VICTORIA UNIVERSITY OF WELLINGTON
TE HERENGA WAKA

Asset Management Procedure

Finance Policy

1 Purpose

Effective asset management and capital expenditure are essential to the continuity, development and growth of Victoria University of Wellington ('the University'). They are closely linked to the goals and strategies of the University and its Schools and Central Services Units (CSUs).

The purpose of this procedure is to ensure that capital expenditure by the University is planned, evaluated, authorised, implemented, monitored and reported in a systematic manner to meet the objective of best practice.

2 Organisational Scope

This is a University-wide procedure and shall apply to all staff members of the University and its subsidiaries.

3 Definitions

For purposes of this procedure, unless otherwise stated, the following definitions shall apply:

Computing Equipment:	Includes printers, scanners, and plotters. *Note: the purchasing of small non-networked printers for individual machines is discouraged. Where such printers are required, ITS will assess the need in the area, and attempt to install a networked printer which will service the area and which ITS can support centrally.*
Cost Model:	Initial cost less accumulated depreciation and any accumulated impairment losses.
Desktop Equipment:	Includes all components of a personal computer unit and laptops i.e. the monitor, base unit, mouse, mouse pad, keyboard, speakers, and the standard application/operating software, cables and freight.
Fair Value:	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where there is no market-based evidence of fair value (because of the specialised nature of the asset) depreciated replacement cost may be used.
Initial Cost:	Includes the asset's purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Directly attributable costs could include, but are not limited to, site preparation costs, initial delivery and handling costs, installation and assembly costs, asset testing costs, and professional fees. Initial cost does not include costs of advertising, conducting business and administration (e.g. staff training), other general overheads, or cost of relocating or reorganising.

Recoverable Amount:	The higher of an asset's fair value less costs to sell and its value in use. Value in use would usually be determined as the present value of future cash flow projections. *Note: the University will be entitled to a Public Benefit Entity concession where value in use can be measured at depreciated replacement cost, as future economic benefits are not directly related to the University's ability to generate cash flows.*
Repairs and Maintenance:	Include costs incurred in the day-to-day servicing of an asset, including labour, consumables, and the cost of small parts.
Revaluation Model:	Where the fair value of an asset can be reliably measured, the asset may be carried at a revalued amount, being its fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. All revaluations must be performed by an independent valuer; or where the University has on its staff a person sufficiently experienced to conduct a valuation, by that person, so long as the valuation has been subject to review by an independent valuer.
Specified Item:	An asset that doesn't meet the capitalisation criteria but is recorded as a fixed asset through the asset register because it is prone to accidental or deliberate loss due to its portability and attractiveness e.g. palm pilots, videos, cameras, televisions and audio equipment.
Useful Life:	The period over which an asset is expected to be available for use by the University. It is determined in relation to an entire asset category, as opposed to an individual asset, and after considering the following factors; expected usage, physical wear and tear, technical or commercial obsolescence, legal or other limits.

4 Procedure Content

4.1 Budgeting for Capital Expenditure

(a) All capital expenditure purchases must have an approved budget allocation before purchase can take place (except externally funded assets).

(b) Urgent un-budgeted minor capital purchases (i.e. purchases less than $100,000) may be approved via the Faculty/CSU head as long as total minor capex budget for the year is not exceeded. If the annual allocation is fully utilised, the Faculty/CSU head may choose to transfer savings generated in the operating budget to capital expenditure with the approval of the CFO.

(c) Major capital expenditure requests and projects with a value of $100,000 or greater will require a comprehensive business case to be prepared by the sponsor. Unbudgeted major capital expenditure is subject to the same assessment and approval process that is part of the annual budgeting cycle. I.e. a business case is required, and Capex Committee approval is required before committing funds.

    (i) Unbudgeted capex includes:

        (a) New projects, and

        (b) Substituting an approved project with a new project.

(ii) Other events which also require Capex Committee approval include:

(a) Changes in scope, and

(b) Stopping, deferring, or bringing forward projects. (These can have major impacts on cash flow and funding.)

(d) Where a project is expected to span more than one year, forecast expenditure for subsequent years and major milestones will need to be prepared.

