether they are paid or unpaid, including staff, contractors, consultants, trainees, volunteers, students and any other person who has access to Council's electronic systems and services in a full-time, part-time or casual capacity.

*3.12.* ***fair value*** is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date as per definition set out in Australian Account Standards[5].

*3.13.* ***infrastructure assets*** are physical assets that contribute to meeting the needs of the Council or the need for access to major economic and social facilities and services, eg. roads, drainage, footpaths and bridges.

These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no separate market value[6].

*3.14.* ***impairment loss*** is the amount by which the carrying amount of an asset exceeds its recoverable amount[7].

*3.15.* ***Land Under Roads*** includes land under roadways and road reserves, including land under footpaths, nature strips and median strips.

3.16. ***materiality*** is defined in Australian Accounting Standards[8] as follows:

"omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

*3.17.* ***Property, plant and equipment*** are 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[9]*.*

*3.18.* ***Residual Value (RV)*** is the estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset was already at the age and in the condition expected at the end of its useful life[10]*.*

3.19. ***Useful life*** is the period over which an asset is expected to be available for use by the Council[11].

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[5] *AASB 13 Fair Value Measurement*

[6] *Australian Infrastructure Financial Management Manual 2015*

[7] *AASB 116 – Paragraph 6*

[8] *AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors - Paragraph 5*

[9] AASB 116 – Paragraph 6

[10] *AASB 116 – Paragraph 6*

[11] *Australian Infrastructure Financial Management Manual 2015*



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## 4. Council's Core Values

Our approach to asset management is underpinned by Council's core values:

|  Honesty and Integrity |  Innovative and Open-minded |  Leadership and Diplomacy |  Professionalism |  Respect |  Teamwork |
|---|---|---|---|---|---|
| Building trust and loyalty with the community and within Council. | Being proactive in continually improving our services. | By acting strategically and effectively managing our relationships. | Through commitment, quality and timeliness of work delivered. | For others, acting with humility and empathy. | Through unity, cooperation and support. |

## 5. Capitalisation

5.1. Assets should have a useful life of greater than 1 year in order for the expenditure to be capitalised and have a value above the materiality test. Materiality levels are set so as not to misstate Financial Statements and to provide a guide as to whether it is practical from an administrative perspective that expenditure is capitalised.

5.2. Materiality levels for assets capitalisation are (Ex. GST):-

- Office Furniture and Equipment $1,000
- Other Plant and Equipment $1,000
- Building – new construction / extensions $10,000
- Park and Playground Furniture and Equipment $2,000
- Road construction and reconstruction $10,000
- Paving, footpaths, kerb and gutter $2,000
- Pram Ramps $1,000
- Drains and Culverts $5,000
- Reticulation extensions $5,000
- Sidelines and household connections $5,000
- Plant, Machinery and Equipment $1,000
- Furniture and Equipment $1,000
- Street lighting $5,000
- Information Technology hardware and computer equipment $1,000

5.3. No capitalisation threshold is applied to the acquisition of land or interests in land. Assets specifically excluded from capitalisation include directional and informational signage, trees and Land Under Roads.

5.4. Where the value of individual assets fall below the asset threshold for capitalisation, but the assets form part of a network or asset group such as for park furniture on a reserve, consideration will be given to capitalising the individual asset based on whether the aggregate value of those assets exceeds the capitalisation threshold.

5.5. All capitalised expenditure is to be recorded in Council's asset register and shall be properly identified, recorded and classified. For each asset, a determination shall be made of its total



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life, estimated remaining useful life, cost for accounting purposes and method of depreciation.

## 6. Acquisition of Assets

6.1. Council's assets may be acquired by purchase, construction, donation or received free of charge (as in the case of infrastructure assets received from developers in new land divisions).

6.2. Assets acquired by Council shall be recorded in line with applicable accounting standards using the cost method of accounting which is the fair value given as consideration plus costs incidental to acquisition including architect's fees, engineering fees and all other costs incurred in preparing the asset ready for use.

6.3. The cost of assets constructed by the Council will include the cost of all materials used in construction, direct labour employed and, where relevant, an appropriate internal allocation amount to represent indirect labour overheads and the use of Council's internal plant and machinery used on the project.

