

## Non-Current Assets

### Head of Power

*Local Government Act 2009*  
*Local Government Regulation 2012*  
Australian Accounting Standards Board Standards

### Objective

The objective of this policy is to provide a framework for Council's financial management of non-current assets.

### Definitions

**AASB** refers to an Accounting Standard issued by the Australian Accounting Standards Board.

**Amortisation** means the systematic allocation of the cost of an intangible asset (less any residual value) over its useful life to reflect patterns of periodic consumption of the asset.

**Asset** means a present economic resource controlled by Council because of past events. An economic resource is a right that has the potential to produce economic benefits. In the context of this policy, non-current assets are typically physical (tangible) in nature and this term refers to infrastructure, property, plant and equipment, intangible assets and capital works in progress.

**Asset Class** means a grouping of assets of a similar nature and use in Council's operations. Assets are grouped into classes for disclosure purposes in the financial statements. A class is the lowest note level disclosure in the financial statements.

**Depreciation** means, in an economic sense, the rate of consumption of assets. In a practical sense, it is a decrease in the value of an asset due to wear and tear, physical degradation, obsolescence, or any other cause, which reduces its useful economic life. In an accounting sense, it is a mechanism for systematically distributing the value of assets over their useful lives.

**Investment Property** means 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.

**Non-Current Asset** means an asset which is expected to be consumed over more than one financial year.

**Non-Current Asset Held for Sale** means an asset where its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

**Revaluation** means the process of updating the carrying value of non-current assets to ensure their carrying value reflects their fair value as at a particular date.

### Application

This policy applies to all Council's non-current assets as prescribed in section 206 of the Local Government Regulation 2012 and to any Council team members who have asset management and asset accounting responsibilities.

## Policy Statement

### Asset Recognition

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

The following criteria must be satisfied before a non-current asset will be recognised:

- future economic benefits associated with the item must be expected to flow to Council;
- Council must control the asset;
- a past transaction or event must have occurred which gave rise to control;
- the cost of the item must be able to be measured reliably;
- the asset must last longer than one year; and
- expenditure on the asset must be greater than the asset recognition threshold amount applicable to individually identified assets outlined below (network assets are not be subject to this materiality threshold).

Circumstances resulting in the initial recognition of assets include:

- acquisition involving consideration paid to external suppliers;
- construction (either using Council's workforce or by external contractors);
- compulsory or agreed acquisition;
- assets not previously recognised; and
- assets acquired at no cost or for nominal consideration, including those bequeathed to Council or contributed by developers.

Non-current assets are to be recognised according to their relevant asset class.

Non-current assets which are purchased or constructed through the normal course of business are to be recognised at their cost of acquisition. Non-current assets which are contributed (donated) to Council, such as transport infrastructure or stormwater infrastructure, are to be valued at their estimated cost of construction, utilising appropriate valuation unit rates.

### Asset Recognition Thresholds

A non-current asset with a cost (or where an asset is acquired at no or nominal cost, its fair value) at the time of acquisition which is less than the following asset recognition threshold must be expensed in the period of acquisition (see Table 1):

Table 1: Asset classes and associated thresholds

Asset Class	Asset Recognition Threshold
Land	\$1
Land Improvements	\$5,000
Buildings	\$5,000
Park Equipment	\$1
Plant and Equipment	\$5,000
Transport Infrastructure	\$1
Stormwater Infrastructure	\$1
Intangibles	\$5,000
Cultural and Heritage	\$5,000
Waterways and Canals	\$5,000
Investment Property	\$1

### Depreciation and Amortisation

With the exception of land, artwork, investment property, canals and certain identified earthworks, all non-current assets controlled by Council will be subject to depreciation, or amortisation, in accordance with policy

directives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

### **Derecognition**

In accordance with AASB 116 *Property, Plant and Equipment*, 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.

### **Revaluation of Assets**

Assessments of whether a revaluation is required are to be undertaken each financial year.

Each class of asset will have a basis of measurement, being cost or fair value (see Table 2). Revaluations of asset classes recorded at fair value will 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 end of the reporting period. Comprehensive revaluations will be undertaken regularly using external experts. Indexation may be applied to revalued assets in the intervening years where a comprehensive revaluation does not occur. Assets categorised at cost will not be revalued but will be measured at cost less any applicable depreciation or amortisation expense.

*Table 2: Asset classes and associated valuation model*

<b>Asset Class</b>	<b>Valuation Model</b>
Land	Revaluation - Fair Value
Land Improvements	Cost
Buildings	Revaluation - Fair Value
Park Equipment	Cost
Plant and Equipment	Cost
Transport Infrastructure	Revaluation - Fair Value
Stormwater Infrastructure	Revaluation - Fair Value
Intangibles	Cost
Cultural and Heritage	Cost
Waterways and Canals	Revaluation - Fair Value
Investment Property	Revaluation - Fair Value

### **Impairment**

Non-current assets controlled by Council are to undergo impairment testing on an annual basis. Property, plant and equipment held at cost is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the asset's recoverable amount is determined. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

### **Investment Properties**

Council will recognise, record, and value investment properties in accordance with AASB 140 *Investment Property*.

### **Non-Current Assets Held for Sale**

Council will recognise, record, and value non-current assets held for sale in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

### **Leases**

Council will recognise, record and value Leased Non-Current Assets in accordance with AASB 16 *Leases*.

## Related Documents

This policy complements and is to be implemented in conjunction with other Council policies, directives and relevant documents published by other agencies including, but not limited to:

- Non-Current Assets Operational Directive
- Australian Accounting Standards Board Standards

## Review and evaluation

This policy will be reviewed for applicability, effectiveness, and consistency with relevant legislation, Council resolutions, and other Council documents. Reviews of this policy will occur as required, or at least once every four years.

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.

## Responsibility

This policy is to be:

- (1) implemented by the Director, Finance and Corporate Services; and
- (2) reviewed and amended in accordance with the "Review Triggers" by the Manager, Accounting Services.

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