Note: For more information on budgeting for capital expenditure refer to the Business Planning and budgeting process.

All purchases are to be processed within the University's approved procurement tools and approved by a person with the required Financial Delegated Authority (refer to the Financial Delegated Authorities Policy).

4.2 Recognition

4.2.1 Capitalisation Criteria

(a) An asset is classed as a fixed asset and required to be recorded on the University's fixed asset register when it meets all of the following criteria:

(i) The GST-exclusive initial cost price of the asset exceeds the capitalisation threshold:

(a) Initial cost price is greater than $5,000 (GST exclusive); or

(b) The asset is an individual work of art; or

(c) The asset is a Specified Item; and

(ii) The asset has an estimated useful life greater than 1 year; and

(iii) The asset has not been purchased with the intention of resale.

(b) Expenditure may be capitalised if it is expenditure on an existing asset and the expenditure was incurred to improve the asset's functionality, not merely to reinstate its future economic benefits (e.g. repairs and maintenance).

(c) Spare parts may be capitalised where they meet the capitalisation threshold and they are expected to be used over more than one year.

(d) Expenditure splitting in order to get below the capitalisation threshold ($5000) is not permitted.

4.3 Measurement after recognition

4.3.1 Initial cost price

(a) Once it has been established that an asset meets the criteria for recognition, it is recorded on the University's fixed asset register at cost price (or cash price equivalent if purchased using deferred payment and/or foreign currency). Donated items are recorded at their fair value.

(b) Assets can be measured as:

(i) Individual assets; or

(ii) A collection of related items or components that cannot operate in isolation, whose combined original cost exceeds the threshold (refer to the capitalisation threshold as defined in section 4.2.1 (a)); or

(iii) An accessory which is required for permanent attachment to an existing capitalised asset. The cost of the accessory is to be added to the existing asset if it meets any of the capitalisation threshold; or

(iv) Pooled assets of a similar type, whose combined cost exceeds the capitalisation threshold. Items whose individual value exceeds the threshold must be separately detailed in the fixed asset register and cannot form part of a pool of assets.

4.3.2 Elements of cost

a) The cost of an item of property, plant and equipment comprises:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

ii. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

b) Examples of directly attributable costs are:

i. Costs of site preparation;

ii. Initial delivery and handling costs;

iii. Installation and assembly costs;

iv. Costs of testing whether the asset is functioning properly; and

v. Professional fees.

4.3.3 Method of measurement

(a) After the initial recognition of an asset, the University must choose the cost model of measurement or the revaluation model. The model must be applied across an entire class of assets and cannot differ among individual assets in a class.

(b) Revaluations of classes of assets are conducted more frequently if, at balance date, the fair value of the asset differs materially from the carrying amount. Increases in the value of assets are transferred to the asset revaluation reserve for that class of assets. A decrease in the value relating to a class of assets is recognised in the Statement of Financial Performance in the period it arises where it exceeds the increase previously recognised in the asset revaluation reserve. In subsequent periods, any revaluation surplus that reverses previous revaluation deficits is recognised as a credit to expenditure in the Statement of Financial Performance up to its original value.

(c) The approved methods of measurement by class of asset are:

Asset Class	Model of Measurement	Cycle
Land	Revaluation	3 yearly
Building Structures	Revaluation	3 yearly
Building Services	Revaluation	3 yearly
Building Fitouts	Revaluation	3 yearly
Infrastructure assets	Revaluation	3 yearly
Leasehold improvements	Cost	n/a
Computing Equipment	Cost	n/a

Asset Class	Model of Measurement	Cycle
Finance Leased Computer Equipment	Cost	n/a
IT Software	Cost	n/a
Furniture & Equipment	Cost	n/a
Library Collections	Cost	n/a
Musical equipment	Cost	n/a
Vehicles	Cost	n/a
Marine Vessels	Cost	n/a
Works of art, classical antiquities, heritage collection, heritage musical instruments, marae carvings	Cost	n/a

4.4 Depreciation

(a) Depreciation is charged on fixed assets to allocate the cost of the assets over their estimated useful lives. The depreciation charge for each period is recognised as an operating expense and is charged to the budget centre that holds the asset. In the case of jointly purchased assets, the nominated primary school/CSU is responsible for cross-charging depreciation to the other.

