

# Infrastructure assets accounting policy 2020

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# 1 Introduction

## 1.1 Purpose and scope

### 1.1.1 Purpose

The purpose of this policy is to:

- Set out the key requirements for accounting for infrastructure assets within Waikato Regional Council.
- Provide the policy statements which are necessary to facilitate and support the achievement of the above requirements.
- Identify the roles and responsibilities for implementing the policy.
- Provide direction for the development of the Infrastructure Asset Accounting Guidelines (Doc # 16970363). The Asset Accounting Guidelines address how to implement the key requirements that are set out in this policy.

This Infrastructure Asset Accounting Policy is consistent with the Waikato Regional Council Annual Report (2019/20) Financial Accounting Statements.

### 1.1.2 Scope

#### 1.1.2.1 Inclusions

This policy applies to all infrastructure asset categories and types managed by and under the care and control of Waikato Regional Council that have a useful life greater than 24 months.

#### 1.1.2.2 Exclusions

This policy does not apply to the following assets:

- Assets classified in the Fixed Asset Register as “Plant and Equipment”
- Fleet Vehicles
- Office equipment, furniture and IT hardware
- Environmental Monitoring sites (for scientific purposes only) and telemetry equipment.

## 1.2 Key requirements

The policy statement is written to meet either our strategic requirements, or legal and regulatory requirements.

A full summary of the key requirements is provided in Appendix 1 of the guidelines document (Doc # 16970363).

### 1.2.1 Strategic requirements

The strategic requirements for the infrastructure accounting policy to align with are:

- WRC Financial Strategy (2018 LTP)
- WRC 50-year Infrastructure Strategy (2018 LTP)
- WRC Asset Management Policy (2019)
- WRC Annual Report (2019/20).

### 1.2.2 Legal and regulatory requirements

The key legal and regulatory requirements for the infrastructure accounting policy to align with are:

- Local Government Act (2002)

- NZ GAAP (generally accepted accounting practices) (PBE IPSAS 17 *Property, Plant and Equipment*, Sep 2014).

## 2 Policy statements

Waikato Regional Council will operate in accordance with the following policy statements:

- 1) Waikato Regional Council will value its assets in accordance with the procedures and methods set out in the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines and the New Zealand International Accounting Standard(s) PBE IPSAS 17 *Property, Plant and Equipment* including:
  - a) The asset revaluation model will be used, as described in paragraphs 44 – 58 of Accounting Standards BE IPSAS 17.
  - b) All asset values will be subject to “straight-line” depreciation.
  - c) Assets will be valued at intervals of not less than three years.
  - d) Fair value will be calculated using the depreciated replacement cost approach due to the specialised nature of the plant and equipment owned by the Council.
  - e) Standard asset lives will be reviewed as part of the asset valuation process.
  - f) All new and/or fully rehabilitated/renewed assets will be assigned full standard lives.
  - g) No residual value will be assigned to assets – any remaining value of assets which are de-commissioned will be written off and the asset derecognised.
  - h) Resource Consents will not be valued or depreciated.
  - i) Land will be separately valued, but not depreciated, as it is assumed to have an infinite life.
  - j) The depreciation of new assets, and assets being constructed only starts when the asset has been commissioned.
- 2) Waikato Regional Council will keep detailed asset registers on all infrastructure assets owned by or under the control of Waikato Regional Council.
- 3) Physical inspections will be carried out to determine asset condition including:
  - a) An annual condition survey will be undertaken on all infrastructure assets.
  - b) A rolling programme of structural surveys on infrastructure assets will be carried out, prioritised on assets nearing their end of life or risk to communities and essential lifeline infrastructure.
- 4) Financial categories and provisions will enable and support the development of WRC Strategies and Plans (including the LTP, Infrastructure Strategy, Financial Strategy, Asset Management Plan, Annual Report and Risk Financing Strategy) through:
  - a) All costs incurred through the ownership of infrastructure assets, which directly relate to the running of those assets, will fall into the two main financial categories of Capital or Maintenance expenditure. Capital is split into the sub-categories of New and/or Renewal expenditure.
  - b) The cost of repair for any damage to infrastructure assets due to adverse weather events is collected and categorised appropriately.

### 3 Roles and responsibilities

The following key roles and responsibilities have been assigned to ensure the effective and efficient implementation of this policy.

