ORDINARY MEETING 30 SEPTEMBER 2026	5.4

ASSET ACCOUNTING POLICY

F&BS | 63/17/2-01 | #7932174

RECOMMENDATION:

That Council:

1. **Adopts the Asset Accounting General Policy;**
2. **Rescinds the Asset Capitalisation General Policy; and**
3. **Rescinds the Revaluation of Non-Current Assets General Policy.**

INTERESTED PARTIES:

Not applicable

EXECUTIVE SUMMARY:

The purpose of this report is to seek Council's endorsement of the Asset Accounting General Policy and to rescind the existing Asset Capitalisation General Policy and Revaluation of Non-Current Assets General Policy. The proposed policy consolidates Council's asset accounting requirements into a single contemporary document and establishes Council’s framework for the recognition, measurement, capitalisation, depreciation, impairment and revaluation of Council's non-current assets.

A key change under the proposed policy is the revision of Council's capitalisation thresholds. The policy proposes a capitalisation threshold of $10,000 for plant and equipment and $20,000 for all other assets, with land, network assets and complex assets continuing to be capitalised regardless of value. Expenditure below the applicable threshold will be recognised as an operating expense in the year incurred.

The revised thresholds reflect increases in asset acquisition and construction costs over time and are intended to reduce the administrative effort associated with recording, depreciating and managing low-value assets. The existing thresholds have remained unchanged for a considerable period despite significant increases in asset acquisition and construction costs. The proposed thresholds more appropriately reflect current asset values, materiality considerations and the costs associated with administering low-value assets.

The policy will improve governance by consolidating Council's existing asset accounting policies into a single framework while maintaining compliance with the *Local Government Act 2009, Local Government Regulation 2012 and applicable Australian Accounting Standards.*

The proposed policy has been presented to and endorsed by the Audit Committee on 8 September 2026, which supported the adoption of the consolidated policy framework and the proposed changes to Council's asset accounting practices.

BACKGROUND:

Council currently maintains separate policies governing the capitalisation of assets and the revaluation of non-current assets. As part of Council's policy review program, these policies have been reviewed to ensure they remain contemporary, compliant with legislative and accounting requirements, and aligned with current operational practices. The review has resulted in the development of a consolidated Asset Accounting General Policy that incorporates the requirements of both existing policies and modernises Council's asset accounting framework. Upon adoption of the new policy, the existing Asset Capitalisation General Policy and Revaluation of Non-Current Assets General Policy will be rescinded.

COMMENT:

The Asset Accounting General Policy establishes Council's framework for the recognition, measurement, capitalisation, depreciation, impairment, disposal and revaluation of non-current assets. The policy consolidates Council's existing asset accounting requirements into a single contemporary document, improving accessibility, consistency and governance while maintaining compliance with the *Local Government Act 2009, Local Government Regulation 2012, Australian Accounting Standards and the Queensland Non-Current Asset Policies*. The consolidated approach will provide clearer guidance for Council officers involved in asset management, project delivery and financial reporting and support more consistent application of asset accounting principles across the organisation.

The most significant amendment proposed within the policy is the revision of Council's capitalisation thresholds. Council currently applies a capitalisation threshold of $5,000 for plant and equipment and $10,000 for infrastructure assets. The proposed policy increases these thresholds to $10,000 for plant and equipment and $20,000 for all other assets. Land, network assets and complex assets will continue to be capitalised regardless of value through the application of a nominal $1 capitalisation threshold. Expenditure below the applicable threshold will be recognised as an operating expense in the year incurred.

The proposed threshold increases reflect significant increases in asset acquisition and construction costs over time and better align Council's asset recognition practices with materiality principles and contemporary public sector accounting practices. The revised thresholds recognise that the administrative effort associated with recording, monitoring, depreciating and periodically reviewing low-value assets can outweigh the financial reporting benefit obtained from capitalisation. The changes will allow greater focus on material infrastructure renewals, strategic assets and other investments that have a more significant impact on Council's financial position and service delivery outcomes.

The policy also introduces an enhanced implementation framework including clearer guidance on unit of account principles, grouped assets, network assets, capital versus operational expenditure assessments, governance requirements, approval processes, training and technical accounting oversight. These improvements are intended to reduce inconsistent interpretation across the organisation and strengthen the quality and auditability of asset accounting decisions.

