

Non-Current Asset Policy

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1. PURPOSE

This policy provides a framework to regulate and guide the financial management of non-current assets.

2. POLICY STATEMENT

This document sets out council's policies for the recognition, recording, classification, capitalisation, valuation and disposal of non-current assets.

This policy must be read in conjunction with the *Local Government Act 2009*, the *Local Government Regulation 2012* in particular Chapter 5, Part 10 Asset Accounting and the relevant Australian Accounting Standards.

2.1 ASSET RECOGNITION

For an item to be recognised as a non-current asset in Council's financial asset register it must meet all of the following criteria:

- It is probable that the future economic benefits associated with the item will flow to council;
- The cost of the item can be measured reliably;
- Council has control of the item; and,
- The item is expected to generate benefits for council greater than 12 months;

In addition to the above requirements the following must also be applied:

- The item's cost or value must be greater than the recognition thresholds applicable to that asset class; or,
- If the item does not meet these thresholds, the nature of the expenditure may be assessed to determine whether the item is recognised in the financial asset register to ensure sound asset management processes are maintained.

2.2 ASSET CLASSES AND RECOGNITION THRESHOLDS

Asset Class	Threshold
Land	\$0*
Buildings & Facilities	\$5,000
Plant and Fleet	\$5,000
Transport - Roads, Bridges and Drainage	\$5,000
Water	\$5,000
Wastewater	\$5,000
Other	\$5,000
Intangible assets	\$5,000

*Minor land parcels with no market value, limited service potential, land that is a reserve or acquired through unpaid rates will be recorded at the unimproved capital value.

2.3 MEASUREMENT AT RECOGNITION

An item that qualifies for recognition as an asset shall be measured at its cost at acquisition. Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.

2.4 MEASUREMENT AFTER RECOGNITION

Subsequent to initial recognition, each class of asset will have a prescribed valuation model used as its basis of measurement, either the 'Cost model' or the 'Revaluation model'.

Cost Model

Each asset shall be carried at its cost less any accumulated depreciation and any impairment losses.

Revaluation Model

Each asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations will be made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the end of the financial year. Subsequent to this, the carrying amount of each asset is assessed against the relevant cost indices on an annual basis and any material changes may create a revaluation.

The basis of measurement applicable to each asset class is as follows:

Asset Class	Valuation Model
Land	Revaluation
Buildings & Facilities	Revaluation
Plant and Fleet	Cost
Transport - Roads, Bridges and Drainage	Revaluation
Water	Revaluation

Wastewater	Revaluation
Other	Cost
Intangible assets	Cost

2.5 DEPRECIATION

Council uses the straight-line or amortisation method to depreciate non-current assets over its useful life that is representative of the asset's degradation pattern.

2.6 IMPAIRMENT

Each asset class shall be assessed annually for indications of impairment and an impairment entry would be made if the impaired amount was a material amount.

2.7 DERECOGNITION

A non-current asset shall be derecognised:

- a) on disposal; or
- b) when no future economic benefits are expected from its use or disposal.

Partial derecognition may occur when:

- a) Major renewal works have been undertaken to a significant component or section of an asset; or
- b) A significant component or section of an asset is destroyed, damaged, abandoned or decommissioned with no future economic benefit expected to be generated from its use

2.8 WORK IN PROGRESS

Work in progress completion dates are to be updated, balances reviewed and reconciled on a monthly basis.

3. SCOPE

The *Non-Current Asset Policy* applies to all items of property, plant and equipment, intangible assets and assets held for sale as disclosed within Council's financial statements.

This policy will be applicable when performing the following functions:

- Acquiring, constructing or developing a non-current asset;
- Accounting for the costs incurred in maintaining a non-current asset
- Renewing, replacing or upgrading the service potential of a non-current asset
- Revaluing non-current assets
- Disposing of non-current assets
- Accounting for the depreciation or amortisation of non-current assets.
- Estimating useful life and residual values
- Assessing for impairment
- Reporting and disclosure of non-current assets.

4. DEFINITIONS

Acquisition date - The date on which the acquirer effectively takes control.

Amortisation - The systematic allocation of the depreciable amount of an asset over its useful life.

Asset - A resource:

- a) controlled by an entity as a result of past events; and
- b) from which future economic benefits are expected to flow to the entity.

Future economic benefits controlled by the entity as a result of past transactions or other past events.

Material - if the amount could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements.

5. RESPONSIBILITIES

This policy is directly applicable to asset custodians and council officers who have asset accounting and asset management responsibilities but generally impacts all council employees.

6. RELATED DOCUMENTS AND REFERENCES

Local Government Act 2009 (Qld)

Local Government Regulation 2012 (Qld)

Australian Accounting Standards (Australian Accounting Standards Board)

Procurement Policy (MSC)

Accounting Position Paper – Asset Impairment (MSC)

7. REVIEW

It is the responsibility of the Director Corporate & Community Services to monitor the adequacy of this policy and recommend appropriate changes. This policy will be formally reviewed every four (4) years or as required from time to time.