

FP035 – Asset Consumption Ratio

1. Intention

To meet the minimum levels for this ratio, as set by the Department of Local Government, Sport & Cultural Industries.

2. Scope

This policy applies to Elected Members and employees of the Shire of Waroona.

3. Statement

This ratio is calculated by dividing the total of the Depreciated Assets Values (IE: the 'Written Down' Values) by the current estimated replacement costs (via valuations) of those assets.

The Department of Local Government, Sport & Cultural Industries has regulated that all local government authorities will develop and implement an Integrated Planning & Reporting Framework (IP&RF) compliant with the standards set out in the 'Integrated Planning and Reporting Advisory Standards'. The standards require Council to have adopted a number of 'Financial Management Policies', and for details of these to be included in the narrative section of the 10 year Long Term Financial Plan, and references to such policies are expected to be made in the 4 year Corporate Business Plan.

Department of Local Government, Sport & Cultural Industries Guide

The expectation is that "The Standard is not met if this ratio data cannot be identified or ratio is less than 50%. Basic Standard is met if the ratio data can be identified and ratio is 50% or greater. Advanced standard is met if this ratio is between 60% & 75%". (IP&RAS, 2011, p7).

Council will attempt to attain an Asset Consumption Ratio of 50%-75% each year on average, after all the Revaluations are completed and the new levels of Depreciation have been calculated, for all Assets. Council's records and reports are to indicate the Ratios for each Class of Assets, as well as the comparison of the overall total of Assets.

4. Legislative and Strategic Context

The *Local Government Act 1995* and the associated subsidiary legislation provide the broad framework within which this policy operates.

5. Review

This policy is to be reviewed as required.

6. Associated Documents

Other documents that have an association to this policy and that may be useful reference material are:

- Department of Local Government, Sport and Cultural Industries: Operational Guidelines No. 18 – Financial Ratios.

Division	Finance
Policy Number	FP035

Contact Officer		Director Corporate Services			
Related Legislation		Local Government Act 1995 Local Government (Financial Management) Regulations 1996			
Related Shire Documents		Annual Report			
Risk Rating	Medium	Review Frequency	As required	Next Review	When required
Date Adopted		25/06/2013			OCM13/06/048

Amendments		
Date	Details of Amendment	Reference
28/10/2014	Updated as part of major review.	OCM14/10/127
18/12/2018	Updated as part of major review.	OCM18/12/126
22/06/2021	Updated as part of major review and reformatted.	OCM21/06/071
Previous Policies		
FIN034 – Asset Consumption Ratio		
1.38 – Asset Consumption Ratio		