The proposed changes are not expected to materially affect Council's overall financial position or cash flows. The primary financial impact will be a reclassification of some expenditure from capital to operating expenditure where asset purchases or renewal activities fall below the revised capitalisation thresholds. As a result, annual operating expenditure may increase and capital expenditure may decrease for certain asset categories. Overall, the policy is expected to improve administrative efficiency and financial governance while maintaining the integrity and reliability of Council's financial reporting.

The Audit Committee's endorsement provides additional assurance that the proposed policy is appropriate, supports sound financial management practices and aligns with Council's governance objectives.

OPTIONS:

Option 1: (Recommended)

That Council:

1. Adopts the Asset Accounting General Policy; and
2. Rescinds the Asset Capitalisation General Policy; and
3. Rescinds the Revaluation of Non-Current Assets General Policy.

Option 2:

Council does not adopt the Asset Accounting General Policy and puts forward proposed amendments to the policy.

CONSIDERATIONS:

Risk Management:

The proposed policy reduces governance and financial reporting risk by consolidating Council's asset accounting requirements into a single framework and ensuring alignment with legislative and accounting standards. The revised capitalisation thresholds are expected to improve administrative efficiency while maintaining appropriate financial reporting practices.

Financial:

Application of the revised capitalisation thresholds from FY27 will not impact Council's cash position. The primary financial effect will be a reclassification of some expenditure from capital to operating expenditure where asset purchases fall below the revised thresholds. Based on current expenditure patterns, the impact is not expected to materially affect Council's overall financial position or long-term sustainability indicators.

Statutory:

Chapter 5, part 10, and section 206 of *Local Government Regulation 2012* requires Council to:

1. Value non-current physical assets using the prescribed accounting standards; and
2. Set an amount for each different type of non-current physical asset below which value of an asset of the same type must be treated as an expense.

ATTACHMENTS:

Attachment 1: Asset Accounting General Policy (#7889513)
Attachment 2: Asset Capitalisation General Policy (#674076)
Attachment 3: Revaluation of Non-Current Assets Policy (#2667798)

Jason Ritchie
Executive Manager Finance

Lisa Whitton
Chief Financial Officer

CAIRNS REGIONAL COUNCIL

General Policy

ASSET ACCOUNTING POLICY

Intent This policy establishes the framework for the recognition, measurement, capitalisation and management of non-current assets within Cairns Regional Council in accordance with the *Local Government Act 2009*, *Local Government Regulation 2012*, and applicable Australian Accounting Standards.

Scope This policy applies to all non-current assets controlled by Cairns Regional Council, including but not limited to land, buildings, infrastructure, plant and equipment and intangible assets. It applies to all Council employees and officers involved in asset management and financial reporting.

PROVISIONS

Definition of a Non-Current Asset

A non-current asset is a resource controlled by Council from which future economic benefits or service potential are expected to flow, and which is expected to be held for more than 12 months. Any expenditure on an item which meets this criterion may be eligible for capitalisation.

Asset Recognition and Capitalisation

Expenditure shall be capitalised where all the following apply:

- Council controls the asset;
- Future economic benefits or service potential are probable;
- The cost can be measured reliably; and
- The expenditure meets the capitalisation thresholds

Expenditure will generally be capitalised when it:

- Creates a new asset;
- Replaces a significant component of an existing asset;
- Increases service potential;
- Extends useful life; or
- Improves asset capacity or functionality.

Expenditure will generally be expensed when it relates to:

- Routine maintenance;
- Repairs that restore original service potential; or
- Operational activities.

Capitalisation Threshold

The capitalisation threshold is set at $10,000 for plant and equipment and $20,000 for all other assets, with the exception of land, network assets and complex assets which have a capitalisation threshold of $1. Any expenditure below this threshold is expensed in the period in which it is incurred.

Capitalisation thresholds shall be reviewed periodically to ensure they remain appropriate and reflect Council's materiality considerations.

Asset Measurement

All assets that qualify for recognition are to be initially recorded at cost, including all costs necessary to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Non-current assets which are contributed (donated) to Council are to be valued at their estimated cost of construction utilising appropriate valuation methodologies.

Work in Progress (WIP)
Projects under construction shall be recorded as WIP until all the following criteria are met:

- The asset is in the location and condition necessary for it to operate;
- The asset is available for its intended use; and
- The total cost of the asset can be measured reliably.