6.4. An item of Infrastructure, Property, Plant and Equipment may be gifted or contributed to the council (*physical resources received free of charge)*. As per Australian Account Standards[12], the cost of the item is its fair value at the date it is acquired.

## 7. Revaluation

7.1. After recognition as an asset, an item of infrastructure, property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated Depreciation and subsequent accumulated Impairment Losses.

7.2. All infrastructure assets, land and buildings shall be revalued on a regular basis such that the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

7.3. If an item of infrastructure, property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

7.4. Fair value is taken as being the current replacement cost owing to the specialised nature of the assets of the Council and inability to purchase or sell them on the open market.

7.5. Market evidence should be used for determining valuations wherever such evidence exists. Current replacement cost will be the basis of valuation of structures on Community Land. Structures erected or constructed on non- Community Land that have a market value will however need to be valued using a market based approach.

7.6. Employees who are responsible for the maintenance and accuracy of the data relevant to the infrastructure, property, plant and equipment asset in the asset register shall in consultation with the finance team of the Council ensure that revaluations occur regularly in accordance with Australian Accounting Standards13.

7.7. To perform a revaluation the following is required:

- Assessment of fair value (i.e. market value or replacement cost)
- Assessment of asset condition

[12] AASB 116 - Property, Plant and Equipment

[13] AASB 13 - Fair Value Measurement



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- Assessment of remaining asset life
- Affirmation of depreciation method
- Assessment of any asset impairment

7.8. Date of revaluation of assets will be the 1 July of the of the financial year in which the revaluation is made.

7.9. Land and Buildings - unit rates shall be reviewed annually with a comprehensive revaluation every five years. The valuation will cover both insurance and accounting valuation.

7.10. Infrastructure (including roads, footpaths, bridge and stormwater drainage) and CWMS assets - unit rates and useful lives shall be reviewed annually, with a physical condition assessment undertaken at least t every five (5) years.

7.11. Furniture, Plant, Machinery and Equipment assets are recorded initially at the purchase cost. These items are then assessed annually as part of plant and equipment management process by the employees.

7.12. Furniture, Plant, Machinery and Equipment assets recognised at cost, generally are lower in materiality, have shorter useful lives, and have active secondary markets making cost a reasonable proxy for fair value. Therefore, Furniture, Plant, Machinery and Equipment assets will not be subject to periodic comprehensive revaluation.

## 8. Leases

8.1. Leases (subject to the exceptions described below), will be capitalised by recognising a Right of Use asset together with a liability for the present value of the lease obligation. [14]

8.2. Depreciation will be calculated on the Right of Use asset and interest will be calculated on the lease liability.

8.3. The value of the Right of Use asset and the lease liability will include non-cancellable lease payments and payments for option periods which Council is reasonably certain to exercise.

8.4. The following leases will be excluded from capitalisation:

- Short Term Leases – leases for a period of 12 months or less
- Low Value Items – items which when new have value below $10,000 e.g. laptops, tablets and computers. This low value item is applied to an item, not to a group of items, and applies to the ‘as new’ value, not a second hand value.

## 9. Impairment

9.1. Assets whose future economic benefits are not dependent on the ability to generate cashflows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

9.2. Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

9.3. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

[14] AASB16 - Leases



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9.4. For assets whose economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use (infrastructure assets) is the depreciated replacement cost.

9.5. At 30 June each year an assessment must be made as to whether there is any indication that the carrying amount of an asset may exceed its recoverable amount. An impairment usually results in a reduction to the asset's recoverable amount and can arise from a number of causes, as follows:

- Decline in the market value of the asset
- Severe damage to the asset
- The asset has been rendered obsolete
- Changes of a technological or economic nature

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

## 10. Depreciation

10.1. Other than land, all Property, Infrastructure, Plant and Equipment assets having a limited useful life are systematically depreciated over their useful lives to the Council in a manner which reflects the consumption of the service potential embodied in those assets.

10.2. The depreciation method applied shall be the straight-line basis.

10.3. Useful Lives, residual values and depreciation rates shall be reviewed at the end of each financial year as per accounting standard requirements.

10.4. Various sub categories/components of asset classes have different estimated useful lives and therefore attract different depreciation rates.

