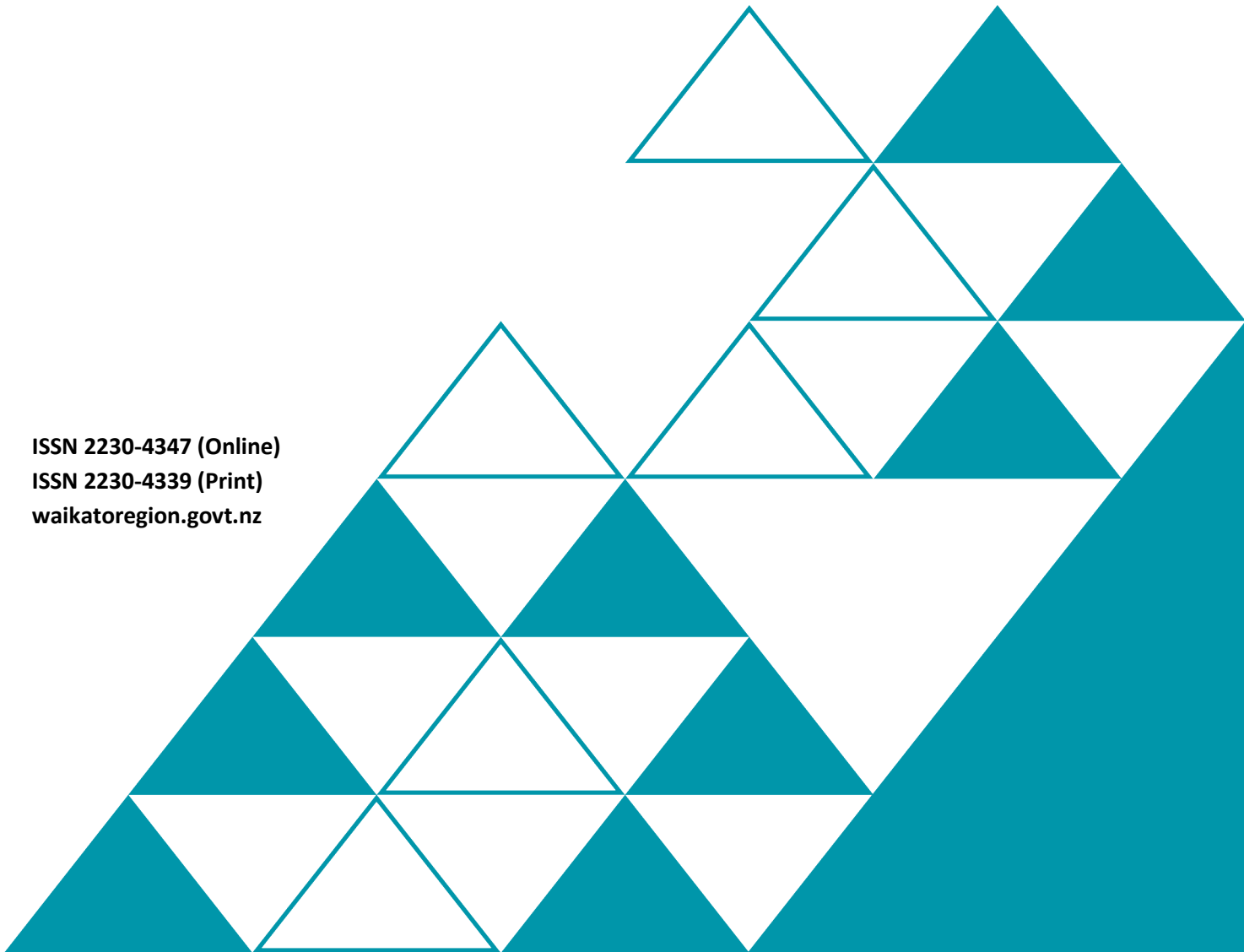
Waikato Regional Council Policy Series 2025/07

Waikato
REGIONAL COUNCIL
Te Kaunihera ā Rohe o Waikato

Infrastructure assets accounting policy 2025



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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 # 31521329).

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 Financial Accounting Statements.

1.1.2 Scope

Inclusions

This policy applies to all infrastructure asset categories and types managed by and under the care and control of Waikato Regional Council.

Infrastructure assets display one or more of the following characteristics:

- They are specialised in nature and do not usually have alternative uses
- They are immovable
- They are part of a system or network
- Are specialised assets.

Asset Classes included under this policy are:

- Flood Infrastructure
- Drainage Infrastructure
- River and lakes infrastructure
- Council owned land that the assets are built upon.