Upon satisfaction of these criteria, the asset shall be transferred from WIP to the appropriate asset class and depreciation shall commence from the date the asset is available for its intended use.

Council shall undertake periodic reviews of WIP balances to:

- ensure timely capitalisation of completed assets;
- identify stalled, abandoned or impaired projects;
- assess whether costs continue to meet the criteria for capitalisation; and
- ensure WIP balances are appropriately supported and recorded.

Depreciation & Amortisation
Depreciable assets shall be depreciated systematically over their useful lives.

Council will:

- Apply componentisation where appropriate.
- Review useful lives, residual values and depreciation methods annually.
- Align depreciation practices with asset consumption patterns where practical.

Land, work in progress and assets with an indefinite useful life shall not be depreciated.

Asset Revaluation
Land and land improvements, buildings and other structures, leasehold improvements and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. Other plant and equipment and WIP are measured at cost in accordance with AASB 116. Included at Attachment 1 is a complete list of asset classes and sub-classes and the associated valuation methods.

For assets measured on a revaluation basis, comprehensive revaluations are conducted at least every five years on a rolling cycle.

In intervening years, consideration will be given to the application of indices for individual asset classes based on a desktop assessment of the likely movement in values.

In accordance with AASB 13 movements between the levels of the fair value hierarchy will be recognised on the last day of the relevant financial year.

A report will be prepared for the Audit Committee outlining the process followed and the outcomes of the annual revaluation process. The adoption of annual revaluations will be a decision of Council as part of the approval process for the annual financial statements, following review by the Audit Committee.

Impairment of Assets
Council shall assess assets for indicators of impairment at each reporting date.

Where impairment indicators exist, Council shall determine whether the asset's carrying value exceeds its recoverable amount or remaining service potential and account for any impairment loss in accordance with applicable accounting standards.

Asset Disposal
Where assets have become obsolete, redundant, inoperable or are to be replaced, they need to be disposed and derecognised from the fixed asset register. A gain or loss will be recognised accordingly in the Statement of Comprehensive Income.

Council shall maintain appropriate governance processes for asset disposals, including compliance with legislative disposal requirements and Council-approved delegations.

Related Documents

The Asset Accounting Policy is to be used in conjunction with Council's:

- Asset Accounting Administrative Instruction #7884924
- Asset Revaluation Schedule by Sub-Class #1149897

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This policy is to remain in force until otherwise determined by Council.

Director Responsible for Review: **Chief Financial Officer**

ORIGINALLY ADOPTED:
CURRENT ADOPTION:
DUE FOR REVISION:
REVOKED/SUPERSEDED:

Ken Gouldthorp
CHIEF EXECUTIVE OFFICER

Attachment 1

Asset Class	Asset Subclass	Revaluation Method	Valuation Method
Land and Land Improvements	Freehold Land	Revaluation Model	Replacement Cost
	Crown Land	N/A	Not Valued
	Land Improvements	Revaluation Model	Replacement Cost
Buildings and Other Structures	Buildings	Revaluation Model	Replacement Cost
	Other Structures	Revaluation Model	Replacement Cost
Plant, Equipment and Other Assets	Fleet	Cost Model	Historical Cost
	Technical Equipment	Cost Model	Historical Cost
	Communications	Cost Model	Historical Cost
	Sound	Cost Model	Historical Cost
	Computer Network Hardware	Cost Model	Historical Cost
	Office Furniture	Cost Model	Historical Cost
	Streetscaping	Cost Model	Historical Cost
	Art	Cost Model	Historical Cost
	Rare and Reference Library Books	Cost Model	Historical Cost
	Other Plant	Cost Model	Historical Cost
Road and Bridge Network	Bridges	Revaluation Model	Replacement Cost
	Footpaths	Revaluation Model	Replacement Cost
	Kerb & Channel	Revaluation Model	Replacement Cost
	Meters	Revaluation Model	Replacement Cost
	Roadway	Revaluation Model	Replacement Cost
	Traffic Control	Revaluation Model	Replacement Cost
Water	Dam	Revaluation Model	Replacement Cost
	Reservoir	Revaluation Model	Replacement Cost
	Water Intake Structure	Revaluation Model	Replacement Cost
	Water Main Asset	Revaluation Model	Replacement Cost
	Water Pump Station	Revaluation Model	Replacement Cost
	Water Treatment Plant	Revaluation Model	Replacement Cost
Sewerage	Other Sewerage Asset	Revaluation Model	Replacement Cost
	Sewer Main Asset	Revaluation Model	Replacement Cost
	Sewer Pump Station	Revaluation Model	Replacement Cost
	Sewer Treatment Plant	Revaluation Model	Replacement Cost
	Telemetry	Revaluation Model	Replacement Cost
Drainage	Open Drains	Revaluation Model	Replacement Cost
	Other Drainage Asset	Revaluation Model	Replacement Cost
	Underground Drainage	Revaluation Model	Replacement Cost
Solid Waste Disposal	Waste Disposal Asset	Revaluation Model	Replacement Cost
	Landfill	Revaluation Model	Replacement Cost
	Transfer Station	Revaluation Model	Replacement Cost
Intangible Assets	Computer Software	Cost Model	Historical Cost

