



Gladstone Regional Council

Council Policy

Title	FINANCIAL NON-CURRENT ASSET ACCOUNTING POLICY
Policy Number	P-2020-18
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Date Repealed	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 amount, below which, such assets must be treated as an expense in the financial statement¹.

2.0 SCOPE:

This policy applies to all 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;
- Financial Non-Current Asset Accounting Corporate Standard;
- Financial Non-Current Asset Accounting Procedure;
- Procurement Policy; and
- Queensland Treasury Corporation Non-Current Asset Policies for the Queensland Public Sector.

¹ 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".

5.0 DEFINITIONS:

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

"Asset" means an item that provides value to Council.

"Asset Class" means the categories of assets used by Council -

"Control" means 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 Council's objectives regardless of whether a net cash inflow for their provision is received.

"Networked Assets" mean multiple items interconnected to perform a whole service or one simultaneous service.

"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.

6.0 POLICY STATEMENT:

This policy aims to:

- demonstrate compliance with 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 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.

6.2 Asset Recognition Thresholds

Council has set the below amounts for capitalisation of each class of asset:

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

The asset recognition threshold applies to:

- the individual value of each standalone asset; or
- the combined value 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:

- in which the expenditure occurs; or
- that the value of the asset is less than the asset recognition threshold.

6.2.1 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:

- water infrastructure;
- sewerage infrastructure;
- roads, drainage, and transport infrastructure;
- sound and lighting systems;
- communication systems;
- computer infrastructure systems; and
- cultural collection.

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.

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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