


Asset Accounting Policy: Agency Assets

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Strategic Pillar	Organisation Capability	
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1 OUTCOMES

- 1.1 This policy sets Council's accounting policy position for the recognition of agency assets in the financial statements.
- 1.2 Accurate recognition of Council assets provides a relevant and faithful representation of Council's financial position and financial performance.

2 POLICY

- 2.1 When Council is subject to legislation, contracts and service agreements for the joint provision of community infrastructure with other agencies, those assets are recognised in the financial statements if they meet the asset recognition criteria in accordance with Australian Accounting Standards.
- 2.2 This policy sets out Council's assessment of whether agency assets have the potential to produce economic benefits that are controlled by Council, and determines the accounting treatment in accordance with Australian Accounting Standards and the Local Government Code of Accounting Practice.
- 2.3 All accounting assessments are made with the underlying objective to provide financial information about Council that is relevant and useful to ratepayers and members of the community.

3 SCOPE OF THE POLICY

- 3.1 This policy applies to the accounting treatment for non-current infrastructure, property, plant and equipment assets that are subject to any agency agreement, contract or legislative provision whereby the assets are jointly provided to the community by Council, with a third party agency.

4 DEFINITIONS

- 4.1 Asset — a present economic resource controlled by the entity as a result of past events.
- 4.2 Economic resource – is a right that has the potential to produce economic benefits.
- 4.3 Right – A right to use a physical object or a right to benefit from the residual value of a leased object.

5 LEGISLATIVE OBLIGATIONS AND/OR RELEVANT STANDARDS

- 5.1 Complied AASB Conceptual Framework, Oct 2021, Australian Accounting Standards Board
- 5.2 AASB 116 Property, Plant and Equipment
- 5.3 Rural Fire Services Act 1997
- 5.4 IPWEA Australian Infrastructure Financial Management Guidelines

6 CONTENT

- 6.1 To meet the definition of an asset, an item must be:
 - a) a present economic resource controlled by Council as a result of past events, that
 - b) is a right that has the potential to produce economic benefits.
- 6.2 In respect of Council, economic benefits are used to provide goods and services in accordance with Council objectives. For example, community infrastructure assets

provide economic benefit to Council by enabling it to meet its objective for the provision of services to the community.

- 6.3 In assessing whether an item meets the definition of an asset, Council gives attention to the underlying substance and economic reality and not merely its legal form.
- 6.4 Control is the determining factor that links an asset to an entity. Council controls an asset if it has the present ability to direct its use and obtain the economic benefits that may flow from it. It includes the present ability to prevent other parties from directing the use of the economic resource and from obtaining the economic benefits that may flow from it. If one party controls an economic resource, no other party controls that resource.
- 6.5 Assets are recognised in Council's financial statements if they meet the criteria contained in the Australian Accounting Standard Conceptual Framework:
- a) they must meet the definition of an asset, and:
 - b) recognition of the asset and the resulting income and expenses in the financial statements must be:
 - i) useful and relevant, and
 - ii) a faithful representation of the asset, income, expense and change in equity.
- 6.6 In order to determine whether any item is recognised as an asset in its financial statements, Council assesses whether it meets the asset recognition criteria, with a focus on:
- a) potential economic benefits and
 - b) control.
- 6.7 Assessments of the asset recognition criteria are included in the Appendix 1.
- 7 REVIEW**
- 7.1 This policy will be reviewed every four years or earlier as necessary if:
- a) legislation requires it, or
 - b) Council's functions, structure or activities change

ASSET ACCOUNTING POLICY: AGENCY ASSETS

Agency asset	Assessment against recognition criteria	Recognised as Council Assets?
<p>Rural Fire Service (RFS) assets</p> <p>The NSW Rural Fire Fighting Fund holds all contributions required to meet the costs of providing rural fire fighting services across NSW. Annual contributions to the fund are sourced from the NSW Treasury (14.6%), property insurance companies (73.7%), and NSW Councils (11.7%).</p> <p>The NSW Rural Fire Services Act provides that all firefighting equipment acquired from the fund is to be vested in the Council of the area where the equipment has been purchased, and that Council may not dispose of such equipment without the written consent of the Commissioner.</p> <p>Council has an agreement with the RFS specifying that the legal right to possession and control of RFS land and buildings remains vested in Council and the RFS has the right of occupation.</p>	<p><u>Potential to produce economic benefits</u></p> <p>All decisions over RFS operating and capital transactions are made by RFS officers, to meet RFS objectives. Council does not provide rural fire fighting services to the community, but does have an organisational objective to provide assistance to emergency agencies.</p> <p>Therefore, there is no expectation that RFS assets provide an economic benefit to Council.</p> <p><u>Controlled by Council</u></p> <p>Council retains full legal right to possession and control of premises occupied by the RFS. Council is required to maintain buildings, pay utility costs and pay property insurance.</p> <p>The RFS Zone Manager makes all decisions about access to RFS facilities and all decisions about the use and operation of assets. Council may be consulted, on decisions about major purchases and disposals, however it is not the final decision making authority.</p> <p>Due to the current ambiguity and lack of OLG direction on recognition of RFS assets, Council has determined that it will recognise RFS land and buildings.</p> <p>In practice, the RFS makes decisions to switch fleet and equipment assets between fire districts in order to best manage its assets across all districts.</p> <p>Council has no access to, and is not permitted to use RFS plant and equipment.</p> <p>Therefore, Council can not establish that it controls RFS plant and equipment assets.</p>	<p>Yes - land & buildings</p> <p>No – plant & equipment</p>

ASSET ACCOUNTING POLICY: AGENCY ASSETS

Agency asset	Assessment against recognition criteria	Recognised as Council Assets?
<p>Crown Reserves</p> <p>In accordance with the Crown Land Management Act 2016, Council manages crown reserves within the local government area.</p>	<p><u>Potential to produce economic benefits</u></p> <p>Council has an objective to establish and maintain community recreation facilities and reserves, and it manages crown land for the benefit of the local community. Council can not sell crown reserves, and the future economic benefit is limited to the value of the land in use as a community asset.</p> <p><u>Controlled by Council</u></p> <p>While ownership of the reserves remains with the Crown, Council retains operational control and is responsible for their management, maintenance and use in accordance with the specific community purposes to which the reserves are dedicated.</p>	<p>Yes</p>
<p>Buildings and Structures on Crown Reserves</p> <p>Community buildings and other structures on Crown Reserves are managed by Council.</p>	<p><u>Potential to produce economic benefits</u></p> <p>Council maintains public infrastructure on Crown Reserves to meet its organisational objectives.</p> <p><u>Controlled by Council</u></p> <p>Council retains operational care and control of buildings and other structures on Crown Reserves.</p>	<p>Yes</p>