

2.04 Asset Impairment Policy

Policy Owner	Executive Director Corporate & Commercial Services
Responsible Officer	Manager Finance
Date of Approval	18/06/2013
Amended/Revised	09/12/2024

Objective

The Accounting Standard AASB 136 – Impairment of Assets prescribes the procedures that an entity must apply to ensure its assets are carried at no more than their recoverable amount. An asset is considered impaired if its carrying amount exceeds the amount to be recovered through its use or sale.

Scope

This policy guides all City Officers involved in assessing whether assets have been impaired and determining the amount of impairment to be recognized in the Council's annual financial statements.

The policy applies to all assets as required by Accounting Standard AASB 136 – Impairment of Assets, predominantly covering Infrastructure Assets and Property, Plant, and Equipment.

Policy Statement

In accordance with AASB 136 – Impairment of Assets, an annual assessment will be made at 30 June each year, as to whether there is any indication that an asset (or a class of assets) is impaired.

This assessment can also be informed by any indications of impairment highlighted during the process of revaluing a class of Council assets. An asset is impaired when its carrying amount exceeds its recoverable amount.

This assessment will be documented and recorded as part of the annual financial statements working papers, for review by the external auditor.

In making this assessment, City officers are required as a minimum, to consider the following indications:

External sources of information

- During the period, an asset's market value has declined significantly more than expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Council have taken place during the period, or are expected to take place in the near future, in the technological, market, economic or legal environment in which the Council operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- The carrying amount of the net assets of the Council is more than its market capitalisation;

Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Council have taken place during the period or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the rather than indefinite; and
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.
- Where an asset is considered likely to have been impaired, the City will estimate the recoverable amount of the asset. If the asset carrying amount exceeds the amount to be recovered through the use or sale of the asset, it will be written down and an impairment loss recorded in the Financial Accounts, unless the asset is carried at a revalued amount. Where an asset has been revalued, the impairment loss will be offset against the asset revaluation reserve to the extent available. An impairment loss can be reversed for physical non-current assets in subsequent years.

Legislative and Strategic Context

Federal or State legislation, directives, guidelines, Acts or Regulations that provide the broad framework within which the policy operates and/or with which it needs to comply:

- **AASB 116 – Property, Plant and Equipment.** This standard prescribes the accounting treatment for property, plant, and equipment, ensuring that users of financial statements can discern information about an entity's investment in these assets and the changes in such investment.
- **AASB 136 – Impairment of Assets.** This standard outlines the procedures required to ensure that an entity's non-financial assets are carried at no more than their recoverable amount and includes related disclosures concerning that assessment.
- *Local Government (Financial Management) Regulations 1996*

Review Position and Date

This policy to be reviewed every two years.