

Non-Current Assets Policy

Policy Details

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Supporting documentation

Legislation	<ul style="list-style-type: none"> • <i>Local Government Act 2009</i> • <i>Local Government Regulation 2012</i>
Policies	<ul style="list-style-type: none"> • Asset Disposal Policy
Delegations	<ul style="list-style-type: none"> • Nil
Forms	<ul style="list-style-type: none"> • Nil
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Intent

To set guidelines for implementing consistent asset management processes throughout Council and to state Council's position with regard to its financial management of Non-Current Assets in accordance with the *Local Government Regulation 2012* and the *Australian Accounting Standard 116 Property, Plant and Equipment*.

Scope

This policy applies to all of Council's non-current physical assets.

Policy Statement

Under the *Local Government Act 2009* and *Local Government Regulation 2012* all local governments in Queensland must produce annual financial statements that comply with Australian Accounting Standards.

An asset accounting policy is necessary to assist in the process of capturing meaningful data for strategic planning purposes to ensure a sustainable asset platform upon which to deliver services into the future.

This information will be audited as part of the annual external audit conducted by the Queensland Audit Office.

Asset Identification

Only individually identified assets will be recognised and recorded as a non-current asset.

In order to be classified as a non-current asset the following criteria must be satisfied:

- The asset must possess future economic benefits;
- It must be probable that those future economic benefits will be realised;
- Council must demonstrate control of the asset;
- A transaction or event must have occurred;
- It must be capable of reliable measurement and valuation;
- It must have a useful life to Council of longer than one year;
- The purchase or construction cost must be greater than Council's asset recognition threshold amount applicable to the relevant asset class;
- It must not be a network asset.

Asset Recording

Assets are to be recorded and maintained in the corporate asset registers or in a "portable and attractive items" registers if the initial purchase price is less than Council's asset recognition

threshold. The asset recognition thresholds are detailed further in this policy.

Asset Classes

Given the diverse nature of Council's operations, Council controls a wide variety of different assets. In order to account for and manage those assets they have been classed into a number of categories of like assets. These categories are:

- Road Infrastructure
- Sewerage Infrastructure
- Water Infrastructure
- Buildings Assets
- Other Assets
- Waste Assets
- Land and Improvements
- Plant and Equipment

Asset Recognition Thresholds

Pursuant to the requirements of section 206 (2) of the *Local Government Regulation 2012* for each asset class, Council will identify an amount (the asset recognition threshold) below which the purchase of an asset will be immediately expensed. The asset recognition thresholds are:

Asset Class	Amount
Road Infrastructure	\$10,000
Sewerage Infrastructure	\$10,000
Water Infrastructure	\$10,000
Buildings Assets	\$10,000
Other Assets	\$10,000
Waste Assets	\$10,000
Land and Improvements	\$1
Plant and Equipment	\$5,000

These threshold values are exclusive of the Goods and Services Tax. They refer to individual acquisitions and not aggregated amounts (as Council does not recognise network assets).

Valuation of Non-Current Physical Assets

Pursuant to section 206 (1) of *Local Government Regulation 2012*, the value of Council's non-current physical assets must be worked out using relevant accounting documents. Accordingly, methods used will be consistent with relevant Australian Accounting Standards.

In accordance with the requirements of the *Local Government Regulation 2012*, Council will value the asset classes of Plant and Equipment on a cost basis and will value all Land, Land Improvements, Buildings and Other Structures and Road, Water and Sewerage Infrastructure on a revaluation basis.

A comprehensive external revaluation of all non-current assets will occur over a five year cycle. Each year the classes of non-current assets not being comprehensively revalued by external valuers, will be subject to an annual desktop revaluation. Annual review of all non-current assets will also be used to determine validity of inclusion of asset in Council's annual insurance renewal program.

Useful Life and Depreciation

Determining the useful life of conventional assets such as plant and equipment is not generally difficult as life cycle information is available. Many infrastructure assets are so long lived that the information and experience needed to accurately predict asset lives is not readily available. In the absence of such information, assets are to be given the longest sustainable life possible and conventional assets are to be given useful lives consistent with industry standards.

