



Gladstone Regional Council

Council Policy

Title	FINANCIAL NON-CURRENT ASSET ACCOUNTING POLICY
Policy Number	P-2020-XX18
Business Unit/s	STRATEGIC ASSET PERFORMANCE
Date of Adoption	
Resolution Number	
Review Date	
Date Repealed	

1.0 PURPOSE:

This policy sets the criteria for the recognition of an asset including the financial non-current asset threshold monetary value amount, for each type of non-current physical asset¹ of Council below which, such non-current physical assets must be treated as an expense in Council's general purpose the financial statement².

2.0 SCOPE:

This policy Applies to all Council-financial non-current physical assets.

3.0 RELATED LEGISLATION:

- *Local Government Act 2009;*
- *Local Government Regulation 2012.*

4.0 RELATED DOCUMENTS:

- Accounting Standard AASB 5 Non-current Assets Held for Sale and Discontinued Operations;
- Accounting Standard AASB 13 Fair Value Measurement;
- Accounting Standard AASB 16 Leases;
- Accounting Standard AASB 116 Property, Plant and Equipment;
- Accounting Standard AASB 136 Impairment of Assets;
- Asset Disposal Corporate Standard;
- Asset Management Policy;
- Council's asset accounting manual/Financial Non-Current Asset Accounting Corporate Standard;-
- Financial Non-Current Asset Accounting Procedure;

¹ Not to be confused with the setting of non-current asset values for asset disposal purposes which may be found in Council's Procurement Policy.

² Under the Local Government Regulation 2012 (s206) Council must, by resolution, "set an amount for each different type of non-current physical asset below which the value of an asset of the same type must be treated as an expense".

GRC ECM Subject Index: File Reference:- CM28.1 GRC DataWorks Subject Index: File Reference:- CM28.1

- ~~Gladstone Regional Council Procurement Policy; and~~
- ~~Queensland Treasury Corporation Non-Current Asset Policies for the Queensland Public Sector.~~
- ~~AASB116 Property, Plant and Equipment~~

5.0 DEFINITIONS:

To assist in interpretation of this policy the following definitions apply:

~~“Act” – means the Local Government Act 2009.~~

~~“Asset” means a resource controlled by Council as a result of past events and from which future economic benefits are expected to flow to Council (e.g. motor vehicles, plant and equipment, furniture).an item that provides value to Council.~~

~~“Asset Class” means the categories of assets used by Council for asset management and accounting purposes.~~

~~“Control” means the business’s Council’s capacity to benefit from the asset and to restrict the access of others to those benefits.~~

~~“Financial Non-Current Asset” means land or another non-current asset that has an apparent value that is equal to or more than the asset recognition threshold.~~

~~“Future Economic Benefit” means the ability of an asset to provide benefits in accordance with the business’s Council’s objectives regardless of whether a net cash inflow for their provision is received.~~

~~“Regulation” – means the Local Government Regulation 2012.~~

~~“Freehold Land” – is land held by Council as freehold land under the Land Title Act 1994 Council and is recognised as a non-current asset for the purposes of financial reporting (i.e. – available for or subject to sale in the current or next financial year).~~

~~“Plant and Equipment” – comprise of a variety of different types of items that are used in the production of goods and services and administration of Council (e.g. trucks, loaders, motor vehicles, mowers, tractors, photocopiers, networked computer infrastructure, sound, lighting and communication networked systems).~~

~~“Major Plant” – those items of Plant and Equipment which have an individual cost determined to be of high value to the Council. Plant and Equipment meets this criterion if it is prone to a high degree of fluctuations or in danger of becoming obsolete. This asset class primarily includes specialized earthmoving equipment.~~

~~“Intangible assets” – are non-monetary, non-physical items held for use in production or supply of goods or services. Intangible assets may include lease rights, patents, copyrights, licenses, trademarks and computer software development costs.~~

~~“Other Classes” of assets for the purposes of this policy will include Buildings eg halls, administration buildings, art galleries, libraries; Parks and Other Structures eg fences, swimming pools, shade structures.~~

~~"Networked Assets" mean multiple items interconnected to perform a whole service or one simultaneous service. – will be recognised as non-functional individual assets that when combined together create a function. Although the individual assets fall under the recognition thresholds, the combined value of the networked assets would exceed the recognition threshold and therefore will be recognised as one asset.~~

~~"Non-Current Asset" means an item that provides value to Council but for which the full value will not be realised within one (1) year.~~

~~"Useful Life" means the period over which an asset is expected to be available for use.~~

~~"Water infrastructure assets" are networked assets and may include water mains, hydrants, valves, meters and services.~~

~~"Sewerage infrastructure assets" are networked assets and may include sewerage manholes, gravity mains and rising mains.~~

~~"Road infrastructure assets" are networked assets on road areas and may include road infrastructure (e.g. Road pavements, kerb and channeling, culverts, and Stormwater), drainage structures, bridges and boardwalks, bikeways and pathways, car parks, pontoons and boat ramps.~~

6.0 POLICY STATEMENT:

This policy aims to:

- demonstrate compliance with ~~the business's~~Council's legislative obligations and the Australian Accounting Standards;
- support open and transparent asset accounting through the application of consistent methodology; and
- ensure the asset register is the point of truth for financial asset management.

