

	<h1>District Council of Cleve</h1>	Version No:	6
		Issued:	June 2022
		Next Review:	June 2024

Policy Name: 7.3 - ASSET IMPAIRMENT

1. INTRODUCTION

The Australian Accounting Standards require that Council assess at each reporting date whether there is any indication that any assets under its control may be impaired. If any such indication exists, the Council shall estimate the recoverable amount of the asset.

2. OBJECTIVES

The purpose of this policy is to ensure asset impairment is reviewed annually in accordance with Australian Accounting Standard AASB 136.

3. LEGISLATIVE REQUIREMENTS

The Local Government (Financial Management) Regulations 2011 require the following;

"Part 3 – Accounting principles

11 – Accounting standards

1. A council, council subsidiary or regional subsidiary must ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards.

12 – Revaluation of assets

- (1) A council, council subsidiary or regional subsidiary must undertake a revaluation of all material non-current assets in accordance with the requirements of *Australian Accounting Standard AASB 116*".

4. THE ACCOUNTING STANDARD REQUIREMENTS

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

4.1 External Sources of Information

Information that may indicate significant adverse changes have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Council operates.

4.2 Internal Sources of Information

Evidence of obsolescence or physical damage of an asset.

Significant adverse changes have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset no longer being of benefit to the community, plans to replace or dispose of an asset before the

previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Evidence from internal reporting that indicates that an asset may be impaired includes additional funding required to renew, operate or maintain it that are significantly higher than that originally budgeted.

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.

4.3 Value in Use

The accounting standards require a value in use calculation.

As for other not for profit entities where the future economic benefits of an asset for Council are not primarily dependent on the asset's ability to generate net cash inflows and where the Council would, if deprived of the asset, replace its remaining future economic benefits, value in use shall be determined as the depreciated replacement cost of the asset.

Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

If the Council does not intend to replace the asset the value in use is an estimate of the likely cash inflow from disposal.

5. REPORTING REQUIREMENTS

5.1 Annual Financial Statements

The audited annual financial statements are prepared in accordance with Australian Accounting Standards as they apply to non-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

5.2 Annual Review

Each year a report is to be presented to the Audit Committee which considers asset impairment and assets that may no longer have an economic benefit to Council thereby changing their value in use calculation.

6. AVAILABILITY OF THE POLICY

This Policy will be available for inspection at the Council's offices during ordinary business hours and via the Council's website <http://www.cleve.sa.gov.au>. Electronic versions are the controlled version. Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.

7. ADOPTION OF POLICY

This Policy was adopted by the Council at its Ordinary Council meeting on 14 December 2021.



Rob Donaldson
Acting Chief Executive Officer

8. DOCUMENT REVIEW

The Council may review this policy from time to time, however, it is anticipated that a review of the policy will be under taken every two (2) years. Council has the right to review this policy at any time, if considered desirable.

9. REVIEW HISTORY

Version	Issue Date	Author	Reason for Change
6	14/12/2021	M Quinn	Minor updates following Council election 2018 Formatting Added legislation, availability of policy, adoption of policy, document review and review history sections.