IPSWICH CITY COUNCIL

Asset Accounting Policy

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Approved by Council on		
Date of Review		

1. Statement

Council is strongly committed to recognising its non-current assets in accordance with Australian Accounting Standards to ensure Council's financial statements accurately reflect Council's asset position at the end of each financial year.

2. Purpose and Principles

The asset accounting policy is the Council's overarching policy for the accounting of assets. Its purpose is to ensure that assets are accounted for in accordance with Australian Accounting Standards and that that the policy is consistently applied in all areas of asset accounting.

3. Strategic Plan Links

This policy relates to the Advance Ipswich theme of:

- Listening, Leading and Financial Management.

4. Regulatory Authority

Local Government Act 2009
Local Government Regulations 2012
Australian Accounting Standards

5. Scope

The Asset Accounting Policy applies to the line items of property, plant & equipment, intangible assets and assets held for resale as disclosed within Council's Statement of Financial Position.

This policy generally impacts upon all Council employees and contractors. Specifically, the policy is directly applicable to Asset Custodians and Council officers who have asset management and asset accounting responsibilities. This policy will be applicable when performing the following functions:

- Acquiring, constructing or developing a non-current asset
- Accounting for costs incurred in maintaining a non-current asset
- Renewing, replacing or enhancing the service potential of a non-current asset
- Revaluing non-current assets
- Disposal of non-current assets
- Accounting for the depreciation or amortisation of non-current assets

- Reporting and disclosing non-current assets
- Establishing the useful life and residual value of non-current assets
- Testing noncurrent assets for impairment

6. Asset classes

The following asset classes are reported by Council:

- Land
- Buildings and structures
- Flood mitigation
- Roads, bridges and footpaths
- Flooding and drainage
- Artworks

7. Asset recognition

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

- Council has control over the asset
- It is probable that future economic benefits associated with the item will flow to Council
- The cost or fair value of the asset can be measured reliably
- The cost or fair value exceeds Council's asset recognition threshold

Recognition thresholds to be applied on initial acquisition of an asset are as follows:

Asset Class	**Capitalisation Threshold**
Land	$1*
Land Improvement	$1,000
Buildings	$1,000
Intangible Assets	$5,000
Plant and Equipment	$1,000
Artworks	$1,000
Infrastructure Assets	$10,000

*Minor land parcels (less than 100m2) have no market value and possess limited or negligible service potential.

Networked Asset

A network is a grouping of multiple assets that are individually below the capitalisation threshold. These assets perform a whole service and require recognition in the financial statements due to their collective value (i.e. office furniture, computer network, ICT equipment).

Complex Assets

A complex asset (i.e. a building) can be apportioned to individual significant components. Assets will be recognised at component level where feasible.

The significant components of a complex asset are identified and depreciated separately. This provides accurate and relevant information for users of general purpose financial statements and for asset management purposes.

A significant component is one that meets the following criteria:

- Can be separately identifiable and measurable and is able to be separated from the complex asset;
- May require replacement and intervention at regular intervals during the life of the complex asset;
- Has a significant value in relation to the total cost of the complex asset; and
- May have a different estimated useful life from the complex asset so that failure to depreciate it separately would result in a material difference in the annual depreciation expense for that asset.

When replacing a component of a complex asset and if applicable the existing written down value of the original component should be written off.

Components will be capitalised as long as the total capital project expenditure meets the asset recognition threshold.

8. Capital Costs on Assets after initial recognition

Directly attributable costs relating to assets incurred after initial recognition are to be capitalised whenever the associated work either renews, extends or upgrades the asset's underlying service potential.

9. Asset Valuation Method

All Council assets that qualify for recognition are to be initially measured at cost. However, where an asset is acquired at no cost (donated) or for nominal cost, the value is deemed to be its fair value at the date of acquisition. Fair Value is deemed to be either:

- Market Value if there is market evidence; or
- Current Replacement Cost if there is no market evidence.

Where an asset was acquired in prior financial years and has yet to be recorded in Council's financial asset register, the asset is to be brought to account at the fair value as at the date of recognition.

The valuation method applicable to each Asset Class subsequent to initial recognition is as follows:

Asset Class	Valuation Method
Land	Fair Value
Buildings and other structures	Current Replacement Cost
Roads, bridges and footpaths	Current Replacement Cost
Flooding and drainage	Current Replacement Cost
Artworks	Cost
Plant and equipment	Cost
Land improvements	Cost
Investment properties	Fair value
Intangible asset	Cost

10. Asset acquisition

Purchased or Constructed Assets

Assets which are constructed or purchased by Council are recorded as a depreciable asset for accounting purposes when they have been signed off as ready for use in the manner intended by management.

The cost of purchasing or constructing an asset includes initial costs that directly relate to getting the asset ready for use and subsequent costs that improve the condition of the asset beyond its originally assessed standard of performance or capacity.