**Table 1: Roles and Responsibilities**

Role		Responsibility
Policy owner	Team Leader, Asset Management	The owner of this policy with responsibility for updating the policy, ensuring continuing alignment with Council’s strategic direction across all zones, auditing and gaining appropriate approval.
Policy manager	Team Leader, Asset Management	Responsible for overseeing the implementation of the infrastructure accounting policy and reviewing the appropriate application and outcomes.
Policy approver	Director Integrated Catchment Management, and Chief Financial Officer	Responsible for approving changes to the policy.
Aware of policy	ICM staff & Finance staff involved with any aspect of Infrastructure asset administration	To be aware of the requirements of the infrastructure accounting policy with responsibility for its appropriate implementation and adherence in the management of infrastructure assets.

### 4 Policy review and approval procedure

This policy will be reviewed:

- The year proceeding the commencement of the Long Term Plan (every three years) ;  
or
- When a change occurs to legislation that affects a specific aspect of the policy.

The owner of this policy will be responsible for reviewing, updating and gaining appropriate approval in accordance with the Roles and Responsibilities.

# 5 Glossary of terms

## Financial Terminology

Capital expenditure	Costs, which add to the service potential of the network as a whole, should be capitalised as additions.
Class of asset	A category of fixed assets which have a similar nature or function in the operations of the reporting entity. This is recorded as 'Financial Class' in Conquest
Depreciated replacement cost	The method of valuation that is based on an estimate of, in the case of plant and equipment, the current gross replacement cost reduced by factors providing for age, physical deterioration and technical and functional obsolescence taking into account the item's total estimated useful life and residual value.
Depreciation	Is the measure of the wearing out, consumption or other reduction in the economic benefits embodied in an asset whether arising from use, the passing of time, or obsolescence.
Initial cost	Initial cost of a fixed asset is the aggregate of costs of purchase or costs of creation and other costs incurred in bringing the fixed asset to the location and condition necessary for its intended service.
Improvements	Improvements are enhancements of the service potential of a fixed asset.
Maintenance expenditure	Costs, which are repairs and maintenance, and should be expensed.
Renewals expenditure	A cost, which restores and sustains the intended service potential of the network, is renewal expenditure and should be capitalised.
Repairs	Repairs refer to maintenance or restoration of the service potential of a fixed asset.
Revaluation	Refers to the recording of a valuation of a fixed asset, upwards or downwards, subsequent to the purchase or creation of the asset.
Service potential	Is used to describe the output or service capacity of a fixed asset and is normally determined by reference to attributes such as physical output capacity, associated operating costs, useful life and quality of output.
Useful life	Is either: (a) the period of time over which the future economic benefits embodied in an asset are expected to be consumed by the entity; or (b) the total service, expressed in terms of production or similar units, expected to be obtained from an asset by the entity.

## River Scheme terminology

Artificial channels	These are manmade canals, designed to collect and direct certain flows through the system. These can be of two kinds: Earth channels; such as excavated drains and canals. Lined channels; such as concrete, timber or rock lined channels in erosion prone areas.
Bridges	Structures constructed to allow access for the schemes purposes. Normally the local communities benefit from these bridges. They may be: Fully formed structural bridges Culvert and earthen in design



Control structures	Structures designed to divert floodwaters and/or control water levels. The gates are operated by mechanical and electrical equipment.
Culverts	Structures constructed to provide access specifically for the maintenance of the scheme works. Adjacent landowners may also benefit from these culverts.
Debris traps	These are steel or timber structures placed in streams to trap debris and reduce the possibility of blockages of the systems.
Earth embankments	Includes all assets otherwise known as stopbanks, spillways, bunds, detention dams.
Floodgate structures	Structures forming gravity drainage outlets through the stopbanks with flap valves preventing back flow into the drainage systems. These might also include specially designed lifting gear for the flaps.
Gradient control structures	Structures designed to stabilize the banks and bed of a channel by reducing stream slope and flow velocity.
Natural channels	Main rivers; these represent the main floodways conveying the scheme design floods to their outlets in the sea. While these are not valued assets, as they are natural channels, significant ongoing river works are required to maintain their conveyance capacity at all times. Streams; these represent the natural streams networks feeding into the main river system. Again some significant works are carried out on these stream to ensure that their design conveyance capacity is maintained
Pumpstations	Structures designed to pump internal floodwaters through the stopbank defences.
Training lines	Structures designed to restrict and direct the flows within natural channels. These works provide improved channel performance and accelerate bed erosion.
Retaining structures	These can be rock, concrete, sheet pile or timber walls or lining of river banks. Some other forms might be plant and tree bank revetments.