6.1 Asset Recognition Criteria

An asset must satisfy the following criteria prior to being recognised in Council's financial statements:

- Council has control of the asset;
- there was a past transaction or event which gave rise to ~~the~~ control of the asset;
- it is probable that future economic benefits will flow to Council;
- the cost of the asset can be measured reliably;
- the asset has a useful life of more than one (1) year; and
- expenditure is greater than the asset recognition threshold amount identified in section 6.2.

6.1.2 Asset Recognition Thresholds

Council has set the below amounts for capitalisation of each class of asset: ~~The value thresholds for capitalisation of a non-current physical Assets and Intangible Assets will be~~

<u>Asset Class</u>	<u>Asset Recognition Threshold (\$)</u>
<u>Freehold Land</u>	<u>1</u>
<u>Plant and Equipment</u>	<u>5,000</u>
<u>Major Plant</u>	<u>350,000</u>
<u>All Other Asset Classes</u>	<u>10,000</u>

Freehold land	\$ 1.00
Plant and Equipment	\$ 5,000.00
Major Plant	\$ 350,000.00
Intangible Assets	\$ 10,000.00
Other Classes	\$ 10,000.00

The asset recognition threshold applies to:

- ~~above asset value thresholds apply to~~ the individual value of each standalone asset; or
- ~~where an Asset is part of a Networked Asset, the combined value of the category of the relevant Networked Assets~~ where an asset is part of a networked asset.

Assets with a value less than the identified asset recognition threshold and that are not part of a networked asset are to be treated as an expense in the year:

- ~~If the value of a non-current physical Asset or an Intangible Asset is below the~~ above threshold values the Asset value is to be treated as an expense in the year in which the expenditure occurs; or
- ~~in the year the Asset drops below the threshold~~ value that the value of the asset is less than the asset recognition threshold.

~~The thresholds will apply to all assets on a standalone basis except for networked assets.~~

6.2.1 Categorisation of Networked Assets

Similar or like-natured assets are not to be grouped as a networked asset. Only assets that form a network or part of a network are to be grouped together for capitalisation.

For example, personal computers are not a networked asset however the network operating system in the server machines, the cables connecting them, and the supporting hardware in between (i.e. bridges, routers, and switches) are a networked asset.

Council has set the following categories for networked assets to be grouped under: Networked Assets will be categorized and grouped under the following categories:

- water infrastructure;
- sewerage infrastructure;
- roads, drainage, and transport infrastructure;
- sound and lighting systems;
- communication systems;
- computer infrastructure systems; and (servers, cables, wall points etc)

- ~~• Gladstone Regional Council artwork/cultural collection.~~

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6.3 Date of Application of Policy

~~Despite an individual asset not meeting the asset recognition threshold, the combined value of the networked assets would exceed the recognition threshold and subsequently must be recognised as one asset.~~

~~All expenditure on networked assets must be capitalised regardless of the individual asset items not meeting the asset recognition threshold. This includes the procurement of a new asset, upgrading capability of an asset to extend the life, or adding attributes not previously part of the asset.~~

~~— This policy applies for the financial year ended 30th June, 2016 and subsequent financial years until otherwise amended or revoked.~~

7.0 ATTACHMENTS:

Nil.

8.0 REVIEW MECHANISM:

This policy will be reviewed when any of the following occur:

1. The related legislation or governing documents are amended or replaced; or
2. Other circumstances as determined by resolution of Council or the CEO; or
3. Three years from date of adoption.

TABLE OF AMENDMENTS			
Document History	Date	Council Resolution No.	Notes (including the prior Policy No, precise of change/s, etc)
Originally Approved	04/10/2010	10/148	
Amendment 1	5 November 2013	G/13/1777	
Amendment 2	21 June 2016	G/16/2824 (FCGC/16/0021 – 13/06/2016)	
Amendment 3			Formerly P-2016-16 Non Current Asset Threshold Policy. Amendments include: inclusion of asset recognition criteria and general wording amendments to provide greater clarification.

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