Contributed Assets

Assets which are donated to Council are recognised when Council provides the developer with notification that all conditions associated with the development have been met. The Council must be satisfied that the assets have been constructed in accordance with relevant engineering standards and the Council must be satisfied that all accurate drawings, documents and plans have been provided.

The asset will be recognised at fair value in Council's asset register and an equivalent amount recognised as donated asset revenue.

11. Depreciation or Amortisation Method

The straight-line depreciation or amortisation method is adopted by Council to reflect patterns of consumption for all non-current assets other than parcels of land, which are not subject to depreciation.

12. Review of Depreciation and Amortisation Parameters (Including Useful Life, Asset Condition, Remaining Useful Life, and Residual Value)

Asset depreciation and amortisation parameters, useful lives, asset condition (used to assess remaining useful lives) and residual values are to be reviewed with enough 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.

13. Asset Revaluations

Council formally revalues each asset class held at fair value every five years. This ensures every asset class held at fair value is formally revalued every five years. The formal valuation is conducted by an external registered valuer. Council will adopt the new fair value of the asset class in its fixed asset register even though the change in fair value may not be material.

All other asset classes held at fair value which are not subject to a formal valuation will be revalued through applying a relevant index base. Indices should consider not only the effects of specific or general price levels, but also technological change, where possible. Council will need to consider the impact of the revaluation only if the cumulative change in the index is greater than 5% (either positive or negative).

14. Asset Impairment

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

15. Non-Current Asset Derecognition

An asset is to be derecognised in the financial asset register whenever:

- The asset is destroyed, abandoned or decommissioned with no future economic benefit expected to be generated from its use
- The asset is scrapped, sold or traded
- The asset is lost or stolen; or
- Control of the asset is transferred to another entity

Council will dispose of assets (including those not recorded in the fixed asset register) through auction, tender or trade in, where they are identified as surplus to requirements and have an apparent (realisable) value greater than or equal to $1,000. The $1,000 threshold does not apply to land assets as all disposals of land irrespective of value, must follow due process.

Assets (including those not recorded in the fixed asset register) with an apparent value of less than the values stated above, may be disposed through donation to registered charitable or not-for profit-community organisations. This may be done without an initial attempt to sell the asset via tender or public auction with the prior approval of the disposal process, by the Asset Custodian’s General Manager.

In the case of scrap metal etc, this may be sold to an appropriate scrap dealer.

All assets derecognised from the financial asset register require authorisation by the respective Asset Custodian.

16. Asset Stocktakes

Stocktake of all plant and equipment assets and intangible assets carried at cost is conducted on an annual basis.

The purpose of the stocktake is to verify the physical existence of items recorded in the asset register. It also seeks to identify assets that are under-utilised or those that are surplus to requirement and may require disposal. The stocktake also ensures that recorded details are true and correct.

17. Management of Work In Progress

Work In Progress balances are to be reviewed at least monthly 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.

18. Roles and Responsibilities

The Chief Financial Officer is responsible for ensuring adherence to this policy.

Managers and supervisors in the Finance Team are responsible for ensuring that employees are aware of, and comply with, this policy.

All Council officers in the Finance Team are required to be aware of, and comply with this policy.

19. Key Stakeholders

The following will be consulted during the review process:

- Legal and Governance Branch
- Planning and Regulatory Department

20. Monitoring and Evaluation

- Monitoring asset transactions for compliance with relevant legislation, Australian Accounting Standards, Council's asset accounting policy and procedure.
- Monthly review and evaluation of assets recorded in the financial asset register for accuracy and to identify any misstatements.

21. Definitions

To assist in interpretation, the following definitions apply:

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

Asset Class is a grouping of non-current assets of a similar nature and the lowest level of information on non-current assets included within Council's financial statements.

Asset Custodian is the Officer in Council responsible for managing an asset.

Control of an asset refers to the ability to direct the use of, and obtain substantially all the remaining benefits from, the asset. Control includes the ability to prevent other entities from direct use of, and obtaining the benefits from, an asset.

Depreciation is the systematic allocation of a tangible asset (less any residual value) over its useful life to reflect patterns of periodic consumption of the asset.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. As defined in AASB 116 Property, Plant and Equipment.

Infrastructure Assets are passive or active assets within the network of roads, bridges, flooding and drainage infrastructure.

Intangible asset is an identifiable non-monetary asset without physical substance.

Non–Current Asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity with a life greater than 12 months. Key features of an asset include:

(i) Controlled by Council, having a useful life of at least one year through which;

(ii) Council derives future economic benefits; and

(iii) Have been acquired as a result of a past transaction or other past event.

Useful Life is an indication of the service potential embodied in the non-current assets and is the basis for calculating depreciation. Useful lives for non-current assets will be reviewed at least annually, and will be adjusted in circumstances where considered appropriate (eg. significant enhancements, replacements, refurbishments or revaluation).

22. Policy Owner

The General Manager Corporate Services is the policy owner and the Chief Financial Officer is responsible for authoring and reviewing this policy.