Attachment 2: Asset Capitalisation General Policy (#674076)

CAIRNS REGIONAL COUNCIL

General Policy

<u>Asset Capitalisation</u>

Intent To set a threshold for the capitalisation of non-current assets for Cairns Regional Council.

Scope This policy applies to all Cairns Regional Council activities.

PROVISIONS

The following sets out the Asset Capitalisation Threshold for Cairns Regional Council as required by Section 206 of *Local Government Regulation 2012*.

Definition of a Non-Current Asset
AASB 116 *Property Plant and Equipment* defines a non-current asset to be a physical item that provides future benefits for more than 12 months. In simpler terms a non-current asset may generally be any item with a life of more than 12 months. Any expenditure on an item which meets this criterion may be eligible for capitalisation.

Threshold
The capitalisation threshold is set at $5,000 for plant and equipment and $10,000 for all other assets, with the exception of land, network assets and complex assets which has a capitalisation threshold of $1. Any expenditure below this threshold is expensed in the period in which it is incurred.

Related Documents
The Asset Capitalisation Policy is to be used in conjunction with Council's:

- Procurement General Policy #927360
- Revaluation of Non-Current Assets General Policy #3298740

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This policy is to remain in force until otherwise determined by Council.

General Manager Responsible for Review: **Chief Financial Officer**

ORIGINALLY ADOPTED: 15/09/2003
CURRENT ADOPTION: 22/09/2021
DUE FOR REVISION: 22/09/2025
REVOKED/SUPERSEDED:

Mica Martin
CHIEF EXECUTIVE OFFICER

CAIRNS REGIONAL COUNCIL

General Policy

REVALUATION OF NON-CURRENT ASSETS

Intent: To outline Council's policy for determining the carrying value of non-current assets.

Scope: This policy applies to tangible non-current assets (property, plant and equipment).

PROVISIONS

Land and land improvements, buildings and other structures, leasehold improvements and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with *AASB 116 Property, Plant and Equipment* and *AASB 13 Fair Value Measurement.* Other plant and equipment and work in progress are measured at cost in accordance with AASB 116. Included at Attachment 1 is a complete list of asset classes and sub-classes and the associated valuation methods.

For assets measured on a revaluation basis, comprehensive revaluations are conducted at least every five years on a rolling cycle as outlined in the Schedule of Rolling Revaluations.

In intervening years, consideration will be given to the application of indices for individual asset classes based on a desktop assessment of the likely movement in values.

In accordance with AASB 13 movements between the levels of the fair value hierarchy will be recognised on the last day of the relevant financial year.

A report will be prepared for the Audit Committee outlining the process followed and the outcomes of the annual revaluation process. The adoption of annual revaluations will be a decision of Council as part of the approval process for the annual financial statements, following review by the Audit Committee.

Related Documents:

- General Policy – Asset Capitalisation #697993
- Asset Revaluation Schedule by Sub-Class #1149897

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This policy is to remain in force until otherwise determined by Council.

General Manager Responsible for Review: Chief Financial Officer

ORIGINALLY ADOPTED:24/08/2011
CURRENT ADOPTION: 21/06/2023
DUE FOR REVISION: 21/06/2027
REVOKED/SUPERSEDED

Mica Martin
Chief Executive Officer

Attachment 1

Asset Class	Asset Subclass	Revaluation Method	Valuation Method
Land and Land Improvements	Freehold Land	Revaluation Model	Replacement Cost
	Crown Land	N/A	Not Valued
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