Additions:

- Assets classified on the Fixed Asset Register as “Plant and Equipment”, that are used for the asset classes above.

Exclusions:

This policy does not apply to the following assets:

- Assets classified in the Fixed Asset Register as “Plant and Equipment”, that are not used to support the infrastructure classes above
- Fleet Vehicles, EV charging stations, or Effluent Transfer Stations
- Office equipment, furniture and IT hardware
- Operational Asset Register
- Environmental Monitoring sites (for scientific purposes only)
- Land that Council owns for purposed other than those set out above (e.g. depots).

1.2 Key requirements

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

1.2.1 Strategic requirements

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

- WRC Financial Strategy (2024-34 LTP)
- WRC 50-year Infrastructure Strategy (2024/34 LTP)
- WRC Asset Management Policy (2025)
- WRC Annual Report (2023/24)

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) including PBE IPSAS 17 Property, Plant and Equipment.

2 Policy statements

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

2.1 Methodology

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.

2.2 Accounting policy choice

Waikato Regional Council chooses to use the revaluation model for property, plant, and equipment.

2.3 Revaluations

Revaluations are performed with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the reporting date.

1) Assets will be valued at intervals of not less than three years.
2) Fair value movement will be assessed annually to determine if there has been a material change in value.
    a. Materially different is currently deemed to be over a 10% movement or in excess of the materiality threshold for the year identified by Audit New Zealand.
    b. If this occurs, then: Items within the asset class will be revalued simultaneously to avoid selective revaluation and reporting

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.

Standard asset lives will be reviewed as part of the asset valuation process.

All new and/or fully rehabilitated/renewed assets will be assigned full standard lives.

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.

2.4 Impairment

Infrastructure assets will be assessed annually for impairment if the carrying amount of an asset exceeds its recoverable service amount.

The reversal of an impairment loss is permitted if the recoverable service amount increases, but the reversal cannot exceed the assets carrying amount prior to the impairment.

2.5 Depreciation

All asset values will be subject to "straight-line" depreciation.

Existing resource consents will not be valued or depreciated. New resource consents may be assessed as part of the project scoping on whether they should be capitalised and depreciated.

Drains, stopbank cores, and sediment ponds will not be depreciated.

Land will be separately valued, but not depreciated, as it is assumed to have an infinite life.

The depreciation of new assets, and assets being constructed only starts when the asset has been commissioned.

2.6 Record management

Waikato Regional Council will keep detailed asset registers on all infrastructure assets owned by or under the control of Waikato Regional Council.

2.7 Financial categories

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, and Risk Financing Strategy) through:

- 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.
- The cost of repair for any damage to infrastructure assets due to adverse weather events is collected and categorised appropriately.

2.8 Auditing infrastructure

Physical inspections will be carried out to determine asset condition including:

- An annual condition survey will be undertaken on all infrastructure assets.
- 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.

Examples are found in the infrastructure accounting guidelines (Doc #31521329).

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

Role		**Responsibility**
Policy owner	Financial Controller	The owner of this policy with responsibility for updating the policy, ensuring continuing alignment with council's other financial strategies and policies, 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 Director, Finance and Business Services	Responsible for approving changes to the policy.
Aware of policy	ICM staff and 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 preceding the planned commencement of the asset revaluation (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 Reporting Group' in INFOR
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.
Derecognition	When an asset is fully abandoned or removed from use.
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.
Impairment	A loss in future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. Impairment should not be confused with obsolescence, optimisation, or derecognition
Improvements	Improvements are enhancements of the service potential of a fixed asset.
Maintenance expenditure	Costs, which are repairs and maintenance, and should be expensed.
Obsolescence	Gradual decline in an asset's usefulness due to technological advancements, inability to deliver due to changes in use requirements in the scheme, changes in standards, or an inability to procure or make preplacement parts. It can be used as a basis for an impairment assessment.
Optimisation	The process of identifying the most cost-efficient way to replace an asset while maintaining it requires service potential.
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.
Property, Plant, and Equipment	Are tangible items used for producing goods/services or administrative purposes and that are expected to be used over more than one reporting period. All costs from these items is directly attributable to bringing or keeping assets in working condition.
Service potential	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.
Specialised Assets	Characteristics of specialised assets are that they: (a) are useful to a limited number of uses or users (b) rarely sell on the open market (c) are structures designed for a specific purpose
Useful life	Is either: (a) the period 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

Infrastructure 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 scheme's 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.