10.5. Major depreciation periods for each class of asset are shown below.

| | |
|---|---|
| **Plant, Furniture and Equipment** | |
| Office Equipment and Furniture | 4 to25 years |
| Street lighting | 15 years |
| Information Technology hardware and computer equipment | 2 to 10 years |
| Vehicles and Road-making Equipment | 6 to 40 years |
| Other Plant and Equipment | 5 to 40 years |
| | |
| **Building and Other Structures** | |
| Buildings – masonry | 50 to 150 years |
| Buildings – other construction | 20 to 40 years |
| Park Structures – masonry | 50 to 100 years |
| Park Structures – other construction | 20 to 40 years |
| Playground equipment | 5 to 15 years |
| Benches, seats | 10 to 20 years |
| | |
| **Infrastructure** | |
| Sealed Roads – Surface | 15 to 30 years |
| Sealed Roads – Structure | 20 to 130 years |



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| Unsealed Roads | 10 to 30 years |
| Bridges – Concrete | 80 to 150 years |
| Paving and Footpaths, Kerb and Gutter, Drains | 50 to 100 years |
| Culverts | 50 to 80 years |
| Flood Control Structures | 80 to 100 years |
| Reticulation Pipes – PVC | 70 to 80 years |
| Reticulation Pipes – other | 25 to 75 years |
| Pumps and Telemetry | 15 to 25 years |

## 11. Disposal of Infrastructure, Property, Plant & Equipment[15]

11.1. The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.

11.2. The difference between any net proceeds from disposal (after deducting selling costs) and the remaining carrying value of an asset will be treated as either a gain or loss in the year the asset is disposed of.

11.3. Where existing assets are renewed the value of the component of the asset that has been renewed is to be disposed and a new asset created. If the part of the asset disposed of has been retained, its value needs to be recognised in the new asset or separated into a new asset component if its useful life differs materially to the new asset.

11.4. Date of disposal will be 30 June of the financial year that the disposal occurred.

## 12. Asset Registers

12.1. Registers of all assets shall be maintained and shall record individual assets in sufficient detail as to permit their identification and control. The assets registers shall be updated at lease annually.

12.2. The assets registers shall be used for the purpose of revaluing and depreciating assets and for stocktaking.

12.3. A stocktake of all plant and equipment, including computer equipment, shall be conducted at every year.

12.4. A register of attractive and portable items will be maintained to manage and protect items that are at a higher risk of being lost due to their nature.

12.5. A stocktake of these items will be conducted every year.

12.6. The register for attractive and portable items will include assets which are capitalised and those that fall below the threshold for capitalisation.

12.7. The rationale for including and separately identifying items in the register is based on their portability and the increased risk of loss due to their attractiveness..

## 13. References

*Australian Accounting Standard AASB 13 Fair Value Measurement*
*Australian Accounting Standard AASB 116 Property, Plant and Equipment*

[15] Council must ensure that disposal of Infrastructure, Property, Plant & Equipment should occurs in line with Plant Procedure requirements and the Disposal of Land & other Assets Policy



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*Australian Accounting Standards AASB 136 Impairment of Assets*
*Australian Accounting Standards AASB 1051 Land Under Roads*
*Local Government Act 1999 – Section 124 and 125*
*Local Government (Financial Management) Regulations 2011 – Part 3*
Asset Management Policy
Budget Management Policy
Disposal of Land & Other Asset Policies
*LGA Financial Sustainability Information Paper 17 - Depreciation and Related Issues December 2024*

## 14. Records management

All documents relating to this policy will be registered in Council's Record Management System and remain confidential where identified.

## 15. Document review

This policy will be reviewed in accordance with Council's *Policy Review Schedule* to ensure legislative compliance and its continued relevance to Council's needs, activities and programs.

## 16. Further information

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| **Public Access:** | Members of the public may inspect this this policy (and any other related documents) free of charge at:<br>Council's website: **www.apc.sa.gov.au;** or<br>Council's Principal Office: **2a Wasleys Rd, Mallala SA 5502**.<br>*A copy of this policy may be obtained on payment of a fee.*[16] |
| **Queries:** | Any queries in relation to this policy must be in writing to info@apc.sa.gov.au, marked:<br>*Attention: Manager Governance* |

[16] As outlined in Council's Fees & Charges Schedule.



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