

Non-Current Asset Accounting Policy

Policy Type:	☒ Council ☐ Operational
Policy Owner:	Director Organisational Services
Effective Date:	9 October 2024
Strategic Alignment:	Council Corporate Governance <i>Local Government Act 2009 (Qld)</i> <i>Local Government Regulation 2012 (Qld)</i> Australian Accounting Standards Board Standards (AASB) AASB Interpretations
Review Timeframe:	In accordance with the Corporate Documents Governance Policy once every five years.

1 Purpose

This **non-current asset** (NCA) policy provides governance oversight to ensure that:

- asset transactions are accounted for under the accounting standards and approved by personnel with delegated authority,
- asset recognition and measurement treatment are appropriate,
- asset data and verification processes are undertaken on a regular basis, and
- all NCA policy is appropriately documented, accessible, and support the Council's operational and financial reporting, and strategic asset management objectives.

2 Scope

This policy applies to all Councillors, employees and contractors working for Council regardless of whether they are permanent, temporary, full-time, part-time or casual. For the purposes of this policy, the term contractor includes on-hired temporary labour services (agency staff) and sub-contractors.

3 Policy Statement

The objective of this policy is to provide the principles for the financial management of Council's non-current assets, in alignment with relevant legislation, standards and interpretations.

4 Principles

4.1 Asset Recognition

Council will recognise, record and value Non-Current Assets in accordance with the Statement of Accounting Concepts SAC 4 “Definition and Recognition of the Elements of Financial Statements”, AASB 5 “NCA Held for Sale and Discontinued Operations”, AASB 13 “Fair Value Measurement”, AASB 116 “Property, Plant and Equipment”, AASB 136 “Asset Impairment”, AASB 138 “Intangible Assets”, AASB 140 “Investment Property”, AASB 1004 “Contributions”, and AASB 1051 “Land Under Roads”.

Assets are initially measured at cost and thereafter at either cost or market valuation depending on the class of asset. An asset shall be recognised in the Council financial statements when:

- a) the Council takes control of the asset,
- b) it is probable the future economic benefits embodied in the asset will flow to Council,
- c) the asset possesses a cost or other value that can be measured reliably.

NCA which are contributed (donated) to Council, such as transport infrastructure or stormwater infrastructure, are recognised at their current fair value at the date of Council approval or when they go on maintenance.

4.1.1 Asset Classes and Recognition Thresholds

1. Asset Classes are disclosed in the ‘Infrastructure, property, plant and equipment’ note to its General Purpose Financial Statements.
2. An asset acquisition threshold of \$10,000 applies to all classes of assets except land and Right of Use Assets.
3. Assets are recorded under the following separate asset classes that are relevant to the Council based on the similar nature, accounting treatment, and the materiality of asset value:

Asset Class	Asset Recognition Threshold
Land	\$1
Facilities	\$10,000
Cultural & Heritage (including Artwork)	\$10,000
Plant and Equipment	\$10,000
Parks and Open Spaces	\$10,000
Transport	\$10,000

Stormwater	\$10,000
Water supply	\$10,000
Wastewater	\$10,000
Waste Management	\$10,000
Right of Use Assets	\$20,000
Intangibles	\$10,000

Table 1 Asset Classes and Associated Recognition Thresholds

4. **Land Improvements** will be recognised in the same class as the main asset to which they are attached (e.g. Buildings).
5. **Right of Use Assets (ROU)** are acquired through financial leases, are also recognised as Council assets in accordance with accounting standard AASB 16 but only over a value threshold of \$20,000.
6. **Portable and Attractive** items, such as laptops and smart devices, have values below the asset recognition threshold, and are by their nature, susceptible to theft or loss. Regardless of the treatment of these types of assets for financial reporting purposes, such items are registered for physical control purposes.

4.2 Asset Valuation Methodologies

The **Carrying Amount** or **Written Down Value** is the asset “**net book value**” recognised in the financial records of Council. Council determines this value in accordance with AASB 116 by:

- a) considering any accumulated depreciation or impairment amounts and revaluation gains/losses to offset the original cost of an asset,
- b) suitable valuation methods are applied consistently to the entire or part of a class of assets as appropriate,
- c) assessments of the net book value is undertaken each financial year.

4.2.1 Depreciation, Residual Values and Useful Lives

All Council controlled NCA will be subject to depreciation, or amortisation, in accordance with AASB 116. Where an asset consists of material components with differing useful lives (e.g. a building may consist of a roof, superstructure, elevators, fittings, air conditioning etc.), each component is grouped within the class, as a separate asset category and depreciated according to its useful life. Land, cultural and heritage (including artwork), certain identified earthworks, and investment property (AASB 140) are not depreciated.

Depreciation and amortisation, where applicable, is calculated on a straight-line basis such that the cost of the asset less its residual value is recognised progressively over its estimated useful life to Council.

4.2.2 Revaluations

Assets within each class of asset, excluding ROU assets, intangibles and minor plant and equipment, will be measured at fair value (AASB 13) less accumulated depreciation (where appropriate) and accumulated impairment.