(b) The depreciable amount of an asset is the initial cost or revalued cost less the residual value. The University is required to calculate the residual value of each asset (in most cases this will be immaterial). This estimate must be reviewed at the end of each financial year, and if changed, must be disclosed as a change in accounting estimate in the notes to the accounts.

(c) The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the University. The method and rates are reviewed annually to ensure they remain appropriate.

(d) Assets purchased solely for specific research projects may be depreciated over the life of the project. Where the asset is not depreciated over the life of the project, the school owning the project will bear the residual depreciation.

(e) Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

(f) Depreciation methods and rates currently in use by the University are:

Asset Class	Depreciation Method	Useful Life
Land	Not depreciated	indefinite
Building Structures	Straight line	3-90 years (under advice from independent valuer)
Building Services	Straight line	3-35 years (under advice from independent valuer)
Building Fitouts	Straight line	10-40 years (under advice from independent valuer)

Asset Class	Depreciation Method	Useful Life
Infrastructure assets	Straight line	5-80 years (under advice from independent valuer)
Leasehold improvements	Straight line	10-50 years (based on lease term)
Computing Equipment	Straight line	3-5 years
Finance Leased Computer Equipment	Straight line	1-3 years
IT Software	Straight line	3-5 years
Furniture & Equipment	Straight line	3-25 years
Library Collections	Straight line	3-20 years
Musical equipment	Straight line	5-25 years
Vehicles	Straight line	5 years
Marine Vessels	Straight line	16 years
Works of art, classical antiquities, heritage collection, heritage musical instruments, marae carvings	Not depreciated (due to heritage nature of the assets)	

4.5 Impairment of Assets

(a) An asset could be considered impaired where its carrying amount falls below its recoverable amount.

(b) Any impairment loss on a non-revalued asset shall be recognised immediately in the Statement of Financial Performance. Any impairment loss on a revalued asset is recognised directly against any revaluation reserve to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that asset.

(c) The University reviews the carrying amounts of all property, plant and equipment on an annual basis.

4.6 Disposal of Assets

(a) Schools/CSUs may determine that an asset is:

(i) Obsolete; or

(ii) Unserviceable; or

(iii) To be traded in; or

(iv) To be sold; or

(v) Missing (stolen); or

(vi) To be disposed of by other means.

(b) All requests for disposals must be supported by an authorised Asset Disposal Form obtainable from fsaccount-team@vuw.ac.nz. Schools/CSUs are responsible for ensuring the Assistant Accountant (extension: 5847) has been advised to remove all disposed assets from the asset register.

(c) Each School/CSU is responsible for the physical disposal of assets, except where the asset is specialised or unique in some way and specialist advisers are required to determine the best method of disposal. All computing equipment is to be disposed of by the University's ITS Department. All software and data stored on computers and servers must be fully deleted and cleansed before the asset is disposed of.

Note: ITS can arrange for the deletion and cleansing process.

(d) Under the Education Act 1989, the University is required to obtain the consent of the Ministry of Education to dispose of, or sell assets where the value of those assets exceeds an amount determined by the Minister (contact the Assistant Accountant for more advice on this).

5 Legislative Compliance

The University is required to manage its procedure documentation within a legislative framework. The legislation directing this procedure is the:

Education Act 1989

6 References

Financial Delegated Authorities Policy

Capital Management

NZ IAS 16 Property, Plant and Equipment

NZ IAS 36 Impairment of Assets

PBE IPSAS 17: Property, Plant and Equipment

7 Appendices

Appendix A: Asset Disposal Form

8 Approval Agency

Chief Financial Officer

9 Approval Dates

This procedure was originally approved on:	5 November 2008
This version was approved on:	1 October 2020
This version takes effect from:	1 October 2020

10 Contact Person

The following person may be approached on a routine basis in relation to this procedure:

Group Financial Controller
Ext: 4706