All of the Council's property plant and equipment will be depreciated over useful life based on the original cost or gross carrying value of the assets as recorded in Council's asset register. Land assets are not depreciated.

The method of depreciation chosen shall reflect the pattern in which the asset's future economic benefits are expected to be consumed.

Asset depreciation and amortisation parameters, useful lives, asset condition (used to assess remaining useful lives) and residual values are to be reviewed with sufficient regularity to ensure that they are representative of current conditions and expectations at the end of each financial year. Remaining useful life of an asset should be reassessed whenever a major addition or any significant partial disposal occurs.

Impairment

All Council assets will be periodically assessed for impairment. Asset management plans will specify steps to be taken to renew or replace impaired assets.

Due to their specialist nature and community use there is no active and liquid market for certain Council assets to determine recoverable amount as the higher of fair (market) value or value in use for impairment purposes. Value in use for these assets is measured as depreciated replacement cost.

As the carrying (fair) value of specialist assets is also based on depreciated replacement cost, any impairment of specialist assets will be accounted for as a revaluation adjustment.

Internal Controls

The following internal controls are to be adopted for asset registers:

- All inputs to Council's asset register are to be supported by authorised source documentation in an auditable format.
- All systems and processes connected with the maintenance of Council's asset register are to be documented as established procedures.
- Council's asset register is to be capable of tracking and reporting asset movements.
- Council's asset register is to be reconciled on a regular basis to control accounts maintained in the general ledger.
- Asset stocktakes are to be undertaken on a cyclical basis to ensure actual assets support reported financial information. All stocktake working papers supporting asset verification are to be retained and any differences between records and physical counts are to be explained.

Capital versus Maintenance Expenditure

Expenditure will be classified as capital expenditure where the expenditure:

- results in the acquisition or construction of a new and separately identifiable asset (above asset recognition threshold)
- extends the asset's useful life
- improves the asset's revenue earning capacity, service potential or future economic benefit, often by taking advantage of more modern technology; or
- adds attributes which were not previously part of the asset.

Expenditure will be classified as maintenance where it is necessarily incurred in maintaining the predetermined service potential or economic life of an asset and includes expenditure on road assets and water and sewerage assets where:

- it is part of a routine maintenance program; or
- it does not significantly increase the design life or useful life of the assets; or
- it relates to localised problems such as subsidence, breaking up etc., of part of the asset; or
- the basic qualities of the asset are not being upgraded.

Capital expenditure must either be recorded as a new asset or an increase in the current carrying value of the asset. Maintenance expenditure will be expensed in the financial statements.

Work in Progress

Work in progress balances are to be reviewed regularly to ensure that they are cleared no later than six months after practical completion or prior to full revaluation of the pertinent asset class, whichever occurs first.

After an asset is reported as complete and has been capitalised, all further costs will be subject to a test of materiality vs the burden of administration to determine if the costs post capitalisation will be capitalised or expensed.

Disposal of Assets

Any disposal of Council assets is to be undertaken in accordance with Council's Asset Disposal Policy.

Definitions

TERM	DEFINITION
Amortisation	Is the systematic allocation of the depreciable amount of an intangible asset over its useful life.
Asset	A resource controlled by Council as a result of past events and from which future economic benefits are expected to flow to Council.
Carrying Value	The amount at which an asset is recorded (either at cost or fair value) within the asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset's written down value.
Depreciation	Is the systematic allocation of the depreciable amount of an asset over its useful life.
Future Economic Benefits	The ability of an asset to provide goods or services in accordance with the organisation's goals and objectives.
Impairment	A decrease in service potential of an asset as a consequence of an irregular event or catastrophe resulting in its recoverable amount being less than its carrying value.
Materiality	If the omission or misstatement of an item, individually or collectively would influence the economic decisions of users of the financial statements or the accountability of management or governing body.
Non-Current Asset	An asset that is expected to be utilised over more than one financial year.
Residual Value	Is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset

TERM	DEFINITION
	were already of the age and in the condition expected at the end of its useful life.
Useful Life	The period of time over which an asset is expected to be available for use by Council.

Adopted by Council 19 June 2024 by Resolution 0624/021.

Chief Executive Officer