Asset Class	Valuation Model
Land	Revaluation - Fair Value
Facilities	Revaluation - Fair Value
Cultural and Heritage (including art)	Cost or Revaluation - Fair Value
Plant and Equipment	Cost
Parks and Open Spaces	Cost
Transport	Revaluation - Fair Value
Stormwater	Revaluation - Fair Value
Water Supply	Revaluation - Fair Value
Wastewater	Revaluation - Fair Value
Waste Management	Revaluation - Fair Value
Right of Use Assets	Cost
Intangibles	Cost

Table 2 Asset Classes and Associated Thresholds

4.2.3 Asset Impairment

Council requires the "**recoverable amount**" of an asset to be determined and compared periodically with the **carrying amount** whenever there is an indication the asset may be impaired (AASB 136). Impairment indicators and asset inspections are undertaken annually to ensure assets are not impaired.

4.2.4 Asset Disposal and Derecognition

In accordance with AASB 116, the carrying amount of an item of property, plant and equipment shall be derecognised when the asset is disposed of, sold, or when no future economic benefits are expected from its use or disposal.

4.3 Ongoing Asset Verification

Council undertakes asset verification processes on a regular basis to validate asset records:

- a) For all assets, other than infrastructure assets, verification processes are to be undertaken periodically.
- b) For infrastructure assets, Council follows a risk-based approach to compile asset verification processes suitable to the asset type for recording in asset management plans.

5 Application of this Policy

This Policy should be read and applied with the associated guidelines and applies to the line items of property, plant and equipment and assets held for resale as disclosed within Council's Statement of Financial Position.

6 Reporting

The impact of this policy will be measured by the effectiveness of Council in appropriately accounting for non-current assets. Review triggers may include management letter points being raised by Council's external auditors concerning non-current asset recognition, measurement and revaluation.

7 Roles and Responsibilities

7.1 Implementation

This policy is to be implemented by the Director, Organisational Services.

7.2 Review

This policy is to be reviewed for applicability, effectiveness, and consistency with relevant legislation, Council resolutions, and other Council documents by the Manager, Finance Branch, as required or at least once every 5 years.

8 Human Rights

Under the *Human Rights Act 2019*, Council must not make a decision without considering and assessing the potential impact to human rights and giving consideration to any impacts before making a decision. Council does not consider that any human rights are impacted by this policy.

9 Definitions

The following definitions apply to this Policy.

Term	Definition
Asset	An asset is a resource with economic value that Council owns or controls with the expectation the asset will provide a future benefit. ¹
Asset Class	A grouping of NCA of a similar nature and the highest level of non-financial assets included within Council's financial statements.
Asset Recognition	The process whereby a NCA is included in the financial asset register and recognised in Council's Statement of Financial Position.
Depreciation	The systematic allocation of the depreciable amount of an asset expensed to Council's profit and loss over its useful life reflecting patterns of periodic asset consumption. Amortisation has similar meaning as applied to Intangible Assets.
Disposal	A disposal occurs where an asset is sold to a third party or traded on a new asset.
Fair Value	Fair value is the price received to sell an asset in an orderly transaction between market participants at the measurement date.
Impairment	Decrease in service potential of an asset due to an irregular or catastrophic event, resulting in the recoverable amount being less than the carrying amount .
Intangible Asset	An asset that is an identifiable non-monetary asset without physical substance, such as a patent, brand, trademark, or copyright.
Investment Property	A property (land and/or building or part thereof) held (by the owner or by the lessee) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes (AASB 140).
Non-Current Asset (NCA)	An asset held by Council for use rather than exchange and which provides an economic benefit for a period greater than one year.

¹ Future benefits are not only financial and include the asset being used to provide goods and services in accordance an entity's objectives.

Network Assets	Means assets that are either not separately identifiable or are networked for operational purposes to provide one functional service. A single asset is captured to represent the entire network cost and the asset acquisition threshold applies to the consolidated network asset in total.
Recognition Threshold	The value an asset should exceed on acquisition before it is recognised within the financial asset register and Council accounts.
Residual Value (also Salvage Value or Scrap Value)	The estimated amount obtained today by Council from the disposal of an asset, after deducting the estimated disposal costs (where applicable), if the asset were of the age and condition expected at the end of its useful life.
Revaluation	The process of updating the carrying amount of all assets within an asset class to reflect the fair value as well as reassessing remaining useful life and residual value.
Right Of Use Asset (also Leased Asset)	Asset acquired by way of a contract, or part thereof, that conveys the right to use the asset for a period of time in exchange for consideration.
Useful Life	The period an asset is intended to be used by Council in its original state without significant modification, renewal, or upgrade, which is estimated when the asset is initially put into service.
Written Down Value	The amount at which an asset is recorded (either at cost or fair value) within the financial asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset's carrying amount or net book value .

10 Document Control

Version Control	File No.	Document No.	Council Min No.	Description of Change	Effective Date
1.0	1405123-1	18007907	151/2024	Creation of new Policy.	9/10/24