

Our Vision

Nambucca Valley ~ Living at its best

Our Mission Statement

‘The Nambucca Valley will value and protect its natural environment, maintain its assets and infrastructure and develop opportunities for its people.’

1.0 Policy objective

To be able to identify whether a cost is classified as capital or an expense.

2.0 Related legislation

- Local Government Act 1993, Part 3 which relates to Financial Management and Council preparing Financial Statements in accordance with the Act.
- Australian Accounting Standards Board (AASB) Standards:
 - AASB 116 Property, Plant and Equipment;
 - AASB 13 Fair Value Measurement;
 - AASB 1041 Revaluation of Non-Current Assets;
 - AASB 136 Impairment of Assets;
 - AASB 1051 Land Under Roads;
 - AASB 138, Intangible Assets
 - AASB 5, Non-current Assets Held for Sale and Discontinued Operations
 - AASB 1049 Whole of Government and General Government Sector Financial Reporting.
- Local Government Code of Accounting Practice

3.0 Definitions

3.1 Operating expenditure is recurrent expenditure, which is continuously required such as power, fuel, staff, plant equipment, on cost and overhead excluding maintenance and depreciation.

3.2 Maintenance expenditure is recurrent expenditure on the asset, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life. It is expenditure, which was anticipated in determining that asset’s useful life.

3.3 Capital expenditure is relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal/replacement, expansion and upgrade.

4.0 Policy statement

After initial recognition of an asset any subsequent costs incurred have to be correctly classified as capital or expense. Expenditure on assets must be capitalised (i.e. added to the carrying amount of the asset) when it improves the condition of the asset beyond its originally assessed standard of performance or capacity.

This can occur through:

- An increase in the remaining service potential provided by the asset; and or
- Increasing the useful life of the asset.

Outlays that do not meet the above criteria must be expensed. For example, expenditure that merely restored an asset to its expected condition in service, or repaired damage or wear and tear that would have prevented the asset reaching its original estimated useful life, are maintenance expenditure.

When major cyclical maintenance is carried out, the expense incurred is capitalised to the extent that future service potential is enhanced.

In general, works that includes upgrades, enhancement and additions to an existing asset would fall into this category when they result in:

- An increase in the asset's useful function or service potential, or
- An extension of its useful life, or
- An improvement to the quality of the assets services, or
- A reduction in future operating costs, and
- The upgrade or enhancement becomes an integral part of the asset.

Line marking on a new seal for example, would be capitalised as a surface cost.

The following items can be considered as expenses:

- Expenditure on Non-Council assets should be expensed (e.g. Driveways, Essential Energy, Telstra, National Broadband Network). These costs can be considered as operational,
- Expenditure on non-assets should be expensed e.g. landscaping, small advisory and regulatory signs,
- Maintenance expenditure should be expensed e.g. Line-marking on an existing surface, building painting etc.

5.0 History

Department:	Engineering Services	Last Reviewed	Resolution Number
Policy Category	Organisational Policy		
Endorsed By:	AGMES		
Approval Authority:	General Manager		
Policy Owner:	Engineering		
Contact Officer:	Asset Engineer		
Document No.	42139/2018		
First Adopted:	New Policy		
Resolution No:			
Review Date:	November 2020		